



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

**Y Pwyllgor Menter a Busnes
The Enterprise and Business Committee**

**Dydd Iau, 3 Ebrill 2014
Thursday, 3 April 2014**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal,
cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, a transcription of the simultaneous interpretation is included.

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

Rhun ap Iorwerth

Plaid Cymru
The Party of Wales

Keith Davies	Llafur Labour
Yr Arglwydd/Lord Elis-Thomas	Plaid Cymru The Party of Wales
William Graham	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie James	Llafur Labour
Ann Jones	Llafur (yn dirprwyo ar ran Mick Antoniw) Labour (substitute for Mick Antoniw)
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Matthew Brown	Rheolwr Buddsoddi mewn Cymunedau, Cyngor Gweithredu Gwirfoddol Cymru Communities Investment Manager, Wales Council for Voluntary Action
Professor Andrew Davies	Cadeirydd Comisiwn Cwmnïau Cydweithredol a Chydfuddiannol Cymru Chair, Welsh Co-operative and Mutuals Commission
Gary Davies	Pennaeth yr Is-adran Materion Ewropeaidd ac Allanol, Llywodraeth Cymru Head of European and External Affairs Division, Welsh Government
Phil Fiander	Cyfarwyddwr Rhaglenni, Cyngor Gweithredu Gwirfoddol Cymru Director of Programmes, Wales Council for Voluntary Action
Edwina Hart	Aelod Cynulliad, Llafur (Gweinidog yr Economi, Gwyddoniaeth a Thrafnidiaeth) Assembly Member, Labour (The Minister for Economy, Science and Transport)
Carwyn Jones	Aelod Cynulliad, Llafur (Y Prif Weinidog) Assembly Member, Labour (The First Minister)
James Price	Cyfarwyddwr Cyffredinol, yr Economi, Gwyddoniaeth a Thrafnidiaeth, Llywodraeth Cymru Director General, Economy, Science and Transport, Welsh Government
Yr Athro/Professor Colin Riordan	Llywydd ac Is-ganghellor Prifysgol Caerdydd President and Vice-Chancellor, Cardiff University
Anne-Marie Rogan	Prif Weithredwr YMCA Abertawe Chief Executive, Swansea YMCA
Derek Walker	Prif Weithredwr Canolfan Cydweithredol Cymru Chief Executive Officer, Wales Co-operative Centre

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

Olga Lewis	Dirprwy Glerc Deputy Clerk
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Claire Morris	Clerc
	Clerc
Siân Phipps	Clerc
	Clerc
Ben Stokes	Y Gwasanaeth Ymchwil
	Research Service

*Dechreuodd y cyfarfod am 9:16.
The meeting began at 9:16.*

Cyflwyniadau, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions

[1] **William Graham:** Good morning, ladies and gentlemen. Perhaps we could make a start now on our committee. I welcome our witness, Professor Riordan. The meeting is bilingual, and headphones can be used for simultaneous translation from Welsh to English on channel 1, or for amplification on channel 0. This meeting is being broadcast and a transcript of the proceedings will be published later. I remind everyone to turn off their mobile phones. For the witness, there is no need to touch the microphone; it will come on automatically. In the event of a fire alarm, I ask you to follow directions from the usher. I have apologies today from David Rees, Byron Davies and Mick Antoniw. We welcome Ann Jones, who is kindly substituting for Mick Antoniw. It is good to see you, Ann.

09:16

Ymchwiliad i Gyfleoedd Cyllido yr UE 2014-2020 (Sesiwn 11) Inquiry into EU Funding Opportunities 2014-2020 (Session 11)

[2] **William Graham:** We will go straight into questions. I think that is probably best. This is our final evidence session in our inquiry into EU funding opportunities. I welcome Professor Riordan and ask him to state his name and title for our record.

[3] **Professor Riordan:** My name is Colin Riordan and I am president and vice-chancellor of Cardiff University.

[4] **William Graham:** Thank you very much. You will know that we have rather limited time, as usual, so I may need to move the discussion on at various times. Let us move to the first questions. Could I ask you how you consider the performance of Cardiff University and perhaps Wales more generally in promoting outward mobility since you have been vice-chancellor?

[5] **Professor Riordan:** I was quite surprised when I came to discover how well we were actually doing at Cardiff. I was expecting maybe 2% or 3% at most of our students to be going abroad for a period of a month or more, either working, studying or volunteering. The UK national average is generally held—and it really depends how you count it; there is a big problem with data in all of this, which I can explain if you want—to be around 1% or 2%. When we looked at it in Cardiff it turned out that we already had 12% of our students going abroad, and I set a target of 17% by 2017, which is slightly whimsical in a way, but the idea of that was so that it would stick in people's minds, and it actually has. We certainly want to go well beyond that, so I hope that before 2017 we will hit that target and then we will set much more ambitious ones.

[6] **William Graham:** How do you think your encouragement has made Welsh HE generally more willing to participate in these schemes?

[7] **Professor Riordan:** It is very difficult for me to gauge, but what I have seen in Welsh higher education, rather like elsewhere in the UK, is a real sea change over the last three years, I would say, in the recognition of the benefits of studying, working or volunteering abroad for students. I was asked by the UK Minister for Universities and Science to conduct an inquiry into this, and we uncovered quite a lot of very convincing evidence that it increases their employability, and even improves their grade point average. There was a study done of 40,000 students, 20,000 who did not go abroad and 20,000 who did. That was longitudinal over 10 years. This was from the United States. It showed an improvement in their academic attainment, and my own personal experience as a professor of German, and in fact a student of German, having studied abroad and seen many generations of students go abroad for a period of time and come back as much more well-rounded and capable individuals—. There is not a metric for that, but it is obvious as soon as you see them. So, my own personal experience is added to that, and I have, in a sense, I suppose, been proselytising about it for some time. You look across Wales and more widely in the UK and we are seeing a much higher awareness of the benefits of this.

[8] **William Graham:** Thank you very much. Joyce is next.

[9] **Joyce Watson:** You mentioned the target of 17%, so I will not ask a question on that, which I was going to do. Moving towards that, what concrete steps is the university taking to achieve that? You said that it was hypothetical, almost, but what are you doing?

[10] **Professor Riordan:** We have provided £1.6 million for bursaries to make it easier for students to go abroad. The particular issue there is that, if you want widening access to extend to periods abroad, you have to provide money, because, rather like language study, it threatens to be the preserve of the middle classes if you do not do that. So, we are putting money into that. It is over a period of four years. That is the reason for it.

[11] When we did research on this, or when we looked at the research on it, we found that finance was the biggest barrier. Another barrier that students cite—often because they have not really necessarily thought about all of the options—is language. It is perfectly possible to go abroad to somewhere where English is spoken. You can go to India, the United States, Australia or New Zealand. They tend to be quite far-flung places, but you can go to places where English is spoken as a native language or is the lingua franca. You can also study in places like Denmark, the Netherlands or Germany, where you can take all of your courses in English. So, it is not as much of a barrier as they think, but it is a fantastic skill to have. So, we have introduced the Languages for All programme—or, rather, we are about to introduce it, as it takes some time to put these things in place. That will happen during the course of this year. So, there is the outward mobility bursary scheme and Languages for All, and we are opening what we are calling a global opportunity centre, which will be a one-stop shop for students who want to go abroad, to advise and support them and tell them about all of the opportunities, because there are many of them out there—obviously there is Erasmus—and there are many places that they can go to for support, help and funding.

[12] **Joyce Watson:** There is one area that I thought you might have touched upon as a barrier—because we were told about it when we were at the university—is the cost of keeping accommodation open. That is, students had to pay the cost of double accommodation, for which they did not have any finance. I was just wondering whether that has been recognised and whether any help is available, because every student we spoke to consistently said that that was a major barrier.

[13] **Professor Riordan:** That is the first time that that has come to my attention. I can certainly look at that. As I said, we are supporting it financially, but we really have to do it ourselves as a university, because we do not get any other support for that. However, we are

doing it, and I will certainly look into that. It depends when they go, of course. If it is during the academic year and, say, they go for a month over Easter or something, they would have an issue with their accommodation. However, if they went in the summer, they would not, because they would presumably have finished with it by then. However, I can certainly look into that. My concern is to get them going out there. If there are barriers, I want us to do whatever we can to remove them.

[14] **William Graham:** Keith is next.

[15] **Keith Davies:** Diolch, Gadeirydd. Gofynnaf fy nghwestiwn yn Gymraeg. Rydych wedi sôn am y targed o 17% o fyfyrwyr Caerdydd yn barod. O'r amser buon yn trafod gyda myfyrwyr yng Nghyncoed, roedd yn amlwg i ni fod Prifysgol Caerdydd yn arwain o'i gymharu â cholegau eraill yng Nghymru. Felly, a oes rôl arbennig gan Brifysgol Caerdydd yng nghyd-destun Cymru neu, efallai, y Deyrnas Unedig?

Keith Davies: Thank you, Chair. I will ask my question in Welsh. You have already mentioned the target of 17% of Cardiff University students. When we were discussing this with students in Cyncoed, it became apparent to us that Cardiff University is in the vanguard compared to other colleges in Wales. So, does Cardiff University have a particular role in the Welsh context or, perhaps, the United Kingdom?

[16] **Professor Riordan:** I think, as a university—. We are a very large university in Wales and I think that what we can do is to show the way. We would be very happy to advise and assist other universities that want to go down the same route. However, it depends on the resources of the particular university. They may not be able to put in the same resource in that we can. However, there is plenty of support out there from the European Union and other sources. You do need to co-ordinate that and make the awareness available to your students. Of course, students in Wales have access to the UK resources, because as chair of the UK Higher Education International Unit, I am responsible for the UK outward mobility strategy and have oversight of the mobility unit that was set up, UK nationally, for that purpose. That has many resources available for students throughout the United Kingdom.

[17] **Keith Davies:** O ddarllen y papur a gawsom am Brifysgol Caerdydd, roeddwn yn sylwi bod yr adrannau peirianeg wedi derbyn arian sylweddol o Ewrop dros y blynyddoedd. Fodd bynnag, pan roeddem yn siarad â'r myfyrwyr yno roeddwn yn cael y teimlad mai myfyrwyr ieithoedd oedd y rhai oedd yn cymryd y cyfle. Nid oeddwn yn siŵr a fyddai myfyrwyr sy'n dilyn cwrs peirianeg yng Nghaerdydd yn barod i fynd i wlad arall. Yr hyn sy'n bwysig o'r hyn ddywedoch chi wrthym ni yn gynharach yw, os yw pobl yn cymryd mantais o'r cyfle, maen nhw efallai yn mynd i gael mwy o gyfleoedd i gael swyddi na phobl eraill.

Keith Davies: From reading the paper that we received about Cardiff University, I noted that engineering departments had received substantial amounts of European funding over the years. However, when we were there speaking to students I got the feeling that it was language students who were taking these opportunities. I was not sure whether students who were taking engineering in Cardiff would be as willing to visit another nation. What was important from what you said earlier to us was that if people take advantage of the opportunity, they perhaps will have better employment opportunities than others.

[18] **Professor Riordan:** This is the reason why we went for the definition of mobility as being at least a month of studying, working or volunteering, because that opens it up a lot more. Traditionally, it has been language students and medical students, particularly medical students going abroad on placements because they need to do a placement. In order to make it wider than that, we have gone for a definition that is much easier for them to achieve. They can even put the four weeks together during the course of their time at Cardiff, so they could do two weeks during one year and two weeks during the next. They do not have to go somewhere where they need to speak a foreign language. So, I am trying to encourage

students in exactly that type of area that you mentioned, where perhaps traditionally they have not gone as much. I would hope that some of them will take the Languages for All programme, and will want to go to Europe to spend a term abroad, or something like that.

[19] As it happens, when I was at Swansea back in the 1980s and 1990s, I introduced a course in German and engineering. The only trouble was that we only got very small numbers of students, because they needed A-level maths and A-level German and it is pretty rare to get students with that. However, we had excellent students who turned out to be fantastically employable, but that is quite a big commitment for them.

[20] **Keith Davies:** I think that it was Tuesday of this week that we had a big life sciences meeting in the Assembly over lunch time, and Swansea and Cardiff universities were invited. The centre that exists in north Cardiff is a world-leading centre as far as research in particular cells development is concerned. Does that provide opportunities for students at Swansea and Cardiff to be involved with worldwide companies such as GE? It is fantastic.

[21] **Professor Riordan:** Absolutely. I travel abroad on behalf of Cardiff University and Welsh universities, but also UK universities. One of the things that we do when we meet companies, which we meet almost as often as we meet universities, is to look for opportunities for internships and placements for students, because it can be fantastically helpful. Having done it myself as a student, working in Germany, it transforms your whole outlook and your whole ability to comprehend what the world is going to be about.

[22] **Lord Elis-Thomas:** Thank you, Colin; it is a pleasure to have you in the committee. Are there any specific objectives that you would highlight in terms of the strategic work that you have been doing for the UK and for Cardiff and Wales? I am looking in particular at the UK outward mobility strategy, which has seven objectives. Is there a particular one that you would recommend to us to recommend to Welsh Government and HEFCW? You mentioned already that the financial barrier was the big one. Maybe you could tell us something more about that. You also mentioned earlier on that there are issues of data. It might be helpful if you were to tell us something about that as well.

[23] **Professor Riordan:** If I was going to summarise why this is important and what the objectives should be, it should be that UK students are much more internationally aware than they are at the moment.

09:30

[24] It is the same problem, by the way, in the United States. In the United States, the big campaign has been about getting passports so that they can, at least, go abroad in the first place. We do not quite have that problem. However, it is difficult to get students here to reach anything like the numbers that you have abroad. Germany is aiming at a 50% target; some countries are already beyond that. We are at a very low number in terms of percentages.

[25] To talk about the data, apart from Erasmus, there has not been—and there is not across Europe—any way of gathering data in a way where we are using the same definition that you can track in different countries. Erasmus is only one form of mobility. It is very useful to have that, but we think that it needs to go beyond that. So, we have worked with the Higher Education Statistics Agency, which is now asking universities to collect more data fields that will tell us how long students have been there and what they have been doing. Over the years, we will have those data.

[26] To come to the question of how to encourage students, the reason that we looked at this in the first place was because the coalition Government originally decided that it was no longer possible to fund Erasmus—in other words, to fund our students going abroad. That

would have been very embarrassing and difficult for the UK had that really persisted, so we were asked to look at what the options would be. We ended up with the possibility for the home university to charge a fee of 15% of the total, which is about what it was previously. So, if it is £9,000, 15% of that is about £1,500—it is £1,500 if it is £9,000. That is approximately what it was before. The Higher Education Funding Council for England is also putting in £2,250 per student, but not just per student going to Europe on Erasmus—that figure is for a whole year—but if they are going outside Europe, as well. So, that was a real advance; we ended up better off, as it were, than we were before.

[27] Unfortunately, because of various exigencies in Wales, it is not possible for the Higher Education Funding Council for Wales to follow suit with that, which is understandable given the circumstances that we are in. As I say, that means that we, as universities, have to make up that difference. However, I think that we owe that to our students, because all of our students should be international students—not just the international ones, as it were. The student of the twenty-first century is very internationally aware; they are flexible, mobile and they will work, potentially, anywhere in the world. Our students—when I say ‘our students’, I mean Welsh and UK students—are competing with students from the EU and students from beyond the EU, of which there are many thousands, not just in Wales, but in the UK, who are qualified in that way. They are competing with them, and we have a duty and an obligation, as universities, to serve our students well.

[28] **Lord Elis-Thomas:** There is also the other side—what the international cohort of students does for the so-called host university. Obviously, I see quite a lot of that, and I always find it very impressive in terms of the interaction that they generate. However, you mentioned that HEFCW is not able to support this, but you have described this as a priority, in terms of the skilling, training and job potential of individual students. Do you think that we should consider recommending to Welsh Government that it should recommend to HEFCW that this should be reconsidered and made a priority?

[29] **Professor Riordan:** I would welcome that, but there are so many priorities and the means are so tight that I could see that that might be problematic. I think that we worked out that it might cost £1 million or £2 million to do that for Wales. If resources were freely available, I would absolutely say ‘yes’—I do absolutely say ‘yes’. However, I am aware of the exigencies.

[30] **Lord Elis-Thomas:** That is a useful figure for us to think about, in terms of priorities. Finally, I want to ask one historical question, which you can take in any way that you want. You spent more than 10 years, as I remember it, in Swansea.

[31] **Professor Riordan:** I spent 12 years there.

[32] **Lord Elis-Thomas:** How do you see the higher education scene in Wales now as compared to what it was then? Obviously, your position has changed as well.

[33] **Professor Riordan:** It is just a very different world. That was HE as was. I was probably at the tail end of a rather quieter world; a world that was less driven and, maybe, less effective in certain ways. However, there was certainly more time for reflection, contemplation and studying things like literature than there is, perhaps, now.

[34] **Ann Jones:** May I just take you back to when Dafydd was asking you about whether we should be talking to HEFCW about making it a priority? You said it would cost about £1 million to £2 million.

[35] **Professor Riordan:** That was a real guess.

[36] **Ann Jones:** How is that? You are already putting £1.6 million in as bursaries. You are saying that it is £1.2 million on top of that and that you would still expect universities to put a bursary in to assist those students under widening participation. So, the £1 million to £2 million is not actually a correct figure, is it?

[37] **Professor Riordan:** We worked that out, really, on the back of an envelope, to estimate what it would cost HEFCW to do what HEFCE is doing for English universities, which is putting in £2,250 per student who went abroad for a year. We would have to do more detailed modelling on that. That was just a guess, because it did not seem to be something that there was any real hope of pursuing.

[38] **Ann Jones:** Okay. I am interested in how you would build partnerships within west Wales and the Valleys, which is the area for structural funding programmes from Europe. Cardiff, I think, sits outside of that. How are you working with the universities in that area, such as Bangor and Aberystwyth, to get the maximum amount of bang for your buck? If you were to build a partnership with them, would we get more students being able to go over there at a smaller cost to universities?

[39] **Professor Riordan:** In terms of the structural funds, that is really more for things like infrastructure and innovation—particularly innovation. Actually, we now have access to those funds, if it can be shown that we are contributing. We actually have some sites in those areas; we have sites throughout Wales, as it happens. In terms of working with other universities, this is not an area that we would be competing on. So, if there was something we could do that benefited other universities, we would certainly do it. We would have to think of what that was. If there was something that we could do that made savings or that made it more efficient and effective, we would do it. I certainly would be very happy to have a Wales-wide campaign to get Welsh students going abroad. That might be the sort of thing we can do. We are a relatively small country and there are relatively few universities. It might be an area that we could work together on and really try to get Wales in the forefront. Scotland has already been doing this. It has had a campaign for several years now.

[40] **Keith Davies:** In your paper to us, you talk about the INTERREG programme and that Cardiff University cannot be part of INTERREG IV and V. Then, your paper goes on to say that,

[41] ‘More support from the Welsh Government and the Welsh European Funding Office (WEFO) to give these programmes greater visibility within Wales would be welcome.’

[42] I asked WEFO the question about Erasmus+ and INTERREG and why we were not really involved with these. I think that I also asked about the TEN-T programme. The response from WEFO to me was that these are not big funds compared to the European regional development fund. Well, that was not the point that I was making. If it is going to be of benefit to students, then why do we not give more support to these other programmes? Tied in to that question is that what we got from your students in Cardiff was that you have a good office in Cardiff University that supports the students. It seemed to me that, perhaps, other colleges are lacking and that we are not getting that support from WEFO that we should be having.

