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**A Value for Money Review
of the Welsh Governments Core
Funding Arrangements for Social
Enterprise Development**
Welsh Social Enterprise Coalition

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Executive Summary

The aim of the commission underpinning this report is to undertake a value for money review of the core funding arrangements for Social Firms Wales (SFW), Development Trusts Association Wales (DTAW) and the Welsh Social Enterprise Coalition (WSEC). The review is required to contribute to the rationale on which any future funding arrangements post 2012/13 will be based by providing the evidence to support decisions.

The review has, at the request of the Welsh Government, been approached in two stages with the first stage, the review of the value for money obtained from Welsh Government support for the Welsh Social Enterprise Coalition, the subject of this report.

CM International has worked closely with the Welsh Government throughout the review making as much use of the experience and knowledge already available. In addition, CM International has made full use of existing resources, research material and data and has conducted in-depth interviews with 6 WSEC Board members, 4 stakeholder organisations and 3 Welsh Government officials.

To assess the value for money obtained a structured approach has been used that incorporates the concepts of economy, efficiency and effectiveness allowing a systematic and nuanced conclusion to be arrived at.

Based on the evidence gathered and analysis conducted, we conclude that in overall terms the Welsh Social Enterprise Coalition has not been able to provide the value for money that Welsh Government could have reasonably expected from its financial and other support over the period 2010 – 2012.

We would draw attention to the fact that we have not conducted a financial audit of the organisation nor have we carried out any accounting tests.

The reasoning underpinning this conclusion can be summarised briefly as follows:

1. The cost of the intervention is as budgeted in the original grant award letter i.e. £700,000 over the 3.5 year period to March 2013.
2. No additional amounts of finance of any significance have been levered into the WSEC activities – although partnerships and collaborations with other organisations have almost certainly reduced costs in some activities.
3. The lines of expenditure that have been reported have been broadly in line with those that might have been expected based on the plans set out in the original WSEC development plan and reported on regularly in budgets, accounts and monitoring information.
4. Budgeting for overspend in at least two of the years in question is unusual and raises some concern. The Finance Sub Committee now in place, albeit belatedly, is to be welcomed.
5. In respect of activities achieved against planned activities, in one important area, that of the number of members recruited, WSEC is significantly ahead of target – circa 260 compared with a target 2010 -2013 of 172.
6. The majority of other performance indicators are behind target in respect of either - or both - timing and scale to an extent that could not reasonably have been expected by Welsh Government at this point.
7. A notable absence within the agreed performance indicators is anything relating directly to WSEC inputs to policy development and consultation exercises. We would have expected to see something here even though it is clearly accepted by WSEC

board members, stakeholders as well as Welsh Government officials that this was a crucial area where value for money could be expected to be demonstrated.

8. In respect of WSEC role in providing an effective 'voice' for social enterprise and social enterprises across Wales we must conclude that WSEC is neither fulfilling its potential nor meeting its own expectations in this important area of activity.

As part of our agreed scope of work with Welsh Government, we were asked to review the supported organisations' fit with Welsh Government policy and strategic objectives for the future and, where appropriate to make recommendations regarding further Welsh Government support for the organisations concerned.

Based on our work, we are of the view that the explicit aims and objectives of WSEC as constituted remain by and large relevant and appropriate.

The quality and scope of the policy and service design inputs expected from such a body have also increased as more public bodies and service delivery commissioners and managers become engaged in designing and implementing modern approaches to 'mixed-mode' delivery involving potential social enterprise activities.

1. ***We recommend that further and fresh consideration is given to the notion of membership for the organisation.***
2. ***We recommend that clarity regarding its role and remit and fit with other organisations needs to be developed by the WSEC in close cooperation with other infrastructure organisations*** including Wales Cooperative Centre (WCC), Wales Council for Voluntary Action (WCVA) as well as Social Firms Wales and the Development Trust Association Wales.
3. ***We recommend that the role and responsibilities of the Board would bear further consideration.***
4. ***We recommend that the Board should primarily focus on the strategic direction of the organisation*** delegating management issues (HR and finance) to sub committees but with regular 'policy think-tank' Board sessions.
5. ***We recommend that the Board should be encouraged and supported to elect a Chair with the vision and authority to take the WSEC forward*** not limiting itself to current Board membership or to the list of WSEC members as they stand.
6. ***We recommend that if a change in Chief Executive becomes necessary, the proven ability to network effectively and efficiently and to be capable of holding their own in policy debates and circles would be beneficial.***
7. ***We recommend that the WSEC Board should recommit itself to the mission of WSEC and visibly reinvigorate this commitment and 'passion' for the work of WSEC.***

1. Introduction

1.1 Aims and objectives

The aim of the commission underpinning this report is to undertake a value for money review of the core funding arrangements for Social Firms Wales, Development Trusts Association Wales and the Welsh Social Enterprise Coalition.

The review is required to contribute to the rationale on which any future funding arrangements post 2012/13 will be based by providing the evidence to support decisions.