[43] **Professor Riordan:** It is an interesting point. It never really occurred to me, because WEFO deals with the really big funds and we work very closely with it on those. If WEFO saw itself as having a role, we would obviously welcome that, in helping us to raise awareness and to expand take-up and more applications to these things. So, it sounds like a good tip.

[44] **Rhun ap Iorwerth:** We are looking at European funding—I cannot stop clock-

watching as a former broadcast journalist—and I think we were about 16 minutes into our chat this morning before Erasmus was mentioned. You are obviously taking the correct approach in looking at all aspects of outward mobility, not just Erasmus. Where does Erasmus rank? Is that the key for you or is it just one in a number of items in your toolkit for encouraging outward mobility?

[45] **Professor Riordan:** It is one of a number of tools, but it is a very important one. If students go on Erasmus—whether that is on a work placement or to study—they are going to be there for three months or more and they are likely to be taking a language or working in another language, or something of the sort. It is a flagship thing; it is an indicator. The fact that we had—as you will have seen in the paper that we submitted—a 20% increase just in a year from putting some effort into this, is very encouraging. What is also important is that we do not have students saying, ‘I cannot spend a term learning German or something; that is a terrible idea’. We do not want that to be a barrier to them. It is quite a tricky balance. We want to encourage them to be ambitious but not put them off. It is one of a number of tools. They are doing all sorts of things. I want them to go to China to learn Mandarin and I know that some are already going to Oslo to learn Norwegian—things like that.

[46] **Rhun ap Iorwerth:** I did not study languages, I studied politics at Cardiff University—

[47] **Lord Elis-Thomas:** Look what happened to you. [*Laughter.*]

[48] **Rhun ap Iorwerth:** I was most upset a couple of weeks ago when I realised that I could have joined my then girlfriend—who is now my wife—on her Erasmus year abroad. I had not realised that, as somebody not studying languages, I could also have done Erasmus. Could a student go through Cardiff University now and not realise that there is an opportunity for them to spend time abroad?

[49] **Professor Riordan:** I very much hope not. We have not quite opened the global opportunity centre yet and we have not really started the big campaign. Whatever you try to do in a university, it seems to take forever. It always has. Having said that, people have worked really hard on this. You do not want to get it wrong, so they have put everything in place. That might be the case right now, but I hope that in a year or so, it really will not be, and that when they arrive—before they get here—we will be telling them, ‘Come to Cardiff because this is the support that you are going to get’.

[50] **Rhun ap Iorwerth:** Finally, I will ask the question that I am meant to be asking. You play a key part in the UK outward mobility strategy and you are personally driven by that. How would you describe the level of engagement of Welsh Government in that strategy? Is it afforded the right level of status by Welsh Government?

[51] **Professor Riordan:** The short answer to that is ‘low’ and ‘no’, from my point of view. We have representation from the civil service on the committee but I have never had any engagement, contact or conversation with Welsh Government, except that I talked about it informally with Leighton Andrews when he was Minister. We have not really done anything specific in Wales. It is the universities themselves. The interest is so high. When we were doing this, I had people lobbying me from English universities, but it could easily have been Welsh ones, on what the circumstances are going to be, what the conditions are going to be, whether this is going to encourage or discourage them. It is a horse that we should get aboard.

[52] **Rhun ap Iorwerth:** Could more positive engagement by Welsh Government be anything other than really helpful in pushing up numbers of students who engage in outward mobility?

[53] **Professor Riordan:** I am sure that it would be helpful. It is one of those things where you arrive in a place and there are so many things to do—big things—and there are some really important, existential matters going on. They are things like this, which I think are extremely important. It is hard to position them alongside some of the major issues confronting us, but that should not stop us from doing it.

[54] **Lord Elis-Thomas:** Would you not say that, in the context of Wales, there are small-country issues—you know exactly what I am talking about—that make this even more important?

[55] **Professor Riordan:** Yes. Welsh students would benefit hugely from getting out into the world. You have an advantage, as Scotland has recognised; if you are a relatively small country, you can do things that you could never do in England—it would be too big. In Germany, they do it but they have been funding the German academic exchange service, which is an arm of the foreign office, for over 75 years—it must be 85 years now. They have €100 million a year. We cannot do that, but there are other things that we can do.

09:45

[56] **Julie James:** Apologies for being late. I had my usual nightmare journey up the M4 this morning.

[57] One of the issues that has been raised with us as constituency AMs—and I have both Swansea universities on my patch—is the practical difficulties of sorting out such things as accommodation and so on for students who want to go away for what is not a full year. I think that we should not underestimate the barrier that that is. If you are a student from a relatively low-income home and you have to buy a year's accommodation, because that is the only way to do it, and you are being offered a term abroad and all that sort of thing, what strategies can we put in place to avoid some of those issues?

[58] **Professor Riordan:** I organised the year abroad in Swansea University for pretty much the whole 12 years that I was there, and I remember getting phone calls saying, 'There aren't any pots and pans in here', or 'I can't work out how to close the curtains'. So, students do get quite—. It is a big thing for them. If they are going for that period, they are almost certainly going to be on either Erasmus or a placement of some sort and they will be paid, so they will get a grant for that—

[59] **Julie James:** For the time period that they are away—

[60] **Professor Riordan:** While they are away, yes.

[61] **Julie James:** The point that I am making is that, if it is not a full academic year, when they come back, they have massive accommodation problems, because you can only rent for a whole year in most of the student places.

[62] **Professor Riordan:** Those are the sorts of things that we can solve. We can look at that type of thing. You actually have to put the arrangements in place. So, if they are going on an Erasmus approved placement, we would always have an arrangement with the university abroad for them to have their accommodation provided for them and they would have a grant to pay for it and we would make arrangements for when they got back as well. You really do have to do that sort of thing.

[63] **Julie James:** I think that second part is missing in quite a few of the universities. So, the arrangements for when you are away are good and are supported and all the rest of it, but I

know quite a lot of students who have had real problems when they have come back. In turn, that puts off the next wave, because they watch those students struggle; it really does put them off. The lower income you are and the more disadvantaged a child you are, the more difficult it is to overcome that sort of hurdle.

[64] **Professor Riordan:** This takes me back. You were not here earlier on, but I said that the danger of this is that it becomes the preserve of the middle classes, which is rather like languages, because of the issues around the year abroad and so on. I think that widening participation—. That is why we are supporting our programme with £1.6 million. We need to make sure that there are no barriers to any student going abroad. That does cost money, and they need to be able to make arrangements.

[65] **Julie James:** May I pursue that point one last time? The other issue, to which I think Dafydd alluded a little, is that we have a lot of students who live at home right through the whole of their time in university. In my experience, those are the ones who most need the push to go abroad. They need help to get out of that comfort zone as well. I do not think that that is in place, either.

[66] **Professor Riordan:** It is difficult for me to speak for other universities, because I do not know exactly what they do.

[67] **Julie James:** I do not just mean in Swansea; I mean generally.

[68] **Professor Riordan:** Yes, that is probably right. This is why a campaign to educate and inform students and parents about the benefits of this—. Yes, they will have a great time—they nearly always have a great time—whether they go as teaching assistants, students, working or volunteering. They benefit, the country benefits, the university benefits. It is a complete win-win.

[69] **Julie James:** I spent a year abroad in Chicago and it was one of the best years of my life.

[70] **Professor Riordan:** Absolutely. [*Laughter.*]

[71] **William Graham:** Thank you very much, as ever, Professor, for your evidence today. There will be a written record for you to correct if you wish. Thank you very much for coming today. Members, we will recess now for 10 minutes until 10.00 a.m.

*Gohiriwyd y cyfarfod rhwng 09:49 a 9:58.
The meeting adjourned between 09:49 and 9.58.*

Mentrau Cymdeithasol Social Enterprises

[72] **William Graham:** Welcome to our witnesses. Thank you for your attendance today. This session on social enterprise aims to track progress made by the third Assembly's Enterprise and Learning Committee, which published its report in November 2010. It is also an opportunity to consider a recent report by the Welsh Co-operative and Mutuals Commission, and Professor Andrew Davies will give evidence later.

[73] I will go straight into questions, and I will start the questioning. Do you think that the Welsh Government's vision for the social enterprise sector is currently clear and well known?

[74] **Mr Brown:** I think that it is. There is a clear remit and definition of what we operate

to in Wales, which is being challenged a little bit by some of the definitions that are emerging in England. Big Society Capital is pushing for a bit of a change in how social enterprise is viewed in England, and looking at some of the ownership structures. Our view is that we have it broadly correct in Wales, in that there is a clear distinction between a social enterprise and a social firm, which is a private business that operates for good and for some private profit. So, I think that we have that broadly correct in Wales. I think that, perhaps, where things have moved on since the original report is the external climate for social enterprises. We could look at how we better reflect what we offer and the support that we provide to social enterprises to give them more of an opportunity to be better and more successful and sustainable organisations as we go forward.

10:00

[75] **Mr Fiander:** I would agree.

[76] **William Graham:** So, the 2009 action plan could be changed.

[77] **Mr Brown:** I think that rather than change it, refreshing it is probably the way. We would not say that it needs a broad change of strategy, but I think that, and as noted in the paper, social investment is one of the things that has grown quite quickly as a new area for social enterprises in the last couple of years, and I think that it could, perhaps, be refreshed to include a few more of those areas.

[78] **Mr Fiander:** I think that it probably needs refreshing around social investment and new opportunities like that. In the longer term, when we talk about the survival of social enterprises, social investment becomes a key instrument in that.

[79] **Ms Rogan:** As the chief executive of a social enterprise that has actively looked at development over the last five years, I think that there has also been a lot of active learning and experience on the ground that has been collected via the sector. Therefore, yes, we should be able to influence and further develop strategy and tie it up with the reality, the complexities and challenges that you have with running a social enterprise within Wales and look at the benefits and impact that social enterprise has within our communities at large, such as tackling poverty, creating employment and looking at the education and skills agenda. So, there is a lot of learning, which needs to be reflected and considered.

[80] **William Graham:** Quite so. Do you think that the Welsh Government gives enough consideration to the needs and potential?

[81] **Mr Brown:** Yes, I think that it does. The Welsh Government has looked not to bundle social enterprise in with normal businesses, and we think that that is important. We think that a lot of social enterprises, and third sector organisations that want to be more enterprising, perhaps do not see themselves as being able to get the right support and finance that is tailored to the private sector. So, I think that the Welsh Government's approach of enabling organisations like the Wales Co-operative Centre and others to deliver bespoke support to social enterprises and then allowing an organisation like WCVA to provide bespoke investment and loan finance to social enterprises is an important distinction. I think that that is right. The fact that it is closely aligned with business support, but that there is clearly a separate strand to supporting our social enterprises, is the correct approach.

[82] **Ms Rogan:** I think that it is really important to consider that the motivating factor behind a social enterprise is the driver to do good business and to have an impact socially. The method that we utilise is social enterprise. It is not a legal structure; there are various opportunities and ways to take this forward, and that needs to be considered as well as the fact that it is a motivating factor to do good business and to effect social change and that we need

to have an opportunity to tap into a variety of support, as needed, at various levels and, depending upon whether we are a starter, experienced or upscaling, we need to have an opportunity to be able to be supported throughout that journey. So, it is about being able to offer flexible approaches and a package of support to social enterprises, particularly, importantly, looking at governance, finance, strategy and business development.

[83] **William Graham:** Thank you very much. I call on Keith.

[84] **Keith Davies:** Diolch, Gadeirydd. **Keith Davies:** Thank you, Chair. I will ask my questions in Welsh. What is your opinion on this report? Do you agree with the commitments and the recommendations?
Gwnaf ofyn fy nghwestiynau yn Gymraeg. Beth yw eich barn chi am yr adroddiad hwn? A ydych chi'n cytuno gyda'r ymrwymadau a'r argymhellion?

[85] **Mr Brown:** I think that we see the report as an important addition to the debate that is going on at the moment in terms of how we deliver and structure lots of our public services. We obviously think that the third sector, and we would include in that co-ops and mutuals, can play an important role in how that is delivered. So, we broadly support the report. It talks about the support and the finance available to co-ops and mutuals. Perhaps we would say that we can look at what is already there for social enterprises, and there is perhaps not a need for something that is completely separate, but we could look at how we integrate that with what is already going on. However, yes, we think that it is an important addition to that debate. The WCVA has been doing a lot around co-production. We have been doing a lot of work with various public sector organisations around what we call the Wales wellbeing bond, which is about how we can use investment in third sector organisations to look around invest-to-save, and how the third sector can deliver things that enable the public sector to reduce its expenditure. We have been doing a lot of work with the various health boards, including Cwm Taf health board, where we have been looking around how mental health charities in Cwm Taf can start delivering some low-tier support services that can have an impact on prescription rates of anti-depressants. I am sure that you are all aware of the anti-depressant prescription rates. There are some truly awful statistics out there, so it is about how the third sector can better play a role in supporting health boards and GPs in terms of impacting on that. We are very keen to look at how we can progress in terms of those kinds of new models of operating. I think that the report helps move that debate forward.

[86] **Mr Fiander:** I think that that is right. The third sector has a very important role to play in this and the co-ops and mutuals are part of that agenda. I do not think that we need to badge everything; we have to find innovative solutions, and how we find those is an important piece in the jigsaw puzzle, if you like.

[87] **Ms Rogan:** I support my colleagues in that.

[88] **Keith Davies:** Byddwn yn cwrdd â'r **Keith Davies:** We will be meeting with the Minister later on, so maybe it is important for us to learn from you what the most important recommendations in this report are in your opinion.
Gweinidog nes ymlaen, felly efallai ei fod yn bwysig inni wybod oddi wrthyhych beth yw'r argymhellion pwysicaf yn yr adroddiad yn eich barn chi.

[89] **Mr Brown:** I think that it is raising the profile of a different way of operating. That is the key, overarching message that we would take forward. We have done lots of things in terms of structures in quite the same way for a number of years, and I think that the report is important in opening up the thought process of civil servants and public officials about there being different ways of operating that can better meet the needs of communities through co-producing, using community resources and bringing in other third sector organisations. That is the important part, really—that we start opening a debate up about how we can meet the

huge challenges that we have going forward. The third sector cannot do it on its own, and the public sector cannot do it on its own, but together we all have a pretty good chance of doing that. That is probably one of the key bits from the report.

[90] **Lord Elis-Thomas:** There is another view, of course, which is that Wales is overladen with bureaucratic structures, which are intermediary bodies that operate in between Government funding and activity that happens on the ground, motivated by very dedicated volunteers and others. What do you say to that view?

[91] **Mr Fiander:** My personal view, coming from an intermediary body, obviously—*[Laughter.]*—is that I do not necessarily hold that view. There is often a simplistic view put forward by the English Government around some of this stuff—that you can do away with intermediary bodies and volunteering and everything will happen on its own. To a certain extent, some of that will happen, but if you want to organise, develop new services and actually engage the sector, then you do need some sort of support structure. The intermediary bodies play an important role in that.

[92] **Mr Brown:** Some of the work that we are doing is trying to enable organisations to have that direct relationship. So, as someone who provides social investment loan finance, I would be looking to support an organisation with finance so that they can deliver a contract that has come straight from a health board, local authority or maybe the Welsh Government. So, my role day in, day out is to try to provide the finance that organisations need to go ahead and meet their objectives and do those things. It is what we were able to do with Anne-Marie at Swansea YMCA, and it is what we have done with lots of other organisations. In this role, I would hope that we would see social enterprises, co-ops and mutuals coming out that are able to see opportunities to deliver things differently. As an intermediary body, along with the others, we support those organisations to achieve those aims and objectives. That is how I see our role.

[93] **Lord Elis-Thomas:** Obviously, I am not an apologist for what you very kindly called the English Government. I usually call it the United Kingdom Government. It is mainly in charge of England, but it comes down to the same thing. I do not think that you really engaged with the question that I was trying to ask, because it does seem to me that we have operated—and you have alluded to this, both of you—in a system that has relied very strongly on intermediary bodies as a way of delivering funding and stimulating. Now, I could argue the opposite. I could say that these intermediary bodies do not, in fact, stimulate, and that is why one of them was recently abolished, and has not yet been replaced. Surely, there is something wrong if the Welsh Government takes the view that things like the Welsh social enterprise coalition required restructuring so quickly.

[94] **Mr Brown:** I think that the difficulty, perhaps, with that body, which perhaps came out, was it trying to find a unique message for social enterprises. I think that we have said in the paper that we have a range of bodies already. Those organisations—and although you might call them social enterprises, they might also call themselves charities or something along those lines—are already represented by organisations. I think that part of the problem with the coalition was it trying to find a unique message to give about social enterprises that was different from other bodies. That is what we are trying to emphasise in our submission, which is that there will not very often be an absolutely unique message from social enterprises that, perhaps, have not already been represented by bodies that are there.

[95] **Ms Rogan:** It is important to consider the fact that you are talking about enterprising individuals and leaders who are coming together to try to tackle some huge and significant requirements within our communities at large. We will be creative and flexible, and we will work with whoever we need to in order to achieve what we need to achieve. That is what makes us successful. We will mobilise, and we will work together to ensure that we are

strong. We do need a channel in order to communicate and lobby on our behalf, but at the same time we need to gain access to a variety of different infrastructures and support mechanisms to achieve ultimately good business and good social impact at the end of the day. It is a huge challenge.

[96] You also have to consider the fact that there are organisations and social enterprises that are on a journey themselves, which I have reiterated earlier. We are all at different phases. Some of us are able to articulate our journey, use that, lobby, move forward and look at best practice models. Others come out of the third sector. They are small start-up social enterprises in their own right, beginning to trade, looking at sustainability and looking at the issues and the challenges that they have ahead of them. They need handholding. They do need intermediary bodies; they need to be handheld through the plethora of different support that we have. That is a challenge.

[97] **Lord Elis-Thomas:** Therefore, why are we always told in this committee and in others that the way to deal with business is through business, and that the way to operate is to have advisory bodies from business, advising the Minister directly in terms of funding in other areas of enterprise, and yet in this area the argument is that we need to continue with a structure that, in my view—which is clearly a biased view from the north and the west—does not deliver and is seen as very much another Cardiff-centric quasi-governmental structure? I will stop after that.

[98] **Ms Rogan:** It can be improved.

[99] **Mr Fiander:** It can be improved, and I think that some of that is down to what Government, both local and national, wants and how it directs some of this stuff. It is easy to just say that it is about the intermediary bodies, but, in some respects, some of the funding comes directly from the Government. Therefore, it is the Government that is more specific in what it wants to fund and what it wants to achieve. It can then hold the intermediary body accountable. I think that some of that actually needs to be done.

[100] **William Graham:** In your paper you refer to a confusing climate for social enterprises. How would you improve that to get clarity?

[101] **Mr Brown:** As was perhaps the case with what was being provided to private sector businesses several years ago in Wales—. I think that it was concluded that there were too many bits and pieces happening that were all set up with good intentions, but, perhaps, someone who was working in a business who just needed to pick up a phone or needed to go through a website were not quite sure where to go. I think that we are perhaps in not quite as confusing a position, but perhaps in a similar position with social enterprises at the moment. That is what is happening at the moment. However, I think that we have moved the agenda forward. So, we have held several meetings recently with the stakeholders involved; so, us, local authorities, the Wales Co-operative Centre, Community Housing Cymru, Charity Bank, and Unity Trust Bank to try to look at how we better put together that system of support, how we have a one-stop shop access point or some kind of website facility or something along those lines that means that a social entrepreneur who does not know the system and infrastructure can search Google and find a clear point of access. There might be a range of organisations delivering different bits of that support, but at least they can access it simply and it makes sense. I think that that is where we have to get to. That has come out of reports such as Professor Dylan Jones-Evans's 'Access to Finance Review: Stage 2 review', where there was a bit on social enterprise, and a couple of other reports. It has come out quite clearly that, as a range of organisations delivering that support, we need to much better communicate a message to social enterprises about where that is.

10:15

[102] **Mr Fiander:** I think that the next round of structural funds will drive that process even further. As Matt has just alluded to, there is a lot of work going on among intermediary bodies, the financiers and everything else to try to get a clearer picture for organisations such as Anne-Marie's to be able to access the stuff that they need. I think that we are on the road—that is the message I would give you.

[103] **William Graham:** You will know that the funding for the Welsh social enterprise coalition is now ending. Do you think that it needs a replacement or was it right to end the funding?

[104] **Mr Fiander:** I am not sure that it needs an absolute replacement. I think that there may be some work around bringing some of the various bodies together to ensure that there is a clearer message, and I think that some of the work we have just talked about is beginning to do that. Perhaps there is some formalisation needed there, but I am not necessarily convinced that we need another social enterprise coalition. I think that it is about how it is brought together. Certainly, the agencies we are working with are willing and are working together and starting to work together. It is about how we then badge that to make it easier for that process.

[105] **Ann Jones:** You have mentioned social investment finance a couple of times. At the bottom of page 5 of your written evidence, you talk about risk taking and you say that it is not a risk-free operation and that risks can be managed and mitigated. How exactly do you manage and mitigate the risks that you may have on your books?

[106] **Mr Brown:** I think that what we are trying to do with our social investment fund is to act as the bridge between what would perhaps have traditionally been grant funded, so the grant funders, and the commercial funders. Mostly, that is through Unity Trust Bank and Charity Bank in Wales. We try to take a decision on the business plan and the projections coming forward, which, of course, the commercial banks do. However, added into their calculations are concerns around security and value of security, the amount of deposit and so on. What we try to do is to take a few more risks by not concentrating so much on the value of the security that is available, but trying to back good ideas from business plans and financial projections and evidence provided. However, we try to balance that. We have a credit committee that has about 12 people on it from a huge range of private, public and third sector backgrounds. We bring their knowledge to the table to establish whether that business plan has a good opportunity of succeeding. That is what we are really trying to do.

[107] Going forward, because we have provided them with a loan, we have an ongoing process with that organisation. The organisation needs to submit management accounts to us. Of course, it is paying us every month in loan repayments, so if a loan repayment is missed, that will be a trigger straight away to us that something is not quite right in that organisation and we can go in and bring in other support agencies to try to help turn that organisation around. There have been a number of occasions when we have had organisations that we have loaned to where, if they had borrowed from a commercial bank—if they had been able to access the finance—the commercial bank would probably have just called it a day on them. However, because we have access to the support that is around, because of who we are, we can work with that organisation and we can give it time—which might mean reducing its repayments for a period of time or reducing the interest—to help it turn things around. On a number of occasions, that has happened and now, subsequently, they are back, they are good organisations and they are paying us monthly.

[108] It is a case of trying to look at what the risks are upfront. Our committee quite often puts conditions in place. So, it might look at the directors of the organisation and say, 'We think you perhaps need to beef up the financial side of things there'. So, we try to put

mitigation measures in place, and then we have monitoring arrangements during the loan period to try to pick up issues as quickly as possible and to try to find solutions for them.

[109] **Ann Jones:** So, when it goes spectacularly wrong—and some may go spectacularly wrong—at what point do you have to repay any moneys to the Welsh Government because you have failed to deliver under its programmes?

[110] **Mr Brown:** The terms of the agreement that we have are that we have been granted the money to invest. There is no recall on that as long as we operate in a fair and proper manner. Any money that we receive back in income is ring-fenced in a separate company with a similar purpose as what it was originally granted to us for.

[111] **Ann Jones:** So, there is no comeback on the WCVA for any bad decisions that might be taken by your management team.

[112] **Mr Fiander:** There could be. If something goes wrong, we would be audited and people would look at those decisions and at the grounds on which we made those decisions. So, while it has not happened yet, and we try to be very careful with what we are doing, there could ultimately be some sort of recourse in that regard. However, I would hope that the processes that we go through, the way that we audit and what we do—. We have always set out this fund to be that long-term friend as opposed to a short-term loan. We have been reasonably successful. We have managed to refinance probably £2 million or £3 million of what we have lent to mainstream banks. The first two years tends to be the most difficult time, particularly for social enterprises, in overcoming that hump. Once you get past two years, it tends to be a proper refinance.

[113] **Ann Jones:** How much of your overall budget do you have as a bad debt at the moment?

[114] **Mr Brown:** Our default rate at the moment is around the 12% mark. That is going right back to when we originally started lending, which was around 2006. That is our key warning. If that figure gets up to 50% or 60%, we are almost acting like a grant fund and so we would not be operating in the proper way. However, at the same point, we would have questions to answer if we were losing only 1% or 2%, because we would then be acting like a commercial bank and we have not been provided with the money to act like a commercial bank, because there are commercial banks there to do that work. We are there to act as something in between. We have learned from some of the lending that we did at the beginning and we are better at it now, so I do not think that we are far off with regard to working in the risk parameters that we have been asked to work in.

[115] **Ann Jones:** How do you distinguish between a grant and a social investment loan?

[116] **Mr Brown:** When we give people money, it is on the basis that there is a plan in place regarding how that will be repaid. That is an important learning point for social enterprises or third sector organisations that have been used to being awarded grants. That is the key difference. We make lending decisions based on the evidence that is available to us to prove that the organisation will be able to repay that money over a period of time. That is the real bit that we concentrate on.

[117] **Ann Jones:** Finally, is there any point at which you might decide that what was a social investment loan suddenly becomes a grant and therefore is not repayable?

[118] **Mr Fiander:** We have not done that.

[119] **Ann Jones:** You have never done that.

[120] **Mr Fiander:** No.

[121] **Mr Brown:** We have written things off when things have gone wrong, but while an organisation still exists, we might give it time to turn things around but that debt still exists on the books of that organisation. We might reprofile it and give it much longer to pay it back, but we have not done that with anything that we have given in the past.

[122] **Rhun ap Iorwerth:** Would you share your thoughts with us on the level and quality of advice that is offered to social enterprises through the Government's Business Wales network?

[123] **Ms Rogan:** It is variable. It very much depends on the point of entry and who you are talking to, the kind of support that you require and the level of your experience. Swansea YMCA has grown over the last five years, looking to operate as a social enterprise, from a turnover of £150,000 to £1.5 million, and has gone from employing four members of staff to employing 41 members of staff. We provide a portfolio of services in addition to our businesses that are around health and wellbeing, training, education, childcare, nutrition, and so on. As to the advice that we have received, it has been good, bad and indifferent. However, I have been able to seek advice, take that advice and use it appropriately. That is what I would say to you.

[124] **Rhun ap Iorwerth:** Could you elaborate on what is good, what is bad and what is somewhere in between?

[125] **Ms Rogan:** The portfolio of advice that I have received includes leadership, social enterprise development advice from universities such as Swansea University, advice from Business Eye, WCVA and the Wales Co-operative Centre, and mentoring schemes offered by organisations based in London, such as Pilotlight, which looks at entrepreneurship and leadership for chief executives who run charitable organisations. So, we have been able to experience different levels of intervention, some of which have been appropriate and some of which have not. Are you asking anything specific as far as—

[126] **Rhun ap Iorwerth:** You can be as detailed as you want to because we are trying to get an idea.

[127] **Ms Rogan:** As a start-up, it is fine. When you get more experience, people struggle to provide you with support. If I want to go out and look at models of best practice outside the UK, I struggle to get support to do that. Social media is great; we can do Skype, FaceTime and we can use all that research, but there is nothing better than going and seeing good business practice face to face, and meeting other leaders and social entrepreneurs to get to the bottom of what makes good business. Going and looking at models of best practice in north Wales, for example, was fabulous as there was a really good strong network. On being able to go to London and seeing really good strong networks, you cannot beat that face to face contact. You need to have that translated. Our service provision and support mechanisms in Wales need to be able to focus on that level of intervention as well. I know that we are talking about start-ups and getting people investment-ready, but for those of us who are ready to go on elsewhere, we need that level of support and it is not there at the moment, as much as I would need.

[128] **Rhun ap Iorwerth:** What role do you think the Welsh Government plays into the mix of advice sources?

[129] **Mr Fiander:** We have had mixed responses from people who have accessed Business Wales and its services. It comes down to the understanding of what social

enterprises and charities are. Sometimes, the advisers of Business Wales struggle with this concept that they are not not-for-profit. As soon as you mention 'not for profit', people start to get very confused about that. The reality is that they are for profit, because all that is happening is that the profit is circulated back into the charity. However, it confuses people. Where boundaries get blurred is around charity law and all its requirements, and those sorts of things, where business advisers do not necessarily have those sorts of skills or avenues to things. It is very difficult for someone who wants to set up a social enterprise as a start-up. There are some basic business planning stuff that a business adviser from Business Wales can do, but there are also a lot of areas that are minefields around charity law, and all those sorts of things. That is where the real confusion and muddling happens.

[130] **Mr Brown:** One of the key points is around directors and the difference between the role of a director in a private sector organisation, who would quite often have a financial interest in that business, and the role of a director of a social enterprise or third sector organisation who does not have any financial interest and is there to help that organisation. We have been doing some work recently on delivering microfinance activity for Finance Wales. It has gone through a bit of a learning process, and we have been working with it on its processes. Finance Wales's processes are where the director will have some kind of financial benefit if they succeed, so they probably should provide a personal guarantee and those kinds of things, but it is different for a third sector organisation. We want to encourage people who have great experiences to come on to the boards of social enterprises and charities to help to drive them forward and be more sustainable. Some of those models and different ways of acting are where the specialist organisations working in this area are able to provide that tailored advice.

[131] **Ms Rogan:** On that particular point, we talked about mitigating risk earlier. It is essential to refer to the skills base and governance of the organisations and the social businesses, in order to build the capacity of the directors to understand and analyse risk and to look at business planning. It is really important to look at the skills base of the staff that have the delegated authority to run that business, and to ensure that the social impact of that business is married with the financial implications of taking that forward. It is a transition and it is a learning curve. When you are working with predominantly third sector organisations that have been grant dependent for a long time, it is about taking them through that, looking at that risk and looking at the competencies that are required at board level and all the way through—that is a key element that is picked up there.

10:30

[132] **Rhun ap Iorwerth:** Back to advice that can come from the Welsh Government in particular, in another inquiry in which the committee is involved at the moment, looking at European funding, we hear all the time about the need for a one-stop shop. There has been a suggestion from the Welsh Co-operative and Mutuals Commission that something like that might be useful. It suggested in particular a new web portal—Social Business Wales—that could be a sort of one-stop advice shop. Briefly, what do you think about that?

[133] **Mr Brown:** We think that there is a range of organisations that can deliver support, but that that access point needs to be simplified; it needs to be easier to access and it needs to be clearly there. Something along the lines of what has been put forward by the commission is what is needed. I think that what we have been trying to do, as stakeholders who operate in that area, is organise ourselves so that we can have that focal point and we know who is doing what and where. So, when someone comes through that access point, they are then going straight to the person from whom they really need to get the advice or finance.

[134] **Mr Fiander:** Also, bringing all of that together allows you to bring together, through media, different training modules and all of those sorts of things. We have done quite a bit of

work around Moodle and all of that sort of online learning, so that if someone like Anne-Marie cannot afford to go on a half-day course—very often, if you are in a charity or whatever, you do not have the time—they can sit down and go online at night and do those sorts of things. I think that having that sort of electronic source is very valuable, because it can make that interaction happen and can make training a lot easier.

[135] **Ms Rogan:** I endorse a single point of entry. I also endorse a model where we are bringing together a range of service provision that caters for social enterprises that are starting or are in the middle of their development and are looking at scaling up and developing further. So, a single point of entry would be extremely attractive.

[136] **Julie James:** Moving on from there, in your paper, you talk about an opportunity to implement and enhance support in a more cohesive structure. Are you talking about the same portal?

[137] **Mr Brown:** Yes. I think that what we just talked about is what we were trying to get across in the paper.

[138] **Julie James:** It is the same as the commission has recommended.

[139] **Mr Brown:** Yes, it is very similar.

[140] **Julie James:** It is always nice when people have the same ideas going forward. On that basis, the commission is also recommending the creation of a new grants and loan fund. How do you see that fitting alongside the work that you have been telling us about this morning in terms of the funding that you do?

[141] **Mr Brown:** Fortunately, the commission goes on in the next paragraph to say that it does not think that any new structure should be created and that there are sufficient organisations able to deliver that in Wales already. We need to look at how that sits alongside the work that we, Unity Trust Bank, Charity Bank, and Big Issue Invest do. You have a range of expertise already out there delivering similar types of products, and it is about how we amend what we already have there that suits any peculiarities or differences in the co-operative and mutual sector. I think that it would be difficult, perhaps, to justify, from my point of view, the cost of running that kind of enterprise, because it is not a cheap operation—it is ongoing for the organisations that are co-operatives and mutuals. It is about how we can leverage in the expertise and resources that are already there to add that ability.

[142] **Julie James:** What do you think that the current gap or funding need is, in addition to what you are currently providing? Will this new fund bridge that gap?

[143] **Mr Brown:** I think that we were set up to help social enterprises where there was no stakeholder or employee ownership. We have not been set up to lend to a John Lewis-type institution. I think that this new fund, wherever it sits, would be able to lend to that kind of institution. That was not why we were given the grant money that we have—it is not how we were asked to set up and who we were asked to deliver to. It is about broadening who we can support and who others can support.

[144] **Julie James:** So, you do that in a single governance structure but with different funding available.

[145] **Mr Brown:** Yes. At the moment, we have a single governance structure, but we run three funds. So, we have our main fund, which is supported by the European regional development fund and is for loans of up to £250,000; we work with Finance Wales on delivering microloans of up to £20,000 and then we work with the Energy Saving Trust on

providing loan finance to community renewable projects. What we are trying to do is say that there is unified access to this kind of finance through the Wales Council for Voluntary Action, but we have a range of different products that we can fit you into when you are coming forward with your requirement. We, or someone else, can add to those a vehicle that is specially set up to support the co-operatives and mutuals, which the commission identifies as a need.

[146] **Julie James:** That is really interesting. Something that Anne-Marie was saying, which I think ties in really well with this, is that funding for people who are up and running but who have an idea, if you like, for an expansion, is, sometimes, a real problem if they are charity and where the idea that they have, which links nicely together, does not fit within their charitable purpose. Would you see those two funds as working well in that sort of scenario?

[147] **Mr Brown:** Yes. I think there are lots of great examples out there of how charities have set up trading arms that are social enterprises, but where the trading arm is there to make a profit, to then reinvest that profit in the charity. What they are also really good at is making those trading arms add value by creating work opportunities, by providing intern opportunities and work placement opportunities, even perhaps for their service users. If they are perhaps an alcohol misuse charity, it is a matter of how they can use that trading arm as an opportunity to move forward. I think that Llamau has an excellent example. It has a portable appliance testing unit that goes out and tests electrical products. It turns over a profit each year, which supports the salary of someone delivering services in a charity. That is the model that the WCVA is keen to get charities looking at. We would say that, if you have those opportunities, that is the kind of thing that we invest in day in, day out. However, we would want to invest in more. That is our message as WCVA, to get charities thinking a bit more like that. If they have their own income stream, which is not restricted, they can go out and do great things with it and build on what they are already doing.

[148] **Julie James:** What about the finance the other way round? I have come across quite a number of people who have managed to set up a social enterprise that is vaguely profit-making and self-sustaining, but that clearly could be a charity or has some charitable aims within it and they have not thought about that part of it. Do you fund the necessary work to do the converse as well?

[149] **Mr Brown:** In our current fund, we have a small grant pot. If someone has a good idea, but a piece of work needs to be done so that we can invest in them, we can provide them with a small amount of money to go away and make that happen. They can then come back to us with a fully worked-up proposal that we can then invest in. That has worked on a number of occasions.

[150] **Mr Fiander:** I think that it would depend on scale. Certainly, where our fund sits, it is very much the small stuff. If you have large co-ops and large mutuals for big services at multimillion pounds, I suspect there would still be great difficulty in financing some of those models. Maybe there is some leverage there, because the work that we are doing is very much the incubator stuff and we have a slightly niche market that, then, we can refinance through some of the other mainstream financiers, after we have done that. I think an issue with a lot of the start-up stuff is that, initially, people will not fund. The mainstream will not fund. It is about how you create that incubation that develops the next good idea and how you keep that going.

[151] **Julie James:** What is the biggest loan that you provide?

[152] **Mr Brown:** We do up to £250,000. That is as big as we go. So, that has a limit, especially when you start involving property and things. We try to play a role, working with other lenders, where we, perhaps, take a bit of the risk to open up the access to the other

lending that is there. Anne-Marie is a great example. She was doing a building project, something cropped up and we came in with loan finance at a risky point that the banks would not be able to help with. They got through that risky period. Now, because of the asset base and how good an organisation it is, it is attractive again to commercial organisations, to be able to access that finance. So, we try to play that role to take the risks when others are not willing to.

[153] **Julie James:** I am glad to hear that, but I find it immensely irritating, I have to say, that the people who take the profit will not take the risk in the first place. That is not aimed at you in any way.

[154] **Mr Fiander:** I agree, but what do you do? The market would close down otherwise.

[155] **Julie James:** I am not suggesting that you have the solution. If I had the solution, I would be trying to implement it as well. I just need to make the comment about how annoying that situation actually is.

[156] **Ms Rogan:** As somebody who is trying to access that and work their way through that practically, to have the support from the WCVA and others, to enable us to safeguard an organisation that had been in existence for over 100 years and take us into the next stage of our development, was life-saving for us and absolutely fundamental.

[157] **Julie James:** You have answered my next question. I am the Swansea West AM and I love the YMCA. I was very glad to see it stay open.

[158] **William Graham:** May I ask you about social enterprise in rural areas? In your paper, you mention that, in the absence of social enterprises, some basic services and infrastructure would not exist. Would you care to expand on that?

[159] **Mr Brown:** There are a number of social enterprises out there that are operating in very marginal areas, where their drive is to produce a service and break even, whereas a private enterprise would say, 'I'm not going to operate there if all I can do is break even'. So, there are a number of social enterprises and third sector organisations that fill that gap, and they will never make huge profits, but they are delivering a marginally profitable service, especially in rural areas, because of the added restrictions that are there. There are a number of organisations out there. I am thinking of organisations such as Antur Waunfawr in north Wales, delivering support services, and Seren Ffestiniog, again in north Wales, delivering services that are so valuable but are probably not that attractive to a private sector organisation because the ability to make a profit there is quite limited. In those communities, they are really valuable organisations.

[160] **Mr Fiander:** Also, a lot of the community transport schemes are providing services that the bus companies will not provide. We have to recognise that those are the sorts of services that these organisations provide, and we need to provide a facility to enable them to be sustainable.

[161] **Ms Rogan:** I endorse what my colleagues have said. Where margins are very small, you very rarely get private sector investment. You might do, from a number of enlightened individuals, but that is where we can make a change and an impact, as far as social enterprise is concerned. We need to wash our face, financially.

[162] **Joyce Watson:** I will ask about procurement, because, obviously, that is a critical part. Do you have any idea or understanding of the number of Welsh Government or public sector contracts that social enterprises are tendering for, and, do you know whether that has changed at all in recent years?

[163] **Mr Fiander:** I do not have a number to give you, but, from experience, I would say that there is an increasing number of organisations having to bid for some of these contracts, because, originally, they were probably delivering them elsewhere or through some other form. So, a lot of the organisations are finding themselves faced with procurement exercises, whether they want to be or not. I think that the bigger problem we have with procurement is that, very often, what was something in small lots, such as a community transport scheme that was delivering with three or four organisations, suddenly becomes one lot, and then you have the whole issue of trying to regale them all in one area to work together. That is not easy when it is done quickly, and that is where social and community enterprises tend to lose out to some of that stuff.

[164] **Ms Rogan:** As far as a skills base is concerned, it is about ensuring that we are capable of procuring well and being involved in that process. It is a challenge for us to ensure that we are competitive with those who will be competing against us. Competition is healthy and good, and we recognise that. There are huge opportunities as far as procurement is concerned in social enterprise and development. Looking at consortia approaches and encouraging successful social enterprises, which cover various areas across Wales, to come together to offer an alternative solution that makes money but also has social impact, is a very attractive offering. It is an offering, in my opinion, that should gain brownie points with local authorities and a variety of other award-giving organisations and bodies. That should be recognised, as far as I am concerned. If you are achieving social impact as well as delivering a contract well and within a given financial target, you should be recognised for that.

[165] **Mr Brown:** A community benefit section has been added to Welsh Government and local government procurement, and that is a good step forward. As WCVA, we would like to see how that becomes a more important part of the procurement process, because, at the moment, most of the time it is not scored, but it is something that might be taken into consideration if you cannot split two organisations, and it is a way of private firms demonstrating their corporate social responsibility. We need to continue to push the boundaries, because, a lot of the time, it is about pushing the boundaries to see what you can do and if we can make that mean a bit more in those processes, because that is when social enterprises and charities can really show some added value.

[166] I was speaking the other day to a new social enterprise in Swansea that makes handmade flags. It is a manufacturing business, and there are some huge MOD contracts out there. If they can win one of those contracts, they will bring a huge range of manufacturing jobs, delivering a really nice bespoke product in Swansea. It is about how we are able to demonstrate that the added value that they can demonstrate means that they should get it, rather than someone who prints flags somewhere else in the world and ships them in with no other value. It is a matter of how we try to build those into the processes.

10:45

[167] **Mr Fiander:** For me, the big issue with a lot of procurement is that, often, departments will say that they are going to procure a service. They understand that service but then they pass it to their procurement officers, who do not necessarily understand the service and what they are procuring. It becomes an exercise for them, and the intention of the department to keep a service going through procurement is lost because procurement officers undertake a process that does not necessarily link to the department.

[168] **Joyce Watson:** How would you do something about that?

[169] **Mr Fiander:** We need to educate procurement officers. We need to look at how they work with various departments. My understanding is that, very often, for whatever reason, it

is decided that a service is going to be procured or is no longer going to be grant-aided, so a process has to be undertaken. The people who are delivering that service and are involved in the grant process understand the service, but then it seems to get lost in translation when it gets to the procurement exercise. A lot of the good things that the service was delivering and that some of the third sector and community enterprises were delivering get lost in translation. The classic one that I had, not in Wales but in northern England, was with meals on wheels. We all know the benefits of meals on wheels; it is not just about those meals being delivered, as it is also about a befriending service. That went out to procurement in this county and they ended up with a private sector company delivering five frozen meals a week, once a week. So the befriending service and all the added value of those services were lost. I do not think that the department that was running the meals-on-wheels service wanted that to happen; I think that it got lost in translation through procurement. That is where we have to watch the process.

[170] **Joyce Watson:** You talked about a joint-bidding guide that the WCVA has developed in collaboration with Value Wales and the Wales Co-operative Centre. Do you want to talk a little bit more about that?

[171] **Mr Brown:** It was a two-way process. It was about trying to effect change on Welsh Government and procurement authorities, to try to get them to understand the issues involved with third sector organisations coming together in consortia. It was also about trying to provide best practice to organisations—take community transport as an example; it has been delivered in one town for an awfully long time and, all of a sudden, it goes to procurement and it is going to be local authority or region wide. It is trying to help them to respond to that situation so that they still have a good chance of winning that contract. That is what we were trying to achieve there. We were trying to upskill the sector to try to give it the skills that lots of private sector organisations have, but with which, perhaps, the third sector needs to catch up.

[172] **Joyce Watson:** Do you think that you are doing enough—we talked about things being lost in translation—to improve access to those public sector contracts for social enterprises? Do you have a role that you could play on both sides? If your side is okay, but you are saying that the people who are procuring are letting the system down, surely you are the conduit.

[173] **Mr Fiander:** On the social enterprise side, it is difficult because of the speed at which organisations must be prepared. As Matt said, if community transport is five projects but it is suddenly merged into one across a whole local authority area, and there is a very short window of time for that, it is difficult to prepare social and community enterprises to do that. Equally, part of what the guidance is trying to do is to work with the procurers—we try to work with the procurers; we have a relationship going with Value Wales—to try to overcome some of these issues. I think that that is the biggest problem. I understand the logic of procurement but we, in Wales, have to get that right. It is that lost-in-translation bit. We are continually trying to work with and highlight different things. My previous chief executive met with a local authority when it was having discussions with the county voluntary council. We were trying to resolve some of these issues, because some of those things were beginning to happen in that area. We are trying to do that, but with limited success. It is something that we all have to be conscious of.

[174] **Joyce Watson:** There are changes to the EU procurement directives—I know that you know about them—so where is the greatest opportunity to maximise the benefits for social enterprise within those changes?

[175] **Mr Fiander:** I think that the raising of the rates makes it easier. I also think that the definitions of the different service things will also make things a little bit clearer. We need to

do some more around getting state aid exemptions to avoid procurement, so that we can recognise that some of these services are essential and what have you. I do not think that we do enough work at the beginning of European programmes and those sorts of things where a lot of that procurement will happen.

[176] **Joyce Watson:** When you say ‘we’, who do you mean?

[177] **Mr Fiander:** Wales. Sorry; I mean Wales. We will raise that with WEFO and bodies such as that—Government departments. However, in Wales, we need to look at these programmes. We need to look at the beginning and ask, ‘What do we actually need state aid exemption for and what will make it easier for delivery?’, instead of getting halfway through the programme and realising that we have to go out to procure it. We could avoid some of that by just looking at the programme and saying, ‘These are the key projects that we want to do; let’s get state aid exemption for some of this stuff’. Do we really want state aid to be hung up around some of these market failures and community enterprises and those sorts of things? Let us get exemptions; they are there if we want to go for them.

[178] **Mr Brown:** I think that the other point is how quickly we transfer what Europe has changed into the practice that is going on on the ground and making sure that, when it changes on day one, by day two, our procurement processes reflect those new opportunities that are there. Perhaps in the past, we have been a bit slow and said, ‘Well, those were the rules then’, but then they have changed and we can make things easier. So, it is about disseminating that information as quickly as possible.

[179] **Ms Rogan:** Once that information is disseminated, as a sector, we can respond to that proactively and in an operational context, ensuring that we are gearing up to try to respond to that.

[180] **Joyce Watson:** What should the Government do, in your opinion, to help with all of this?

[181] **Mr Brown:** I think that the Government just has to do as much as possible to talk about the opportunities and to lay things out as clearly and simply as possible, and to give as much time as is reasonably possible to allow people to respond. The more time that you give, the more opportunity that you give for collaboration and consortia to be brought together. I know that that is not always possible and needs must, but time really is a huge issue with procurement programmes. The more time that can be given, the better, as with more early engagement with organisations. You can do it; you can go out and talk to organisations before things go live, and make people aware of what you are trying to do. There is some good practice that has happened, but doing that as much as possible really does make a difference.

[182] **Julie James:** I was glad to hear you say that last bit. You both said ‘suddenly’, but most local authorities that are combining bids in the way that you talk about for community groups have to put out a prior indication notice. So, I wonder whether you are not entirely on the ball with spotting some of the things that are actually happening in that sector, before you get to a point where a tender is being put out.

[183] **Mr Fiander:** I think that that is possible at a local level. I suspect that some of the organisations are not aware of those notices.

[184] **Julie James:** What about the CVS generally? That is an umbrella organisation in most areas, is it not?

[185] **Mr Fiander:** Yes, and possibly at a local level, it may not be looking at those notices. I think that that is probably a problem. Even so, some of the notices are two or three months,

but trying to put together quite a complex consortium of social enterprises even in two or three months, where you have to bring together the various governance structures, is not easy. Really, if you want a successful consortium to be delivering specific services, you need nearly a year to get all of that process through. Very often, that is not the window of opportunity that you are operating in. So, it is a balance between the two.

[186] **Julie James:** I do accept that, but if you have a series of people providing an almost identical service in one single local authority area, you could be slightly more anticipatory about the fact that that authority is very likely to look at a consortium-type provision for that.

[187] **Mr Fiander:** In fairness, I think that people are doing that. I think that the local service boards are beginning to effect that sort of thinking. We are beginning to see much more of that, because in the LSBs, there is a lot more discussion around co-production, delivery and those sorts of things. I think that the messages are clear. The LSBs have been a useful tool in that, because they are at least able to get the—

[188] **Julie James:** You have just answered my next question, which is: why are you not using the LSBs?

[189] **Mr Fiander:** We are, but they have taken a little while to bed in. I think that they are beginning to bed in now. There are clearer messages coming through, but very often, in the past, that is what has been happening.

[190] **Julie James:** It is about anticipation. My third point, though, I am afraid, is that I think that you have the state aid part slightly around your elbow and that probably emphasises the need for the Government to put out some clear guidelines about the difference between what I think that you are trying to say, which is called the Teckal exemption for not procuring things, and the state aid rules, which are rather separate. It nicely demonstrates the need to have a clearer set of principles for which is which.

[191] **Mr Fiander:** State aid is confusing. I have even talked to state aid experts—

[192] **Julie James:** I personally love it, but that is just me.

[193] **Mr Fiander:** If you talk to state aid experts, you will get one answer from one and one answer from another, according to their interpretation. I think that this is where things get lost in translation, and that is probably—

[194] **Julie James:** Okay, but not in the procurement sphere, I think, anyway.

[195] **William Graham:** We are almost out of time. I will ask you our last question. What involvement have you had in the operational programmes for the next round of structural funding?

[196] **Mr Fiander:** I am a member of the shadow all-Wales PMC. We have, as an organisation, been involved with others in the consultation on and the development of the programmes. We have held a series of events throughout Wales, through the consultation process, to get the message out to groups and to use that to feed back into the consultation. So we have been fully involved in that process and in the development of the new programmes.

[197] **William Graham:** That has been beneficial, then.

[198] **Mr Fiander:** Yes, it has, and I think that we have had some good dialogue. We are a lot clearer on where the programmes are going. I think that there is a clearer understanding—I know that there should be after three terms of the programme, but I think that we are getting

there.

[199] **Ms Rogan:** As a third sector lead body in the current programme, what we are doing is working with other third sector organisations and being enhanced and supported by WCVA in order to identify the golden strands that worked via European funds in order for us to look at implementing them and taking them forward in the next programme, which is important to us as a sector.

[200] **William Graham:** Thank you very much. We are most grateful for your evidence. There will be a record for you to check, if you like, which will be sent to you in the next couple of days.

[201] We will have a very quick break; the witnesses are not here, but keep an eye out, please, as we will start again as soon as we can.

*Gohiriwyd y cyfarfod rhwng 10:57 ac 11:01.
The meeting adjourned between 10:57 and 11:01.*

Mentrau Cymdeithasol Social Enterprises

[202] **William Graham:** I welcome the witnesses for this part of our inquiry. I ask them to give their names and titles for the record.

[203] **The Minister for Economy, Science and Transport (Edwina Hart):** I am Edwina Hart, Minister for the Economy, Science and Transport.

[204] **Professor Davies:** I am Andrew Davies, chair of the Co-operatives and Mutuals Commission Wales.

[205] **Mr Walker:** I am Derek Walker, chief executive of the Wales Co-operative Centre.

[206] **William Graham:** Thank you very much. We will make a start on our questions, and I ask Dafydd to ask the first one.

[207] **Lord Elis-Thomas:** Thank you, Chair. We have already heard from the WCVA and others about their activity, but what I would like to ask is how you as Minister, and your colleagues—and I read your learned report, if I may say so, with a lot of enthusiasm in terms of the analysis—see your attitude as a Government towards social enterprise, and where does that relate to your attitude towards business generally. It seems to me that there is perhaps a lack of consistency in that, in your approach to business, Minister, I notice that you emphasise very much business-to-business working, and you totally transformed business support as part of that; whereas it appears to me that, within parts of the social enterprise or third sector area, there seems to be still what I would call a plethora of intermediary bodies sitting on top of activity. I am not referring to the one that is sitting close to me here, because I know how effective you have been, especially in my part of the world, but, Minister, if you would like to address that issue—.

[208] **Edwina Hart:** Yes, as a Government, we want to see a very strong sector developing within the social enterprise sector, and the trouble is that I do not think, in many ways, that people fully understand the nature of the sector at all. That is why the report that has been undertaken by Andrew has been so worth while. As part of quite a long consultation on the report, we hope to get views in rather similar to what you expressed, about what more work we can undertake in that particular area. I do not wish to pre-empt any consultation process,

but I do want—and when the consultation comes in, I will obviously take into account your report on this, Andrew—to revamp my social enterprise action plan to look more closely at how we regard social enterprises as businesses. Out there, people still think that they are something cuddly, but actually they are commercial and viable businesses; they are just differently structured.

[209] The other issue that I want to pick up, and which I think is important, is how we link them more effectively into the sectoral approach that we have taken as a Government. In terms of the sectors, I think it is important to recognise that sectors operate differently. The example that I would give is that, on life science, you need an awful lot of investment up front to establish a life science company. That is why, when we see social enterprises, they have tended to be in other areas, I would say—tourism, elements of social care, and everything. So, I think we have to strengthen issues in that area. Also—Derek may want to comment on this—we have started to do some work on mapping, have we not? That is more detailed work that I think will help us to get a better grip in the future. I do not know whether Derek wants to comment on that. I know that Andrew wants to come in generally on your question.

[210] **Mr Walker:** Yes, on the point about mapping, there have been mapping exercises previously carried out by the Welsh Government. I think the last one was back in 2009. It is important that we understand how well we are doing, so we need to understand the state of the sector and the size of the sector. We have good indications from the reports that the sector has been doing very well relative to mainstream businesses during the recession. It is a very positive story to tell. However, until we get better information about the size, how can we be sure of the success of our intervention? We, as the Wales Co-operative Centre, are about to commission an organisation to undertake a mapping exercise of the social enterprise and co-operative sector in Wales this year. Subject to funding, and so forth, we plan to do that every two years so that we get a continued picture of what the sector would look like. We will do that in collaboration, of course, with the Minister, the Minister's officials, and other actors in the field.

[211] **Rhun ap Iorwerth:** Do you—

[212] **William Graham:** Andrew first, please.

[213] **Professor Davies:** Clearly, there is oversupply and complexity in terms of business intermediaries. There are those, like the Wales Co-operative Centre, the Charity Bank and others who do understand the sector, but, from the experience that we had, and the research and evidence that we saw, a lot of the other business intermediaries just did not understand the needs of co-ops and mutuals. Business Wales, for example, more often than not may just refer companies or co-ops to the Wales Co-operative Centre. The finance sector certainly did not understand it. One major gap, in view of the contribution, I think, that the sector could make to public services, is that mainstream consultancies like PwC, KPMG and others were almost wholly ignorant and certainly had no experience in this area. So, when a local authority, for example, might be regarding outsourcing the direct supply of a public service, it would go to PwC or KPMG, and almost certainly that advice would be a straight privatisation. So, there is a need for simplification, but also an improvement in the supply of advice. The Wales Co-operative Centre is clearly in the lead on this, but we think that that is a major deficiency in the market.

[214] **Edwina Hart:** If I may, Chair, could I add to a point that Andrew has made?

[215] **William Graham:** Please do.

[216] **Edwina Hart:** He alluded to the finance issues. We have been having discussions only this week with the Wales Co-operative Centre about how we do something with

Business Wales, which is our organisation, for it to understand the role of co-operatives and mutuals, and whether we could dovetail some of the working so that, when you go there, you actually know that you are going to have proper and clear advice about how you help with the social enterprise and mutual, because we think that that is quite key. It has been very disappointing to see how few co-ops and mutuals have actually applied for Welsh Government funding on this. I think that on the first round of the Wales economic growth fund we had one, and we have had one on the second. We are assessing the third group now, so, I cannot give you the balance until they have all been assessed, in May. So, that indicates that they do not feel that those funds are for them, even though they are for them, and it is quite clear in the blurb that they are for them. So, we have to do more to encourage them to access that type of finance. The overall issue seems to be that there is a lack of understanding. I do not know what people think co-operatives and mutuals are, and I think that there is quite a game change to be had in getting the messages across.

[217] **Lord Elis-Thomas:** Would you agree that, in relation to your report, it is very strong on the analysis of traditional market model failure, and yet I think that there is a lack of fit between that and perhaps the potential of how the third sector can operate?

[218] **Professor Davies:** Absolutely. Obviously, I am reporting to the Minister, and it has implications for the whole of Government for the Government to understand the potential of the co-op and mutuals sector, not just in terms of growing the economy, but also in the provision of public services—obviously, we refer to education in the report, but primary and higher education, for example, and public services generally, health and social care. However, the understanding is very patchy. What has been noteworthy, I think, is that, in one major piece of legislation, the Social Services and Well-being (Wales) Bill, there is a specific reference to social enterprise on the face of the Bill. We would like that approach to be mainstreamed across all of Government policy and legislation. We think that that will be a huge step forward.

[219] **Rhun ap Iorwerth:** I am sorry to have interrupted you earlier. I just wanted to pick up on what you were saying about the mapping work that you are going to be doing. Also, just looking at the relationship between you and the Government, my question to you, Minister, is: is that mapping process—every two years from now—going to be your source of information about the state and the picture of what is happening in social enterprise in Wales?

[220] **Edwina Hart:** Yes.

[221] **Rhun ap Iorwerth:** So, you are going to be using that as your source of information. Also, how comprehensive and current would you say is your understanding of how things are now?

[222] **Edwina Hart:** If I am honest, you are quite right—the mapping took place when we did the last social enterprise planning back in 2009. We have obviously had information from the Wales Co-operative Centre and others during that period, but I would say that I absolutely need this mapping exercise to have a good understanding of what the sector looks like now and that I need to continue the mapping exercise every two years to see the variables and the changes within the sector. We might pick up things that we have to change policy on to help the sector in terms of the next mapping exercise and the one after that. So, as I said, I think that we have a reasonable understanding but I would not say that it is excellent and there is a lot more work to be done.

[223] **Rhun ap Iorwerth:** Was it a conscious decision not to have had another mapping exercise since 2009 or was it something where you thought, ‘Oh, we haven’t looked at this for a while; we’d better look at it again’?

[224] **Edwina Hart:** No—

[225] **Mr Walker:** No. There have been reports done in the meantime. We did one last year looking at the co-operative sector to feed into the co-operative commission. We can also take evidence from UK-wide surveys and extrapolate the figures for Wales. So, there is information out there. It is not an easy thing to do, unfortunately, because co-ops, mutuals and social enterprises have different legal structures. It is about the organisation, not the legal structure. So, they are often companies or they will be industrial and provident societies or community interest companies, so you cannot just go to Companies House and tell people to give us a list. So, the evidence we have is only partial and I suspect that the sector is much bigger than the evidence we have gathered previously suggests.

[226] **Keith Davies:** Talking about this report, now, Andrew, you are suggesting that the model we have of co-operatives and mutuals is the way forward for economic and social development in Wales. Can you expand a bit on that?

[227] **Professor Davies:** Yes. I think that we felt on the commission that the potential was barely being realised, particularly in lots of areas of Wales where there has been substantial market failure. We felt that the co-operative, mutual and social enterprise sector could make a significant contribution because of the very strong emphasis on community in Wales and because of the support in Government and the fact that the co-operative and mutual sector very much chimes with the values of the Welsh Government. So, we felt that there was a huge opportunity for that. We took evidence from across the world. One of the key members of the commission was Dame Pauline Green, who is president of the International Co-operative Alliance, and we looked at a lot of the international evidence on the potential for co-ops and mutuals, particularly in developing countries but also in more established economies such as Italy, Spain and elsewhere. They were making a very significant contribution to the local economy. They were often more resilient in times of recession. Their survival rate was much higher than that of conventional business. They were more sustainable in other sorts of ways, contributing through their purchasing processes to the local economy. So, for all the evidence we saw, we thought that it could make a substantial contribution to developing economic activity, developing jobs and creating wealth locally.

[228] **Keith Davies:** Do you think that the Welsh Government, across all ministerial portfolios, takes account of that when developing policy legislation?

[229] **Professor Davies:** I think that the Government—. My understanding—the Minister will be able to respond—is that the Government has welcomed the recommendations. We were very aware that there was a substantial contribution to be made, as I have said, in terms of providing public services in health and social care, for example, particularly with the demographic trends for the growth in numbers in our population of older people, and particularly those with dementia. We felt that there was an opportunity there for new models of care. This is not to displace existing NHS provision, but this would be alternative and additional care. In terms of education, a young person in Wales can go through the whole of their educational experience from primary to secondary to further and higher education without any exposure to alternative models of economic development. So strong is the conventional laissez-faire hegemony of private business—the Anglo-Saxon model of economic development—that there is no exposure.

11:15

[230] You can study for a Master of business administration in any business school in Wales without having any exposure or reference to alternative models of economic development. That is why we made the recommendation that we have made, and that is why we also feel that, in terms of raising awareness, we should have the co-operative ethos as the

organising principle of the statutory provision of education in Wales—for example, in the way in which schools work, the development of the co-operative ethos, developing active citizenship and engaging with the local community, we think that the co-operative model is a very strong one. That could be done within local education authority control. They do not have to be separate, as they are in England, with foundation or free schools.

[231] **Keith Davies:** One thing that is missing from the report's recommendations—and there is a whole list of recommendations—is costing; that is, how much they would cost. Before the Minister makes recommendations, or accepts your recommendations, the costing will be quite an important aspect.

[232] **Professor Davies:** We were very aware that we did not want to produce a report that had lots of detailed recommendations for setting up new institutions. As I said, there was quite a vigorous debate within the commission on this issue. We were very mindful, in a period of austerity and the constraints on the Welsh Government and public bodies generally, that having a very extensive wish list would be both undeliverable and unaffordable. So, we felt that it was developing what we were asked to do, namely to develop a vision or strategy for the sector, but at the same time making recommendations that we thought were deliverable within existing budgets and within existing policies.

[233] **Edwina Hart:** During the consultation period, I will be discussing this with my ministerial colleagues, to pick up Keith's point, to see how they intend to implement the recommendations in the report that impact their portfolios. I am very confident, particularly on the education side, with the views of Huw Lewis, the Minister for Education and Skills, about co-operatives and mutuals, that we will have a very open-door approach there. However, it is imperative when the recommendations are taken up that we look at the financial consequences of those recommendations. I was quite clear when I spoke to Andrew and we established the commission that there was no point in having huge wish lists with prices attached; we had to look at what we could do within the parameters of existing budgets and what structures we may or may not need to put in place.

[234] The exciting thing about this report is the identification that there are a lot of opportunities out there and that if people can get out of their silo mentality and look across the thing, they can look at some solutions to various problems. Looking at Rhun, he and I have been discussing the possibility of a co-operative in north Wales, using commercial space that has been vacated. We are looking at whether we can get enough people and groups together to establish a viable business. That is very important. That is why the Wales Co-operative Centre is so important with regard to the type of help and advice it can give to anybody establishing a business. That is why it is so important that we continue to support it with cash for the work that it does for us in that particular area.

[235] **Mr Walker:** The other point to make about the costing of this is that, within the co-operative centre, we see this as an agenda for us as well, not just something for the Welsh Government to pick up. Co-operatives are all about people doing things for themselves, and this has been a very helpful bird's-eye view of the sector, really, and a strategy, almost, for the next 10 years. So, a lot of these things can be done within existing resources by getting the co-operative sector to work better together. We see ourselves, as the centre, taking a leading role in that.

[236] **Keith Davies:** What I found amazing, when reading through all of the papers, is that you can go from Dŵr Cymru, which is astronomical in size, to small businesses and social enterprises. So, it is quite a challenge.

[237] **Mr Walker:** It is a hugely diverse sector.

[238] **Edwina Hart:** That is the beauty of the sector: it can mirror what is required within any areas to deliver in terms of real business and opportunities. So, it does not matter if it is a very small enterprise in the heart of rural Wales or at the top of a Welsh valley, or a very large organisation. You mentioned Dŵr Cymru, but when you look at examples across the globe in terms of where co-operatives and mutuals are—such as those run in parts of the States—you recognise that there are substantial businesses. That is what we have to try to encourage. Lord Elis-Thomas's point earlier is true; it is about linking that sector into business and making people see that it is business. When we offer business services and grants as a Government, they really are open to everybody.

[239] **William Graham:** Julie, you have a point on this.

[240] **Julie James:** I want to follow up a point that Andrew raised about the education section of the report, which was fascinating. I would like to share some experience from my constituency, in talking about the curriculum for economics A-level, which is so neo-con that it takes your breath away, frankly—you are not even allowed to mention the word 'Marx' during an economics lecture.

[241] **Edwina Hart:** Unchanged in 45 years.

[242] **Julie James:** I wonder whether Derek and Andrew were thinking of feeding into the qualifications review that is currently ongoing in Wales, because some of the things that our students are being taught are not necessarily the views of all of us, shall we say? *[Laughter.]* Those are the people who might go on to make those social enterprises, namely the ones doing economics A-level. It is an increasingly important subject. It is considered to be one of the rigorous academic subjects, yet when you look at the curriculum as it is currently structured it is quite eye-wateringly awful, from my political point of view, anyway.

[243] **Mr Walker:** Absolutely. As Andrew said, going through an education system and not hearing the word 'co-operative' is a real shame. This is something that we want to pick up, because we are already in discussions with the education department within Welsh Government about how the Welsh baccalaureate is to be revised, including challenges around social enterprises and co-operatives. That could be one way in which it could be mainstreamed. One of my colleagues went to speak to business students at Cardiff University for the first time, as it happened, and the group had never heard of co-operatives. I heard it was one of the most positive and interactive discussions that they had had as a group. So, we need to do more of this right through the education system.

[244] **Julie James:** On my narrow point, I really hope that you are feeding into that qualifications review.

[245] **Mr Walker:** We will.

[246] **Professor Davies:** I think that a lot of economics textbooks have been rewritten since the 2007 banking crisis and the subsequent recession. However, even if you just take entrepreneurship education in Wales, my understanding is that there is no reference to co-ops and mutuals in that area. Most people around the table have probably shopped online or in the shop itself, in one of the most successful retail businesses, and that is John Lewis, which is an employee-owned organisation. What struck us when we were taking evidence from John Lewis was the passion that the people who work for that company have for what they do, and that it is very much a values-driven organisation. That is an example of a very successful mutual company.

[247] You mentioned Dŵr Cymru Welsh Water. That is a model that did not require any additional funding from Government. I was in Government at the time, along with the

Minister, and we had to fight very hard with the then UK Labour Government to get recognition that there was an alternative way of providing a public utility, and that it did not have to go down the route of what happened in England, where you had private companies, many of them private equity companies with huge debt, that did not provide a particularly good service. That did not mean that Government had to provide any more money, but it meant that Government was able to provide a huge amount of support. Without that support, Dŵr Cymru Welsh Water has acknowledged that it would not have been able to be established.

[248] **Keith Davies:** You also mentioned there—

[249] **William Graham:** Keith, I want to make progress and we are nearly halfway through our time. Rhun is next, please.

[250] **Rhun ap Iorwerth:** It is an interesting point. Building on that, could the same thing be done for energy as has happened with Glas Cymru? My party's position on this is well known, and we are serious about it. Is it possible?

[251] **Professor Davies:** We looked at energy in the work of the commission, whether that is at a large level or even at a micro level. We took evidence from small companies, such as small community-based co-ops and mutuals. Again, there was a huge opportunity there. Part of the problem for a small company is the initial development cost in taking schemes through the planning process, which is very costly and you are not getting any income. So, there are specific problems and needs that companies have. At a larger scale, if there were to be a mutual model for the provision of either generation or the supply of energy, then I am sure that Welsh Government and the Minister would be very interested in discussing that with that company.

[252] **Edwina Hart:** It goes back to the first point that I made about the difference in sectors. In some sectors, and energy would be an example, there are massive start-up costs even to look at the model.

[253] **William Graham:** Rhun, your question, please.

[254] **Rhun ap Iorwerth:** I am fine.

[255] **William Graham:** Do you not have one on social enterprise?

[256] **Rhun ap Iorwerth:** No, I think that I am okay at the moment.

[257] **William Graham:** Okay. Julie, we come to your question on business support.

[258] **Julie James:** We were just listening to the WCVA and Anne-Marie Rogan from the YMCA in Swansea, which I know you are well aware of. They were talking a lot about the need for one-stop shops and the web-based portal. There was some discussion about what the recommendation actually encompassed and so on. I wonder if you could elaborate a little bit on what the proposal means.

[259] **Professor Davies:** The portal—

[260] **Julie James:** Yes. Is it a one-stop shop? That is the first point, I suppose.

[261] **Professor Davies:** We are very mindful—certainly I was very mindful in the commission—that there have been many changes in business support over many years. There seems to be a case—certainly with the former Welsh Development Agency—that if there is a

problem, you reorganise and restructure. There have been so many changes. For me, the question is: in whose need is it being done? One of the problems over the last 15 years is that a huge amount of business support has developed, much of it provided by the public sector and the third sector, because the money has been available. However, the evident need for that service is less clear. Our view is that the portal would be more about a single point of access, not necessarily a single organisation, so that people can find out which is the most appropriate business support they need. For most co-ops and mutuals, it would be the Wales Co-operative Centre. We did not feel that there was any need for massive restructuring. I am now working in the health service; what we need now is to just get on and deliver the services. Our view on the Wales Co-operative Centre is that it has a very good track record and working with others is the best way, rather than completely reorganising everything.

[262] **Julie James:** I think the point that was being made, really, was to make the web portal an easily accessible, easily searchable point of access, as you say. I take your point entirely about reorganisation. I can never remember which Roman general it was who said that it gives the illusion of progress without the need for management ability. I concur with that. I think the point-of-access point is well made. If you searched on any web search for 'How to start up a social enterprise in Wales', for example, you would get quite a myriad, at the moment, of things coming back to you. If you are a struggling person within a Communities First area, for example, it can be quite hard to find your way through.

[263] The other point that was made to us was that the support—you have touched on this, Minister, already—from the Business Wales network was very business orientated. Anne-Marie, I think, made the point as well that it was difficult to access help for people who are already going, but who had a good idea to expand. She was saying that she saw a lot of help for start-ups and for people struggling down at that end, but by the time you had got to her level, she was looking at how to lever in quite a lot more jobs and so on, and she was struggling to find that medium-level business support. I wonder what all three of you think of that.

[264] **Mr Walker:** That surprises me, because we can deal with that. Our funding primarily comes from European funding and the key drivers are jobs and growth. So, we do a lot of start-up work, but we can also go into social enterprises and co-operatives and help them with their growth prospects, where they might access finance and so forth. So, that support is available. I think the point around the one-stop-shop portal is a really important one, because we are here to support the clients. It can be very confusing to find your way around the system. There are lots of finance providers as well—WCVA and others—providing finance. That can be quite confusing: what is the best rate and what are the different products? If we can simplify that and enable people to get to the place where they need to be as quickly as possible, then that is what we need to support.

[265] **Edwina Hart:** That is what we will be doing as a result of the recommendations and discussions with the Wales Co-operative Centre. Co-operatives are businesses. It is important that, if I have a business portal, they can go to that, and then they can go to the specialist activity. This is not some nice, cosy, comfy thing where people have funding to run organisations and give poor-quality advice. We have to make sure that the advice that we are having is good.

11:30

[266] I am surprised, because the Wales Co-operative Centre is supported to give advice to help with expansion and development. It knows where the finance lurks, and, as I indicated earlier, we will take a look at how we are advertising our finance, roles, funds, et cetera to make sure that the sector understands where the money is coming from. However, sometimes, in the past, the money has not been used strategically for purpose in this area.

[267] **Professor Davies:** It has, in many cases, been sucked away, and there has been a dependence on grants. With the reduction in public expenditure, the long-term sustainability of a lot of the enterprises is, obviously, under threat. So, as the Minister said, these are enterprises, and as I have said on many occasions, the phrase ‘social enterprise’ is made up of two words. The second one is ‘enterprise’, and there has been a lot of emphasis on the first word, but not on the second.

[268] **Julie James:** I have one last quick point. The other issue is that the WCVA mostly deals with charities and third sector organisations, but I wonder whether there is some work that can be done—and I know that your recommendations touch on this—about the perception of the third sector as being only charitable. I just want to get that point across, because, obviously, a large number of social enterprises are not charities. I think that we need to keep that in mind while we are talking about it, really.

[269] **Edwina Hart:** We almost need a differentiation in language of what the sector is. I think that the sector should stand on its own, and not be wound up in the wider discussions.

[270] **William Graham:** Andrew, your commission received evidence that lack of finance is a major challenge. Would you hazard an idea of what sort of money we are talking about?

[271] **Professor Davies:** It is difficult to say. We had conflicting evidence. Some enterprises and some co-operative and mutuals said that they had no problem accessing finance, through support from the Wales Co-operative Centre, which would refer them to the appropriate financial institution—a charity bank or some of the other specialist financial institutions. However, others said that they found it very difficult. Some of those are sector specific, as I said. Community energy schemes are a case in point—they needed quite substantial funds in the beginning of the process to go through planning and development, as they were receiving no income. So, again, it is not a one-size-fits-all situation. We were not able to get clear evidence that there was a deficiency across the board. That is why we have suggested that more work needs to be done to identify what the challenges are.

[272] **Edwina Hart:** Also, you will recall that we had the Dylan Jones-Evans review, and I think that there is additional work that can be undertaken on the back of that. I have asked Robert Lloyd Griffiths from the Institute of Directors to do some work in this particular area for us, which I think will be quite important for us. I also think that there is more work to be done in our relationship with the big banks, in terms of the discussions that we are having with them about SMEs. They need to widen the language on SMEs as to what they can actually provide. We are having good discussions with them now about future models, and Robert will be reporting on his work by the end of September 2014. I am sure, Chair, that the committee would be interested in having an update on that particular work. Derek, you are quite keen on the work that he is doing in the Wales Co-operative Centre.

[273] **Mr Walker:** Yes. We have spoken to Dylan Jones-Evans and Robert Lloyd Griffiths, and we are already acting on the recommendations that they are bringing forward on better relationships between business support and finance, and we recognise them.

[274] In terms of the access to finance issues, one of the things that did come out that we found, as the Wales Co-operative Centre, is that there are, sometimes, gaps, and one of the gaps that we found was around what we call business succession. That is a really important area for safeguarding jobs, particularly in rural areas, where a business owner who may be looking to retire, may not be able to have a trade sale and may not be able to pass it on to family and would want to look to pass it on to their employees. So, if we can do more of this, we are more likely to retain some very good businesses, and a lot of business failures are not around business failures, but around succession failures. There is a gap in the market there in

terms of finance, because a lot of mainstream banks would not be interested in this kind of thing because they would see it as too risky. Some of the specialists around co-operatives would only be interested when it was 50% owned by the employees. Well, that does not always happen on day 1; that is a transition. So, to make that happen, there is a job to do to bring them towards employee ownership or the 50% level. In the next couple of weeks, we will be commissioning some research by the centre to see how that can be done.

[275] **William Graham:** That will certainly be of interest to the committee when you publish that.

[276] **Professor Davies:** A very graphic example of that was Accommodation Furniture Solutions Ltd in Swansea in Julie's constituency, where the Minister and I launched the report, which was effectively a management buy-out of the former Remploy factory in Swansea. That was an example, we hope, of a very successful business, based on a MBO, but had substantial support from the Welsh Co-operative Centre in getting off the ground.

[277] **Edwina Hart:** There is also a role for us, in Government, to look at the role of Finance Wales in the future. As we look eventually to change its possible remit—I am waiting for the committee's report before I go into any changes, so that I can take that into account—if the Welsh Government can take the risk on these matters and the banks accept that we are taking the risk, we can do packages together. This will be useful when the research is done in terms of how we can change our models on this. The issues around finance on this are like moving a supertanker and I think that we definitely have a role and function here. I do not know what you think, Derek, in term of looking to the future of Finance Wales and its remit.

[278] **William Graham:** Therefore, Minister, are you saying that you are waiting for more evidence before you develop—

[279] **Edwina Hart:** I will be having some more evidence on that, but once the Finance Committee has reported, I will provide an update on the Finance Wales position, which will be of interest to the committee, regarding how we separate things. We have already been having discussions with the banks about businesses. There are businesses that are over the line that they will lend to and then there is that middle group. That middle group requires further work to be done with it, but within that middle group, past 20% is really risky, and we must consider whether we should be involved in that 20%—20% of the funding, not 20% of the group—as a Government. If the group wanted £10 million and the banks thought that they would lend them £8 million, would we lend the £2 million and would we be prepared to lend the £2 million at a higher rate because it was risky or take the risk as Government and lend it at the same rate as the banks are lending—what they regard as non-risky? All this is a subject of discussion that impacts on this discussion regarding social enterprises and mutuals.

[280] **Mr Walker:** That is exactly where we would hope that the Government would want to play a role because it is an area of market failure and has proven to be a case of market failure, so that is perfect.

[281] **Ann Jones:** I will come to delivering public services, which is quite topical for lots of reasons. Andrew, the words 'new', 'innovative' and 'more effective methods of delivering public services' have been around for a long time. We can all smile as we have all been there in different guises. Did the commission come up with different ideas about how public services are going to develop in the future?

[282] **Professor Davies:** We looked at the evidence globally and we also took evidence within Wales where we felt that mutualised services had been successful. The highest profile example has been social housing, where, through stock transfer, the evidence that we saw was

that quality housing stock had improved on the back of substantial additional investment; tenants felt more engaged than they did when they were just under local authority control; and, in most cases, the employees felt more empowered and certainly more engaged than they did when they worked for the local authority. In many cases, their pay and conditions were better. However, we were aware that there is a suspicion—particularly given the views of the UK coalition Government about mutualisation—that this seen as a Trojan horse for ultimate privatisation. We can understand those concerns. We feel, however, in Wales that those fears are misplaced. That is why we say very clearly in the report that those concerns need to be addressed—the workforce and the union should be engaged in any discussions at a very early stage and local authorities should take a wide range of evidence and offer support. We have said that there is a massive gap in the market in terms of specialist support and advice for public bodies seeking to deliver services in an alternative way. We also say that an asset lock should be put on the ownership of public assets to ensure that they are not transferred out of public ownership into the private sector.

[283] We took evidence, for example, in the area of leisure services from three local authorities, and we were very encouraged by what happened in the Bridgend County Borough Council, which had outsourced its leisure services provision to an England-based mutual called Halo. I know from talking to politicians and officers in the local authority that not only have services improved, they have also been able to draw down quite an additional amount of investment to improve the provision. Speaking as chair of the local health board, they are very engaged with us in terms of the health and wellbeing agenda and fitness levels across a whole age range of people. We just took two areas where we felt that there was evidence of success of a mutual model being adopted successfully in public service provision.

[284] **Ann Jones:** What would you see as the main barrier that currently prevents or limits the use of social enterprise and co-operative mutuals in the delivery of public service?

[285] **Professor Davies:** The willingness of public bodies to let go. We did take evidence where local authorities—I will not say which—had outsourced to a mutual model, but still basically wanted to keep control of that service. So, it was a social enterprise in name only, really. What it meant was that it did not have sufficient autonomy in which to make decisions. That came through very clearly in the evidence that we took. That is why I think that the model in Bridgend was particularly noteworthy.

[286] **Ann Jones:** I wonder whether you have any views, Minister, on the services that represent the best candidates for mutualisation, or whether there is a service that you think should not be—

[287] **Edwina Hart:** I think that it is services across the piece, Ann, particularly when you are looking, as Andrew suggested, at leisure services. I think that there is an enormous role in social care in terms of what could be undertaken. One of the earliest discussions that I had was actually with trade unions on some of the social care agenda and how it could be undertaken. It is fair to say that it is only in recent years that we have had a more open dialogue with the trade unions. This is not about taking anyone's job; it is about ensuring that there is still employment into a slightly different model, because it has been difficult in terms of that argument. The irony is not lost on me that the Wales Co-operative Centre was established by the trade union movement. So, there should be a greater understanding, but I think, from Derek's point of view, it is very good.

[288] As Andrew said earlier, of course, we have the Bill and what Gwenda has referred to on the face of the Bill and that is quite important. However, do you find that relationships, dynamics and discussions are changing, Derek?

[289] **Mr Walker:** Yes, absolutely. We are getting far more contact from local authorities

and communities wanting support with this issue and there has been a big increase, probably within the last year, to provide that kind of support, which we are able to provide. As an organisation, we do not get in the way of the politics, but when a decision is being taken, we are there to provide support to whoever might need it around that agenda. The other thing to say is that this is not just about externalisation. As the Minister has mentioned, a lot of social care is already in the private sector, so it is about delivering on policy objectives around user control, business efficiency and diversity of services and so forth, which we can help with as well.

[290] **Joyce Watson:** I have questions around procurement. Minister, do you think that the Welsh Government's approach to monitoring the involvement of social enterprises in Wales in the public sector around procurement is adequate?

[291] **Edwina Hart:** We are very pleased with the Sell2Wales website. That is working very well in procurement terms, but, of course, that has only been live since June 2013. So, we will have to review what happens there and it is certainly worth having a discussion with people within the sector about how useful they feel that it will be. It has openly advertised all contracts over £25,000, which is a good point, because £25,000 is quite small in terms of the money that some of these local enterprises might be able to bid for. I am not saying that all of the work is finished in that area. I think that there is some more work to do, which is still a concern that is raised with me. I assume that it is raised with you in the co-op centre.

11:45

[292] **Mr Walker:** Absolutely. It is one of the biggest issues raised, I guess. A lot of the sector is quite small, as you have heard. One of the issues around the contracts being bigger is that it is difficult for them to access. One of the most important interventions that we offer, I think, is around consortia; so, bringing these social enterprises together to bid together—they might be for back-office functions, but it is often to bid for public sector contracts. We have developed recent guidance on that with Value Wales and the WCVA, and we have run support programmes around that. That is not a job done. Often, because that is a new entity, legally it is a new co-operative, and if procurers are asking for a track record, they cannot offer that. The combined businesses can usually offer a good track record. So, it is bits like that that we need to address and get better at.

[293] **Edwina Hart:** That is one of the areas that Jane Hutt is aware of. It is directly about business history and everything. It is easy if you are a company because you have your three years' accounts, but if they are a new entity they do not have anything and, therefore, you need to be prepared to look at the component parts of the bid. That is an ongoing dialogue, which I think is very important for the sector.

[294] **Professor Davies:** We felt that this was an area where we wanted to work with the grain of the Welsh Government, accepting that huge amounts had already be done in this area. However, it does take two to tango—it is not just about government, and it is not just about public bodies and how they set up their bidding process or procurement process; it is also how co-ops and mutuals respond. While it was not a co-op and mutual, I can think of an example when I was a Government Minister in charge of procurement. Under European legislation, you can actively discriminate, for example, in the area of supported employment—companies like Remploy, for example. So, we actually pioneered some contracts that were reserved for supported employers, to which Remploy failed even to bid. That was just an example where the Government had played its part. However, in this case, the supplier did not respond. I think that there is a need for co-ops and mutuals to be aware of the opportunities provided by public procurement, as well as for Government and public bodies to perhaps look at being as imaginative as they can, under European legislation, to create a level playing field.

[295] **Edwina Hart:** It is article 19, is it not?

[296] **Mr Walker:** Yes. As we understand it, this is changing. It could be even more beneficial for the sector in terms of the percentage of workers who are disabled, including disadvantaged workers more generally.

[297] **Edwina Hart:** It is currently 50%, is it not?

[298] **Mr Walker:** I think that it is currently 50%, and I think that the proposal is around 30%. So, it would open up the opportunity to a bigger range of social enterprises and co-ops.

[299] **Joyce Watson:** Thank you. You have answered my next question; that was well anticipated. As a consequence, are we seeing a move where there are more social enterprises, co-ops or mutuals engaging in positively trying to acquire contracts within the public sector?

[300] **Mr Walker:** Yes, definitely. I think that that is happening, and I think that they are getting more support to make that happen. I also think that they are getting more information about the availability of contracts. They are also seeing that public bodies view them highly. If you put in the clauses around the added value that you might get from a co-operative or a social enterprise in terms of the environmental benefits, or the training and skills perhaps to the employees and so forth, you get more for your pound, do you not? So, the more that these things are introduced, the more it levels the playing field, I guess, for the sector.

[301] **Joyce Watson:** I have seen some really good work in housing associations in this area. You have the experience in the field, I suppose. So, are you seeing the same things happening, particularly in housing, where lots of money is being spent on the Welsh housing quality standard, for example? Are you seeing the same benefits being accrued within county councils, shall we say, where they have kept their properties?

[302] **Mr Walker:** I am probably not best placed to answer that question. Certainly, the social housing sector has been pioneering support for the social enterprise movement and spinning out by setting up businesses to deliver property services and so forth. So, the sector has done some great work and we have worked alongside it to provide the business advice. So, it has been a twin-track approach, but I would not have any evidence at my fingertips to compare one with the other.

[303] **Edwina Hart:** The challenge is coming with the Williams commission looking generally at public services and what is going to happen, perhaps, in the future with local government. However, we need to recognise that the Williams report was broader than that. It was actually not just about local government reorganisation but about the delivery of public services. So, this was the right point in time to have done the commission's report, to look at what other things we can put in place as the Government across portfolios to assist the development of the sector and, we hope, to lead to better provision of public services.

[304] **William Graham:** Julie, do you have a point on this? Sorry, Andrew Davies wants to comment first.

[305] **Professor Davies:** Certainly, the evidence we saw was that, with housing associations and mutuals, there seemed to be greater recognition of and adherence to public service values than many local authorities showed. Certainly, when it came to procurement, enhancing the local supply chain and maximising the investment they are making in terms of benefit to the local community, it was very significant. I think that the record of local authorities is patchy. Some are very good and others probably have a long way to go in order to match the standard.

[306] **William Graham:** Julie has a question.

[307] **Julie James:** Just going back to the issue about the consortia bidding for public sector contracts, again, we had this discussion with the WCVA as well, and what I took from that was that it was sort of willing but not terribly well informed about some of it. Do you do any work with the local authorities on prior information notices, for example, so that you have a good run-up to knowing that that big contract is going to come? Also, do you do any work with little social enterprises that are currently delivering in the public sector where, if you like, it is sort of obvious that the local authority is likely to combine that in some way with another service? Sorry for the composite question, but my third question is: are you talking to the National Procurement Service about some of the clearly very big framework agreements that it is going to put out and how you might fit your sector into that?

[308] **Mr Walker:** Yes, well, the answer to the last part is 'yes'. We have a very good relationship with the National Procurement Service. The way we have approached this is to develop this guidance called the joint bidding guidance. It is aimed not just at social enterprises and co-operatives. It is very much aimed at local authorities and public bodies as well so that they understand from their side what it is they need to do in order to allow the sector to be able to bid for contracts. We do it on an ad hoc basis. If we know of something happening and we have information about the organisations within a local authority area, we can support them around that. However, we are not able at the moment to provide a consistent service on this across Wales, if you see what I mean, in terms of saying, 'What are the contracts coming up?' and then going to our sector and letting people know that it is happening. We do not do that on a consistent basis due to resources, but we do it where we are able to.

[309] **Julie James:** So, perhaps, Minister, you will be taking up the recommendation along with Jane Hutt to get that sort of bidding guide made part of the best practice guidance.

[310] **Edwina Hart:** Yes, and Jane is very enthusiastic about taking all these points forward. I do not think we have any difficulties on that side of the house with the recommendations.

[311] **Mr Walker:** She has been very supportive. The other thing is that we hope that the mapping exercise will help with this, because what local authorities have told us is, 'We want to know who are the social enterprises in our area', so, if we can give them the mapping exercise and say, 'Well, here are the ones in your area' they can get on and do some of that themselves without us having to be the intermediary.

[312] **William Graham:** Thanks very much. Minister, I wonder whether I might ask that, when you give us our next six-monthly update, you could consider giving us some of the performance indicators for the Government's support for social enterprises.

[313] **Edwina Hart:** Yes, I will be more than happy to provide the detail you require in terms of the report.

[314] **William Graham:** That would be very helpful. Thank you very much for your help today.

[315] **Edwina Hart:** Thank you, Chair.

[316] **William Graham:** We will recess now until 2 p.m.

*Gohiriwyd y cyfarfod rhwng 11:54 ac 13:59.
The meeting adjourned between 11:54 and 13:59.*

**Ymchwiliad i Ddull Llywodraeth Cymru o Hyrwyddo Masnach a
Mewnfuddsoddi**
**Inquiry into the Welsh Government's Approach to the Promotion of Trade and
Inward Investment**

[317] **William Graham:** Good afternoon. We will now make a start. I record the committee's thanks to our witnesses for kindly attending this afternoon. This is the final session in the committee's inquiry into trade and inward investment. May I ask the witnesses, if they would not mind, to give their names and titles for the record?

[318] **The First Minister (Carwyn Jones):** Thank you, Chair. Carwyn Jones, First Minister.

[319] **The Minister for Economy, Science and Transport (Edwina Hart):** Edwina Hart, Minister for Economy, Science and Transport.

[320] **Mr Price:** James Price, director of economy, science and transport.

[321] **Mr Davies:** Gary Davies, head of European and external affairs.

[322] **William Graham:** Thank you very much. We will go in straight to questions, and I am going to ask the first one. Could I ask you to expand on the intention behind the economic framework for investment that the department of economy, science and transport is currently developing?

[323] **Edwina Hart:** Obviously, the framework that we are developing has been subject to discussion with the economic renewal council. We have been doing quite a lot with it because it is a new focus on delivery, not just producing strategies for strategies' sake. The document has now been finalised with comments from the council, and the latest draft will be taken to the next council meeting for its approval.

14:00

[324] **William Graham:** What about the economic framework for investment?

[325] **Edwina Hart:** The economic framework for investment is also the subject of a document for the economic renewal council. We are on the final draft there. It is not about setting out any new trade and investment strategy; it is a framework to bring a range of policies together.

[326] **William Graham:** How, in practice, are the trade and inward investment activities of all the partners listed in your paper co-ordinated?

[327] **Edwina Hart:** I think that the co-ordination is actually undertaken when the First Minister and I meet on a regular basis at the engagement board to discuss how it is co-ordinated across the piece. We have regular dialogue on a monthly basis on these issues.

[328] **Joyce Watson:** Good afternoon. I am going to ask some questions around the relationship with UK Trade and Investment. I would like to ask about the main outcomes of the UKTI capability review of the Welsh Government's trade and inward investment team. Is any work still under way as part of that review?

[329] **Edwina Hart:** I am not sure what UKTI might have told you when it gave evidence

on this particular matter. We generally have a very good relationship with UKTI, so I trust that there were no unhelpful nuances within the evidence that it gave on this matter. Let me make it clear: the review is the UKTI end-of-contract report on the secondment that it had with us. It deals with the objectives that we set down for the purpose of the secondment with us, because we wanted to develop a stronger relationship with UKTI. This placement was made with the support of the Welsh Government team. I do not know, James, whether you want to add anything on that.

[330] **Mr Price:** I think that the Minister covered it all, really. We brought in two officials from UKTI to work with our inward investment team—to sit with them, and, in fact, work across the whole of the Welsh Government, including with the overseas offices teams. As is good practice, we set down objectives for that, because it had a cost. The document that I think is being referred to is a UKTI self-assessment of how it performed, and overall the self-assessment says that it performed well. There was an increase in performance in terms of our ability to engage with UKTI and, hence, our ability to win projects to Wales. I think that the Welsh Government's view is that we largely concur with that.

[331] **Joyce Watson:** Would it be fair to say, then, that you do not recognise the suggestion from David Williams, chair of the energy and environment sector panel, that Wales is seen as a 'second-division player' from a UKTI point of view?

[332] **Edwina Hart:** I am not sure where David's comments have arisen from. They must have arisen from information that he felt he had about the relationship with UKTI. We do have a good relationship with UKTI. We understand the relationship with each other. I would have to see the context of his whole comments and what he meant. It is not a point that he has made directly to me, from the chair of a sector panel to the Minister.

[333] **Joyce Watson:** We have also had a response from Professor Gareth Morgan that the Welsh Government needs to develop its presence within UKTI, to the extent that there should be a Welsh representative at every UKTI event.

[334] **Edwina Hart:** I have to say that that is absolutely unrealistic in terms of the number of events that UKTI organises, both in the UK and globally. There are hundreds of events across the globe every year; even if we restricted ourselves to events in the UK, and the markets where we have a presence, there would still be too many for us to undertake. The point about our relationship with UKTI is that it is a partnership. UKTI, when it attends events and sees something that might be suitable for investment in Welsh terms, has a discussion with my department. That has happened on a number of occasions—a site in Wales that was offered for discussion, or a company et cetera. That is the whole point of partnership, and we worked very hard with the secondment from UKTI. It seconded some of the export guarantee people to us in the department to broker that. We have had an excellent relationship at ministerial level with UKTI. The new Minister in UKTI is coming to visit now, and is going to visit later in the year to meet companies, and Stephen Green did the same. So, I think that it is absolutely unrealistic. Some of the comments made to committee come from people who do not understand very much about trade and investment.

[335] **William Graham:** I wholly endorse what the Minister says. UKTI always says that it is not geographically exclusive, which we fully understand, but, from talking to companies in my region, there is nothing but praise. When a gap in the market is spotted by UKTI, we get a good chance if we have a firm that could satisfy that. That has certainly been the experience of a good many others.

[336] **Julie James:** Among the evidence that the committee has had, we have had evidence that has been a little contradictory on this point. I want to ask you for your view on it, because we had the evidence that we have just heard about, but we also had some evidence that

suggested that, because Wales worked well with UKTI, we had a second bite of the cherry, because we had Welsh people working and UKTI people working, and it was felt that that was an advantage. One thing that I struggled with was how to reconcile those two pictures. So, I just wondered whether you wanted to comment on that.

[337] **Edwina Hart:** You had difficulty reconciling them, as I would have, actually, if I was just looking into this question. People have different perspectives in the different sectors and businesses. Some businesses will have a different perspective on this because they have not been actively engaged in some of these particular issues. Some academics have a totally different perspective, as do other trade organisations. However, we work well with UKTI and we have a reasonable relationship across the piece, but we also need to recognise that we have our own world that we negotiate in as well and in which we do the deals. For instance, Pinewood came to Wales due to a combination of ministerial and senior official involvement, and was nothing to do with UKTI at all in terms of undertaking that. That proves how well things work.

[338] I was quite interested in the fact that the sectors could have different views as well, as has come across clearly. However, the fact that we use sectors pinpoints our success in many areas as well; that is, that we take a sectoral approach. We can get too hung up on this; I just have to say that we have a good working relationship and we are not concerned about it. I believe that that indicates quite a lot.

[339] **Rhun ap Iorwerth:** On the presence that UKTI has in Wales, I do not have the figures with me, but I hear that there is a much stronger permanent representation of UKTI in Scotland as opposed to Wales. How many permanent UKTI staff are based in Wales—I do not know whether you can compare that with the situation in Scotland—and how many should there be in Wales in order to work closely with Welsh Government?

[340] **Edwina Hart:** I am not an expert on the staffing figures. I know only who has been seconded to us.

[341] **Mr Price:** We would have to get you a note on the overall numbers. We have had two secondees, whose secondments have just come to an end, hence the end-of-term report. We have lobbied very heavily for that to continue, and it has been agreed at senior levels that that will continue. In addition to that, there is the export team. From my perspective, I would say that it is more about using UKTI staff around the world and outside Wales, rather than having them in Wales, that is important. However, they need a proper link into Wales to be able to understand the product offer that we have. I do not know whether people talked to you about surfacing the national offer, which was all about UKTI staff understanding what different parts of the UK could bring. We played very heavily into that. If you look at most of the sectoral UK offers, you will see that Wales ranks pretty highly among all parts of the UK. As long as UKTI staff around the world are then using that, which is in their guidebook, we stand to gain. So, personally, I am not worried.

[342] **William Graham:** Rhun, do you want to ask your next question?

[343] **Rhun ap Iorwerth:** You have mentioned Pinewood already, and I would like to move on to that. Could you paint a picture of how that came about and what the Welsh Government's role was in that?

[344] **Edwina Hart:** We met somebody at an event. We are criticised for hosting events and doing things, but that is how it came about. I had some discussions, which were followed up by senior officials working on the creative side, and we got Pinewood. Pinewood has been very generous in its comments about the way in which it has been dealt with, how fleet of foot we were, that we were able to provide it with everything it required, the good base we had in

terms of staff here with regard to the people they could employ, and what we could provide in terms of training—and we got it. That is proof that the sectoral approach works. We have great expertise in the creative field, and that has allowed us to deliver Pinewood. However, it has also allowed us to deliver other projects in that area, whether *Da Vinci's Demons* or other things that are going on across Wales.

[345] **Rhun ap Iorwerth:** Between today and the day that the doors open on Pinewood studios, what is Welsh Government's role?

[346] **Edwina Hart:** We have a permanent liaison with Pinewood until the day it opens its doors, but that will continue all the way. It is very important that we put in place the aftercare arrangements. Obviously, we have loads of companies in Wales—I believe that it is about 1,000, in terms of foreign companies, particularly, and 200,000 across the piece—so it is very important that we have the aftercare arrangements. We obviously cannot put in place aftercare arrangements for every company across the piece, but for the anchor companies and the regional companies, we have that type of relationship, and for anyone that has come in. That is very important in terms of the dialogue that we have, because Pinewood might be saying, on the training side, that it needs more people in a certain sector that we need to deal with. So we need to be able to feed that straight in to the colleges and the FE system, about the long-term prospects in terms of who we need to train.

[347] **Rhun ap Iorwerth:** What do you think were the main deciding factors in persuading Pinewood that Wales was the place to come?

[348] **Edwina Hart:** I think that it was what we could offer in terms of facilities and the people it would be able to employ. I think that it liked dealing with us—that it knew that we, as a nation, were determined to improve the creative industries sector and that we see it as a growth sector. We had a very open-book discussion with Pinewood, which I think it fully appreciated. There was not anything behind the back or anything like that; it just wanted it up front. I think that it came down to the fact that it knew that we would do a good job, which it has acknowledged publicly.

[349] **Keith Davies:** Yn eich papur ysgrifenedig, Weinidog, roeddech yn dweud ei bod yn ofer gwneud cymariaethau â'r gefnogaeth a oedd ar gael gan Awdurdod Datblygu Cymru, Masnach Cymru Rhyngwladol a Busnes Rhyngwladol Cymru. Wedyn, yn ei dystiolaeth, roedd yr Athro Max Munday yn dweud ein bod wedi colli tir ers colli'r sefydliadau hynny. A allwn ni gael eglurder am y cymorth sydd ar gael yn awr?

Keith Davies: In your written paper, Minister, you said that it was fruitless making comparisons with the support that was available from the Welsh Development Agency, Wales Trade International and International Business Wales. However, Professor Max Munday said in his evidence that we had lost ground since those agencies disappeared. Could we have some clarity as to the support available now?

[350] **Y Prif Weinidog:** Nid wyf yn meddwl bod hynny'n wir. Gallaf ddweud dau beth wrth y pwyllgor. Yn 2005-06, roedd canran y prosiectau a ddaeth i Gymru fel cyfran o ganran gyflawn y Deyrnas Unedig yn llai nag y mae yn awr. Felly, yn y flwyddyn honno, o'r prosiectau a ddaeth i'r Deyrnas Unedig, daeth 4.2% i Gymru. Mae'r ffigur wedi cynyddu ers hynny.

The First Minister: I do not think that that is true. I can tell the committee two things. In 2005-06, the percentage of projects that came into Wales as a proportion of those for the UK as a whole was lower than it is now. So, in that year, from the projects that came to the UK, 4.2% came to Wales. The figure has increased since then.

[351] Yn yr un ffordd, yn ystod 2012-13, daeth 67 o brosiectau newydd i Gymru o ran

In the same way, in 2012-13, 67 direct inward investment projects came to Wales

buddsoddiad uniongyrchol o dramor. Mae hwnnw'n ffigur sydd yn uwch nag unrhyw ffigur ers 1992, ac eithrio 2007-08. Felly, nid yw'n wir dweud ein bod yn colli tir; roedd pethau wedi mynd lawr yn ystod y 1990au ac i mewn i'r degawd diwethaf, ond yn awr mae pethau yn dechrau mynd yn ôl yn y cyfeiriad iawn.

from overseas. That figure is above any figure going back to 1992, with the exception of 2007-08. So, it is not true to say that we have lost ground; things had decreased during the 1990s and into the last decade, but now things are moving in the right direction.

[352] **Keith Davies:** Felly, nid oes eisiau ailsefydlu'r cyrff hyn.

Keith Davies: So, we do not need to re-establish these bodies.

[353] **Y Prif Weinidog:** Nid wyf yn meddwl bod achos wedi ei wneud dros hynny o gwbl. Rydym yn gweld ein bod wedi bod yn llwyddiannus wrth ddenu buddsoddiad. Rydym wedi bod yn llwyddiannus wrth sicrhau bod canran y prosiectau sy'n dod i'r Deyrnas Unedig wedi cynyddu o ran y rhai sy'n dod i Gymru. Felly, nid wyf yn gweld bod achos dros ailsefydlu corff a'r costau ychwanegol a fyddai'n cael eu creu o achos hynny.

The First Minister: I do not think that the case has been made for that at all. We see that we have been successful in attracting investment. We have been successful in terms of ensuring that the percentage of projects coming into the UK has increased in terms of those that come to Wales. So, I do not see that there is a case for re-establishing those bodies, along with the additional costs that that would incur.

[354] **Eluned Parrott:** To pick up on that, if it is fruitless to make comparisons between the current in-house team and the WDA, Wales Trade International and International Business Wales, who do you benchmark your success against?

[355] **The First Minister:** The rest of the UK. First of all, a lot of the people who were in those organisations now work for the Welsh Government; it is not as if they are different officials. Coming back to the point that I made earlier, 67 projects came in in 2012-13. Apart from in 2007-08, the last time that that was bettered was in 1992. So, as I say, it is not as if the agency was improving things and, all of a sudden, there was an enormous drop-off when it ceased to exist. The same goes for the percentage of projects coming into Wales as a percentage of the UK total.

[356] So, we benchmark ourselves against the rest of the UK, bearing in mind that UKTI is not an agency either, in that sense: it is a non-ministerial Government department. So the UK itself does not see the establishment of an arm's-length agency as being the proper way to sell the UK around the world.

[357] What is important is that officials are able to use their considerable skills to attract investment into Wales, and that is what they are doing. We have a number of people who worked in those organisations who now work for the Welsh Government, and work effectively for the Welsh Government.

14:15

[358] **Julie James:** I have already mentioned that, during the course of this committee inquiry, we have had quite a lot of contradictory pieces of evidence put in front of us. One of the issues has been the difficulty of separating trade from inward investment in the eyes of some of our small and medium-sized enterprises, who are looking more to export perhaps. Sometimes, that export is just to the next valley or the next town, it is not necessarily overseas, and we are comparing apples and pears a little bit, it seems to me, because we are also looking at Tata Steel, Airbus and all the rest of it. However, the South Wales Chamber of

Commerce in particular said that it found it ‘impossible’—that was the word that it used—to explain to businesses what the Welsh Government’s approach was. We had some evidence from the Federation of Small Businesses that its members did not have export as one of their high priorities, so it struggled to cope with the people who did want to export.

[359] The other thing that we heard—we have this with nearly everything that we talk to people about—is that people want easy access through the internet to some kind of one-stop shop, portal or something; I wonder whether you could comment on that. I will say that we also had people who said that they had a lot of support and were very happy, so we have had a set of contradictory pieces of evidence. Can you just comment on that and whether there is anything that we can do to get some more coherence, perhaps, for some of our struggling smaller businesses who are on the cusp of that kind of expansion?

[360] **Edwina Hart:** It seems to me that some of the points that you raised from the organisations that you mentioned might be internal communication points for their own membership, rather than communication points for the Government. The FSB has good links into the Government and is, of course, on the economic renewal council with the First Minister. It is able to raise all of these particular points, as are the chambers of commerce. I think that there are definitely issues for some smaller companies, because some smaller companies do not wish to export.

[361] However, export and inward investment, as you said, are different. I think that we give clarity of support in terms of what we do on inward investment. We are able to give very clear messages in terms of inward investment and what we offer. We are also quite clear about what we do regarding the export agenda and the support that we give, because we use every mechanism that we can in terms of communication, if people want to export, if they want to go on any trade missions with us or if they want take anybody with them, on what support is available.

[362] On the trade missions point in particular, we have been discussing with the main banks what trade missions they might take abroad and whether we could utilise them to take with them some small companies that they might know about in their areas or that we might know about as part of something on which we might not be going. They might be going to parts of the world that we have not targeted, but we might help them to do that.

[363] So, it is very difficult to comment, because we feel that all of the information is out there, in terms of what we undertake. We have officials who are taking calls every day on these particular matters. However, obviously, when the committee reports, Chair, if it has any particular comments that it wants to raise on this, in terms of better communication, we are always open to suggestions about better levels of communication. The important issue for us is that inward investment is about creating jobs and growing business, and exporting is about improving the balance of payments for us all and keeping jobs in Wales.

[364] **Julie James:** One last point that I wanted to make was that among a lot of the smaller businesses—we had some video evidence taken by the outreach staff on some of this—there was some confusion about Welsh Government and local authority support. I think that there is probably a role for some greater clarity about what level of support goes to what level of company, because a lot of them seemed confused about those two things.

[365] **Edwina Hart:** We have had quite a lot of discussions about the role of economic development departments in local authorities internally, the relationships that there should be, who should be dealing with some companies in an area and whether we come in on the second tier. I have had discussions with Welsh local authority leaders across the piece about having a memorandum of understanding between the Welsh Government and local authority leaders on who might engage at what level, when it should be passed up and what should be

passed down.

[366] It is particularly difficult in the context of Cardiff, as a capital city, because officials from Cardiff attend a lot of international conferences—they want to go to events and market Cardiff. We certainly need to have greater clarity on who goes where and for what. However, we are currently working through that in terms of a memorandum of understanding with local authority leaders. I had hoped that we would have concluded that before Easter, but we are now likely to conclude it during the summer, and I think that will help.

[367] **Eluned Parrott:** I want to ask about support for inward investors. Once we have the investor over the threshold, how do we make the best economic benefit for the Welsh economy out of that? I wonder whether you can briefly explain to us what ongoing support you are providing to those inward investors once they are established in Wales and how you go about tailoring that support to different kinds of businesses.

[368] **Edwina Hart:** We always tailor to the needs and requirements of the business. It is the same as when we support inward investors when they come in; it is the nature of the package that we can offer that is attractive to them. In terms of the UK, in our opinion, we have the best package for inward investors, whether it is grant issues, Skills Growth Wales programmes or research and development. We also have unrivalled property packages. We tailor that, so, when they come in, we know where their key areas are in the future. Also, inward investors like to have a name to deal with within the department that they can refer matters to. Even if it is in my department, they know they can ask about future staff training, because we can make sure that the appropriate connection is made. We try to do this as holistically as possible. We are also looking at how we deal with some of the staff that are coming in with some inward investors. We are now looking at whether we should produce more DVDs et cetera showing Wales, showing where you can live and all that type of stuff, which we also think is important when decisions are being made, particularly when higher levels of management are coming in, for them to understand the area. So, we have had no complaints from inward investors at all about the level of activity and support that we have given. In fact, it is the exact opposite; they are always commenting that we give them very good support in all areas in which we are able to do so.

[369] **Eluned Parrott:** Once the investment is here and the company has established, clearly, one of the risks that we have suffered from in the past is that, while the Welsh Government has been working on removing barriers to entry, if you like, the barriers to exit are not strong enough and so many of the jobs that have come here have been portable enough to take elsewhere. What are you doing to try to overcome that risk of those portable jobs being taken away as well as arriving?

[370] **Edwina Hart:** When you deal with multinationals, there is always the danger of portable jobs. That is the way they go. They go to the place where they think they will get maximum benefit. I have to say that, in Welsh cases, we have to remember who we have here: Ford, Airbus, Toyota, General Dynamics, General Electric and Meritor. We have big companies that have stayed with us for a considerable length of time. I visited Japan last year; we have had Japanese companies here for over 40 years, they have been with us for the long term, through thick and thin. Sony has been through bad patches and good patches and is now in a very good patch, but it has remained loyal to us because of the support that we have given as a Welsh Government and how we have been flexible in terms of helping it during its times of woe. There is always a risk with multinationals, but we concentrate a lot of effort on working with existing investors like them in terms of the relationship that they have with officials. Some of them, of course, are anchor companies and they have access, if they wish, straight to me and certainly to the First Minister on important matters. The proof of the pudding is that we have a new engine coming to Ford. When you are dealing with a multinational like that, with competition from all across the globe, there is something going

right in terms of how we are running this as a Government.

[371] **Eluned Parrott:** What kind of level of inward investor has that kind of hotline to you and the First Minister?

[372] **Edwina Hart:** I have had discussions with quite tiny inward investors, because we have noted that some of the projects are really quite interesting and if they really get going they are going to expand. I think it is important that we all have this very open approach to people who come to us with ideas, because you never know where the next billionaire or corporation is coming from. So, it is very important that you have a very good policy in terms of relationship development.

[373] **Eluned Parrott:** Clearly, you have examples of inward investors who have remained with us for a long period of time. Within my own region, we have examples such as Bosch, where, sadly, we lost those jobs, although the site is now looking forward to a new future, I hope. What kind of work is the Welsh Government doing to make sure that those inward investors, when they come to us, become anchor companies and become properly embedded in the supply and distribution chains within Wales? What work goes on to keep them here?

[374] **Edwina Hart:** We work a lot on the supply chain issues. We discuss with them the supply chain when they are coming in and we certainly work then on developing the supply chain into these companies. If I can give an example, obviously, it is the UK Government that made the decision about nuclear energy on Ynys Môn, but we have already started in the sector to do a lot of supply chain events so that we can make sure that local companies have the supply chain infrastructure to go in to Hitachi. So, it is very practical steps that we undertake all the way along, from when companies approach us. We did not get Jaguar Land Rover, but we did not lose the opportunity to keep up dialogue with Jaguar Land Rover and make sure that we had companies that could go into its supply chain to actually up the number of jobs. So, I think we are reasonably successful within that area. I think that Wylfa and the amount of work that we have done in that area in supply chains, and the work that we continuing to do, will ensure a bright future for businesses in Wales.

[375] **Eluned Parrott:** Returning to the subject of the UKTI capability review that you mentioned earlier, referred to in that is an audit of all the foreign-owned companies operational in Wales. You mentioned a number of 200. Did you complete a full audit, and what kind of data did you collect on those companies?

[376] **Edwina Hart:** Could you take that, James? There are 100,000 foreign-owned companies, are there?

[377] **Mr Price:** There are 200,000 businesses in Wales, of which, roughly, 1,000 are foreign owned. All the numbers are very different depending on how you look at it, but the 1,000 figure is of individual businesses, but does not count, say, the number of branches of Tesco, for example. The definition they use is 50% foreign ownership. I checked all of this this morning, given the ongoing debate about what is a foreign-owned company.

[378] The bit in the report that was talking about an audit was about making sure that we had a list of clients that were receiving aftercare, basically, and making sure that we were tying that list up with UKTI's list, so that you did not have two different parts of Government going into the same company. The first phase of that work has been completed, but that work will never be complete because the list is always changing, with mergers, acquisitions and de-mergers. More needs to be done, but that is what that was referring to, rather than an actual audit of all foreign-owned companies in Wales. However, I am confident that we have taken the action required.

[379] **Eluned Parrott:** Of those 1,000 foreign owned companies operating in Wales, what proportion of them are receiving direct aftercare support from the Welsh Government, and what proportion are receiving that from UKTI?

[380] **Edwina Hart:** In terms of support, we have our anchor companies, of which we have nearly 80. We also have regionally important companies. We also have about 100 to 200 companies that each sector looks at, in terms of companies within their sector. However, we actually have the arrangements with all the major companies.

[381] **Mr Price:** We could provide a note on that. I do not know off the top of my head, but my guess would be a significant proportion, or nearly all of the sizeable ones, because every sector that we work with has a list, as the Minister said, of between 100 and 200, and they are the companies that are the biggest employers and have the highest turnover and are deemed the most strategically important.

[382] **Eluned Parrott:** Within that note, are you able to give us an indication of those companies who are engaged with on a regular basis, i.e. at least once every six months, and those that are less regularly engaged with?

[383] **Mr Price:** We need to be careful in terms of client confidentiality, but I am sure that we would want to provide that.

[384] **William Graham:** Could I ask you, while we have you with us, First Minister, in your inter-governmental experience, shall we say, at your level, is there recognition that Wales still has a lot to offer?

[385] **The First Minister:** I am not sure that I understand the question, Chair.

[386] **William Graham:** We have heard today that many people are doing their best to attract business to Wales. I am asking you, in particular, when you are having discussions with the UK Government, whether there is recognition that there are very many things that we can offer in Wales.

[387] **The First Minister:** I cannot say that I have had direct discussions with the UK Government particularly on economic issues in that sense. That said, for example, there have been some very useful discussions regarding the NATO summit, and particularly the way in which Wales can be promoted via the NATO summit. The Prime Minister himself offered that. We are working with the UK Government in order to make sure that the NATO summit is understood to be in Wales and that Wales has a distinct identity, and that work is ongoing.

[388] In terms of the links that I have had with UKTI and with British embassies and high commissioners overseas, I have to say that the support that I have received has been first class, from the embassies, the high commissions and from the consulates. They really do see themselves as representing the whole of the UK in the fullest sense. They have been of immense use to us in terms of organising events, sometimes within residencies and within embassies. They have helped us to forge links as well; we find them an invaluable resource.

[389] **William Graham:** Thank you very much. Dafydd Elis-Thomas is next.

[390] **Yr Arglwydd Elis-Thomas:** Diolch yn fawr, Gadeirydd. Mater o ddiddordeb arbennig i ni yn y pwyllgor hwn yw'r berthynas rhwng ymchwil a datblygu a mewnfuddsoddi, ac mae hynny yn amlwg yn gweithio'r ddwy ffordd: mae prosiectau new projects that are established in Wales or

Lord Elis-Thomas: Thank you very much, Chair. An issue of particular interest to us in this committee is the relationship between research and development and inward investment, and that clearly works both ways:

newydd sy'n cael eu sefydlu yng Nghymru neu brosiectiau sy'n ddatblygiad o fusnesau sydd wedi mewnfuddsoddi yma yn y gorffennol ac sy'n dewis buddsoddi ymhellach mewn ymchwil a datblygu. Hefyd, mae perthynas rhwng y busnesau newydd sy'n tyfu yng Nghymru ac addysg uwch fel lleoliad ymchwil a datblygu. Carwn, Weinidog a Phrif Weinidog, ichi ateb ar y ddau fater hynny. Faint o flaenoriaeth y mae'r syniad o Gymru fel ardal arloesol mewn ymchwil yn ei gael yn ein rhaglen mewnfuddsoddi ni?

projects that emerge from businesses that have invested here in the past and choose to invest further in research and develop here. Also, there is a relationship between new businesses growing in Wales and higher education as an appropriate location for research and development facilities. I would like, Minister and First Minister, for you to answer on both of those issues. How much of a priority is this concept of Wales as an innovative area in research given in the inward investment programme?

14:30

[391] **Edwina Hart:** It is given a great priority in the inward investment programme. We have been successful, particularly in recent years, at doing far more work in this area. If we look at the SPECIFIC programme, which is led by Swansea University and is a partnership involving Tata Steel and others, that shows quite specifically the links between industry and the higher education sector. The new campus in Swansea, of course, is a partnership between the higher education sector and industry, which is also important. In terms of knowledge transfer partnerships and enhanced KTPs in collaboration with the technology strategy board, that is going very well. With organisations and companies that are already in Wales, we have to recognise that they have good international links and that they work with higher education. You only have to look at the work that General Dynamics does and its links—it is a first-class company at the leading edge of technology and it has a good relationship with other companies in Wales as well as the all-important HE. TWI is another engineering company that is also important. International Rectifier is very important in terms of what it does on management technology. It has 4,500 employees worldwide in 20 countries and we are at the heart of developing the technology.

[392] We are doing a good job of attracting research and development to Wales, but we do need to attract more research and development headquarters to Wales, because companies stay where research and development is. When they have that level of technical expertise and the buy-in from academia, it grounds them far better than if the factory is just for processing. We make that quite clear, because we do sell the higher education option when we are talking to inward investors about how they can liaise with higher education expertise. The Sêr Cymru programme, which is bringing distinguished scientists into Wales as a part of what we are trying to deliver, will also attract companies. Some of the work it is doing in certain areas is exceptionally exciting. Some of the work that is going on in life sciences is of enormous interest to very large life science companies—as well as the ones that we have, perhaps others will come in the future. It is all linked, like a virtuous circle.

[393] **Lord Elis-Thomas:** Some of us are particularly interested in the relationship within the marine sector between investment in renewable energy and conservation. There are opportunities for developing on a substantial scale there both research and applied research for specific locations, which also has relevance.

[394] **Edwina Hart:** My sector panel team has been looking at the nature of these things for me, and will continue to do so. You made a very good point about the natural environment that we have and how we can do the necessary work. It is about the technology and its development.

[395] **Lord Elis-Thomas:** Thank you.

[396] **William Graham:** I call Julie and then Eluned.

[397] **Julie James:** Minister, are we taking maximum advantage of some of the excellent things that we have in the Welsh NHS? The maxillofacial three-dimensional printing that Adrian Sugar recently did at Morriston Hospital, for instance, was cutting edge and world leading. I know that was developed through the Institute of Life Sciences and then went into practical application in the NHS. Are we making the absolute most of marketing that kind of excellence in order to attract even more inward investment, and to develop the trade opportunities from that, going out from Wales to the rest of the world?

[398] **Edwina Hart:** We are starting to maximise the opportunities that this presents. It was a marvellous announcement about Adrian Sugar, but there is a lot else that we do within the NHS, such as collaboration between the NHS and companies in Wales. The Minister for Health and Social Services has indicated that he regards the NHS effectively as an anchor company. In terms of how it does its business, it needs to work with other anchor companies to develop projects, and possibly other things, that will be of benefit to Welsh patients. That is a selling point for us in Wales and it is one that we certainly use in the life sector.

[399] When the life sector held its last conference, there were loads of international delegates—the people who came were absolutely amazing. That linked to our life science fund, which has been so warmly welcomed across the UK and the world. People cannot quite believe that we have done it; they thought that it was a risk. It is not a risk; it is a success in terms of what it is producing. Marketing what we have done there will help in terms of inward investors.

[400] I also think that it is important when we brand, and our branding has got really good. The Just Ask Wales campaign has been absolutely great this time with the number of people who have come in, the enquiries that have been made, and the inward investment that has come from it. In the future, we might want to tailor some campaigns to some of the wins, like you suggested. We could create the DVDs to show what is being produced in Wales, add to it in terms of how we market with other sectors, and do so much more deliberately in the future, and not just have a general brand name.

[401] **Eluned Parrott:** I just want to come back to Sêr Cymru. Obviously, I know that the Welsh Government invested in a number of knowledge transfer partnership opportunities through the research councils as well, but when you bring in a research star, they cannot operate in a vacuum; they have to have a research infrastructure around them, which includes more junior researchers coming through the academic structure in order to create a team approach that will support them. One of the differences between knowledge transfer partnerships and the Prince of Wales Innovation Scholarships scheme that the Welsh Government had set up was the ownership of the intellectual property, which is an attraction. Something rather unique about the POWIS scheme is that the IP was actually available to the company that had invested. What opportunities are there, do you think, to examine those kinds of schemes to see whether there is an opportunity to provide something that is giving a little bit more to the investor, as opposed to retaining the IP with the universities?

[402] **Edwina Hart:** I think that there is always an issue about IP because there is so much IP that is just lurking around in companies that no-one has taken to the next stage of production. That is why we have been very supportive of Alacrity, which has taken IP from companies, had the brightest graduates, and taken it on. There is always merit in looking at these issues further because I think that anything that we can do to encourage, to ensure that we get innovation, is very important. However, the important thing for the Sêr Cymru people is the ecosystem that we produced around them. They need their researchers; they need to be comfortable, and the fact that they are allowed to do other partnerships across the globe is

very important. Sêr Cymru is successful at the moment, but it is in its earliest stages. I will certainly be more than happy to pick up points that are made in committee when I discuss the subject with the chief scientific adviser and others.

[403] **Ann Jones:** Turning to marketing and branding, looking back at some of the evidence that the committee has received, it seems that people very much lament the passing of the WDA. There are issues that, for example, the strength and awareness of the WDA brand name are no longer there. It is said that there is no longer a coherent Welsh brand for either trade or investment, and it goes on. Are these people right to be lamenting the demise of the WDA? Should that brand be revisited?

[404] **The First Minister:** No, because to me the brand is Wales, not the WDA. Coming back to the answers that I gave a little earlier to the committee, I do not see the evidence there for resurrecting, at some cost, the agency as an organisation. Many of those who were working for the agency are now working for Welsh Government, and their skills are very much valued. At the end of the day the brand has to be Wales. Anything else that gets in the way of that would not be helpful.

[405] **Ann Jones:** Minister, you mentioned Just Ask Wales, the new campaign that started at the beginning of this year. I wonder whether you could just give us some idea about the locations covered by that campaign at present and what the plans are for the future of the campaign.

[406] **Edwina Hart:** We were very pleased with it because it was a dedicated campaign. We had a contact centre number that we distributed. We did a lot, of course, in the quality press, and we did a lot in London in terms of individual markets. We looked at Paddington and Heathrow for advertising and everything, so it was generally very well received. However, a major component of the campaign has been the digital marketing agenda, which we found particularly satisfactory. We found that digital marketing had proven to be worth while in terms of the tourism sector, and now in terms of the Just Ask Wales campaign. I think that we do have some statistics, James, on who has come to us, do we not?

[407] **Mr Price:** Yes. We have only been out in the market for quite a short period of time, really. It was the first time that we have been out in force for a long time. Already, we have seen 67 real enquiries generated that are worth digging into in detail. We have had tens of thousands of enquiries, but that is what you find when you take it down to those that may lead to something. Three of those are projects that may offer in excess of 100 jobs, and which look really serious and might come into Wales. I think that that is a really good start, given that we have only been out for a three-month period. In total, we are looking at 23 inward investment projects on the back of that investment so far.

[408] **Ann Jones:** Without breaking commercial confidentiality, what about location spread? Is it pretty widespread across—

[409] **Mr Price:** Is that in terms of where they come from?

[410] **Ann Jones:** Yes, and where they—. Is it pretty widespread? Is it across north—. Is it across Wales, not just north Wales?

[411] **Mr Price:** The way that we work with them is to understand their needs and then they will be shown a variety of opportunities across Wales, and they will end up going where they want to, rather than where we want to put them. So, we are at the stage of talking to them about the Wales offer and a number of places, not any specific part of Wales. So, it is too early to say that. In terms of where they have come from, the majority will have come from London and the south-east of England, because that is where we decided to market.

[412] **Ann Jones:** Given that we have some of the nicest geography and the nicest places to live along the north Wales coast, we can expect to see quite a lot coming in along the north Wales coast.

[413] **Julie James:** Apart from the Gower.

[414] **Ann Jones:** Except for the Gower, yes. I am sorry, Chair. [*Laughter.*]

[415] **William Graham:** I call on Eluned.

[416] **Eluned Parrott:** Thank you, Chair. I want to ask about performance monitoring. Perhaps I can ask what data the Welsh Government uses to monitor the effectiveness of its activities to support exporters in Wales.

[417] **Mr Price:** We do two different things in terms of exporters, or we put them into two big categories, anyway. Within the trade and inward investment team, we run a series of activities that are all about helping people to understand the market, taking people out to try to sell their wares and then provide aftercare around that. More generally, across all of the sector teams, a significant proportion of the work is targeted at increasing the volume of exports and the value of exports to the economy. I think that it is important to understand both of those things. Currently, we are measuring with key performance indicators only the impact that the trade and inward investment team has, and we measure that in terms of the value of the deals done as a result of engagement with the Welsh Government, which will include all the activities that we undertake in that team. This year, the figure is around an additional £30 million, while, next year, we expect that figure to go up significantly. If you were to include the sector teams, the figure would be maybe as much as 10 times bigger than that, because nearly every big deal that we do—. The Minister talked about the Ford deal, and a significant proportion of those engines will be exported to go around the world. However, at the minute, we do not capture those figures as export successes; I think that we should, but we should disaggregate them from the trade programmes.

[418] **Eluned Parrott:** Yes, there are weaknesses, are there not, in terms of the data that are available to assess Wales's exports, for example, the data that we could be asking the ONS to collect on our behalf in terms of producing more accurate GDP(E) figures—GDP figures from the expenditure approach—so that we could have our GDP estimates a year earlier? Do you think that that is something that we should be doing?

[419] **Mr Price:** It might be for Ministers to comment, but, from a management perspective, in terms of driving the maximum out of my team, what I want to do is have the best management data and key performance data that we can have. I think that, in terms of the inward investment and trade team, those are good. In terms of the sector team, we need to put a measurement on it and we are actively looking at doing that.

[420] Taking a step back as an economist, and looking at the figures overall, I think that it is always useful to have better data, but the cost of those better data has always got to be compared with the benefit, because it would be useful to have better data across a whole raft of public policy issues, not just this one.

[421] **Eluned Parrott:** Indeed, but clearly at the moment there is a gap in the data, is there not? There is a gap between what you are monitoring in terms of the Welsh Government's activity and the outcome of the activity, if you like, and then the global figure, which is, particularly if you are looking at GDP, for example, a year late and it is also such a global figure that it is very difficult to understand the health of the Welsh economy and of Welsh exporting more generally, because the data are not rich across the piece there.

[422] **Edwina Hart:** I think that you make a good point, particularly on the export side, because we have been concerned that, in our key performance measures, the value of doing export business and the fact that the sectors underline it are not reflected. We need to do some work in that area, because that would increase it substantially in terms of the figures that would be available. So, we are certainly happy to look at any further work, because there is an underreporting of activity in the sectors.

14:45

[423] **Mr Price:** There is another issue in this. I think it has been picked up a bit recently in the statistics, but a lot of the outputs from Wales-based companies are intermediate outputs going to a product made somewhere else in the rest of the UK, which is then exported. Quite often, those figures are not then picked up in export figures. You can understand why, but, in terms of the policy, it does not make a lot of sense. They probably ought to be.

[424] **Edwina Hart:** A perfect example of that is the automotive sector. We do a lot in terms of the automotive sector supply chain with the staff down in Llanelli, but that will always be reflected out of the UK and England in terms of exports of the vehicles, rather than reflecting on the fact that we are part of the export chain. I am not certain how we could actually—

[425] **Mr Price:** It is very difficult.

[426] **Edwina Hart:** It is very difficult. We have looked at individual examples—for example, when a motor car goes somewhere, what part of it is ours in terms of the export potential? That would be quite detailed work, and whether it would be worth doing it is an issue that would have to be considered.

[427] **Eluned Parrott:** Moving on to inward investment figures, obviously we have the figures that are produced by UKTI, which one of the respondents to our inquiry described as almost completely useless in terms of assessing the performance of the Welsh Government, specifically. What data do you collect to be able to assess your performance? Why is it that the data that you collect are so different from the data that we see from the UKTI's disaggregation of performance?

[428] **Edwina Hart:** We know exactly what is going on with the UKTI, and we do dovetail with what the UKTI undertakes, but we do, of course, collect our own data. We have an ongoing discussion with UKTI over what would constitute foreign investment, do we not? There are certainly figures about what it is looking at now, and how it is going to present its figures, and we will not be presenting our figures in that way. James, do you want to tell the committee?

[429] **Mr Price:** Absolutely. We talked about this, I think, in the last committee, and UKTI's position still is that it is going to base this year's figures on 10% foreign ownership, whereas we are basing our activity and our figures on 50% foreign ownership. This will be the first year that there has been a divergence across the UK. I am not sure what Scotland and Ireland are doing, but it looks like they might be adhering to a 50% rule. My concern on that is simply that it is not a fair reflection of international activity, and it will tend to pick up mergers and acquisitions activity, which is concentrated in London and the south-east of England.

[430] You also asked why our figures are different. I do not necessarily recognise that they are different, because our figures feed into UKTI's figures, which is why our saying 50% and it saying 10% is such a significant issue.

[431] **Eluned Parrott:** How does that threshold of percentage ownership compare with other European nations?

[432] **Mr Price:** This is why I was looking at the ONS figures early on, because one of the UKTI arguments is that the 10% foreign ownership is an international benchmark, which it is at certain levels, but obviously ONS does not feed that in. I would have to get a note on that. I think that there are different practices all around the world in terms of how inward investment is understood and defined, and that is partly down to tax law and other things, as well as policy incentives.

[433] **Eluned Parrott:** Indeed, but if we want to be able to compare our statistics further afield than the UK, then clearly some kind of similarity between our figures and the way that we measure and the way that other European nations measure is going to be helpful in that.

[434] **William Graham:** I would like to move on now. Julie James is next on trade missions.

[435] **Julie James:** Oh, okay—I thought that we were sticking with that one. In terms of the trade missions, we have heard quite a lot about people who went on a trade mission and had a really good experience and really liked it, but we have also heard from the F—the Federation of Small Businesses—the FSB, sorry; I have gone dyslexic on the letters—and from the South Wales Chambers of Commerce about difficulties in the process of getting yourselves on to a trade mission. We have had, again, this contradictory evidence from some people who have had a very good experience and have enjoyed the whole process and done well out of it, and others who have reported a less good experience. I just wondered whether you could comment on that dichotomy.

[436] **Edwina Hart:** I do not know, First Minister, whether you want to say anything, because in terms of the trade missions that I have gone on that have included some small businesses, they have really enjoyed them and have found them successful. They knew where they were going, they know where they wanted to go, and some of them have been asking us whether they can go on more of them because we are generous in terms of the support that we give to them and they are anxious to be engaged. So, I find this quite difficult from my experience of talking to businesses.

[437] **The First Minister:** Yes, I would echo that. What we tend to find is that trade missions are well attended and are effective for those businesses that go. What happens on a trade mission when a Minister is part of the trade mission is that doors open that would otherwise remain closed. For example, there are meetings with equivalent Ministers in other parts of the world, which would not happen without a Minister present. Also, we find that events tend to be bigger if Ministers are there. For example, when I was in India in 2012, we hosted an event in Mumbai for which we expected 60 people, but 250 turned up. It took a considerable amount of time to go through all of them, I can promise you. The same thing happened when I was in the States some weeks ago. You get several hundred people turning up at events if they think that there is a Minister present—and that would apply to any Minister, of course—which they would not do if it was a trade mission that did not have a Minister attached. Ministers cannot go on every trade mission, clearly. That is why we pick and choose them carefully in order to maximise the opportunities that are available.

[438] **Julie James:** Are those sorts of statistics widely available? Do they encourage businesses to come forward to go on them?

[439] **The First Minister:** The trade missions are well known, and there are now more of them than there have been in the past—and, certainly, Edwina and I have been on a number of

trade missions over the past two years, and that is just the tip of the iceberg compared with the numbers that have gone or are planned to go over the next year or two.

[440] **Julie James:** What support do they get after they have come back?

[441] **Edwina Hart:** They get loads. The department always discusses with them what has happened in terms of the trade mission if they have made contact with a company et cetera, because some of them are looking for partner companies when they go to certain countries as they need a partner to export to that country because of the way that the markets operate. As you can imagine, if you go to Russia, life is quite different to going somewhere else, perhaps in Europe, to export, and they need different arrangements in China and India. So, we help them in terms of that, and explain how they do it and so on. The department then encourages them, if we have contacts, or, if we have an office in the country that the trade mission went to, it will keep in contact. So, we have a holistic approach in terms of dealing with them when they come back. Most of those who go who have had success want to go again on the trade mission. I did the trade mission to Japan, and some of those who went to Japan want to go again the next time that we do a trade mission to Japan.

[442] **Julie James:** Minister, earlier in this session, you said something about the internal communications inside some of these trade organisations. I wonder, from what we are being told, whether some support to them to improve that communication might solve some of the issues in the feedback that we have been getting. We have had businesses saying that they have had trouble identifying where an appropriate trade mission might be and so on, but those are being reported through the organisation. So, through the South Wales Chamber of Commerce, or through the Federation of Small Businesses, or another similar organisation.

[443] **Edwina Hart:** We have a very transparent process with regard to what we are doing in terms of how we utilise our website. I can certainly ask officials whether we can be more transparent. However, you can only advertise: you can take the horse to water but you cannot make it drink, and we have to recognise that it is our responsibility to put in place what we have, but other organisations also have a responsibility to make their membership aware of what we are doing, because we cannot directly mail the world on some of these things.

[444] **Julie James:** I have to say, just as a comment, really, that I have made the point several times during this process that sometimes the businesses need to engage themselves in order to make the most of the opportunity.

[445] **William Graham:** To conclude, Minister, if I may, in terms of resources, could you clarify the number of Welsh Government overseas staff who are focused on trade and investment, and contrast how that compares with previous years?

[446] **The First Minister:** There are 35 staff in total, across the world. Of those, 25 are directly involved, in one way or another, with trade and investment; the other 10 are policy staff, who are in Brussels. That is down from the situation in 2010, but we have built up the offices and the staff over the past three years, particularly in the US. We have reopened the office in Dublin and we have put trade and investment staff into Brussels. We are building up from where we were, certainly, in 2010.

[447] **William Graham:** Thank you very much. Are there any other questions from the committee?

[448] **Julie James:** May I add something? I have just been looking at the Just Ask Wales website. I had looked at it before, and it has obviously been improved since then; I think that it is very impressive. It has been considerably developed since the last time we saw it in the committee.

[449] **Rhun ap Iorwerth:** On that point, could you clarify again how you can trace back these potential inward investment schemes to what has happened with this?

[450] **Mr Price:** My preferred model would have been to have a different digit at the end of the telephone number, so we would have known exactly where they came from. That is deemed as not being best practice now in terms of this type of activity. What we simply do is to ask them where they got the number from when they pick up the phone to us. So, it is probably under-reporting.

[451] **William Graham:** Thank you very much. That concludes the session. We are most grateful to you for coming this afternoon. Thank you very much.

14:56

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting**

[452] **William Graham:** I move that

the committee resolves to exclude the public from the meeting on 30 April in accordance with Standing Order 17.42(vi).

[453] I see that the committee is in agreement. Thank you very much.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth y cyfarfod i ben am 14:56.
The meeting ended at 14:56.*