The specified objectives for the review¹ are to undertake:

- A robust and objective appraisal of the supported organisations' performance against an appropriately identified value for money definition;
- A critical analysis of the performance of the supported organisations using their achievements against their respective aims as agreed with the Welsh Government;
- A quantifiable analysis of the supported organisations to identify the levels of additionality as a consequence of their respective core funding arrangements; and
- A review of the supported organisations fit with Welsh Government policy and strategic objectives for the future.

The review has, at the request of the Welsh Government, been approached in two stages; firstly, the review of the value for money obtained from Welsh Government support for the Welsh Social Enterprise Coalition has been undertaken with a report deadline of 31st August 2012; and, secondly, the value for money reviews of both Social Firms Wales and the Development Trust association Wales will be completed by 30th September 2012.

In addition, although not explicitly required within the project specification, it has been assumed, and confirmed at an inception meeting with Welsh Government officials, that recommendations are sought regarding further Welsh Government support for the organisations concerned.

This report therefore provides the analysis, conclusions and recommendations associated solely with the Welsh Social Enterprise Coalition.

¹ Specification for the Value for Money Review of the Welsh Governments Core Funding Arrangements for Social Enterprise Development , Welsh Government BETS, July 2012

1.2 Work undertaken

As set out in the specification for this commission, CM International has worked closely with the Client throughout the review making as much use of the experience and knowledge already available. In addition, to ensure that duplication of effort is avoided, CM International has made full use of existing resources, research material and data.

CM international's approach to this commission has been to use a three stage work package (WP) methodology:

1. Scoping, documentary review & methodology development

Consisting of full document collation and review supplemented by a small number of 'scoping' interviews with Welsh Government project managers and officials. Documents reviewed have included WSEC monitoring reports to Welsh Government; Board minutes; publications and reports produced by WSEC.

In addition, at this stage, interview lists, analysis templates and structured interview schedules were prepared, tested and implemented with target organisations, board members and stakeholders.

2. Value for money research

WSEC data and WSEC monitoring reports and Board papers were reviewed and analysed against organisation and funding objectives and activities².

6 current and recent Board members of WSEC were interviewed during August 2012. Unfortunately, neither the original Chair of WSEC nor the current Chief Executive was available for interview in this period.

In addition, representatives of 4 other stakeholder organisations, including Social Firms Wales and the Development Trust Association Wales were interviewed. Finally, Chief Executive Officers from two relevant comparator organisations in England and Scotland were interviewed.

A full list of all interviews conducted can be found at Annex 1 to this report.

3. Value for money analysis

All interviews, data analysis and the documentary review has been further analysed and interpreted in reaching conclusions regarding the value for money achieved.

In particular, a structured approach to assess value for money has been used that incorporates the concept of 3Es – economy; efficiency and effectiveness – thus allowing a systematic and nuanced conclusion to be arrived at.

² DTAW and SFW data analysis and monitoring reports and Board minutes were also reviewed and analysed but not prioritised and will be included in the stage 2 report at the end of September 2012

1.3 Context and approach

Achieving value for money and clear outcomes and impacts from public expenditures is a basic tenet of public administration. To enable this to be verified, Welsh Government regularly reviews its funding commitments including, in this context, to organisations in the third sector.

Value for money is defined in Treasury guidance³ as:

‘the optimum combination of whole life cost and quality (or fitness for purpose) to meet the user’s requirement. In other words, getting the best possible outcome from any given level of input’.

This definition needs to be applied and interpreted recognising that value for money arises from both quantitative indicators and from qualitative policy gains.

Over and above the outcomes of their specific functions, therefore, the three organisations that are the subject of this review play a role in contributing to Welsh Government policy and strategic objectives for the future.

Core funding for the three organisations that are the subject of this review are made in the context of the Social Enterprise Action Plan (SEAP) that commits the Welsh Government to working with partners to:

*‘create an environment that encourages new social enterprises and to establish integrated support that will help create thriving social enterprises in Wales’.*⁴

The extent to which the three organisations contribute to that Welsh Government commitment is therefore a key value for money indicator.

Within a context where a number of organisations exist that offer support to social enterprises and organisations aspiring to develop social enterprise activities, social enterprise support in Wales is sometimes seen as a ‘crowded space’. Organisations in this ‘space’ include the Coalfields Regeneration Trust, the WCVA and the Wales Co-operative Centre, as well as the three organisations that are the subject of this review. Each organisation has a different emphasis and ‘target audience’ although all seek to engage with the Welsh Government and other agencies and stakeholders within the overall field of social enterprise and third sector work.

Value for money will therefore need to be assessed in terms of the overall contribution the organisations have made to the Welsh Government’s Social Enterprise Action Plan aims and objectives by successfully aligning their support for best practice exchange, awareness raising and development for their own members with a distinctive and authoritative role in supporting mutual learning between individual members and informing and influencing relevant Welsh Government policies.

Supporting the development and growth of individual organisations and projects is an important part of DTAW and SFW’s role, although is not part of WSEC’s role.

³ Improving financial relationships with the third sector: Guidance to funders and purchasers, HM Treasury (May 2006)

⁴ Welsh Assembly Government (2009), The Social Enterprise Action Plan for Wales 2009

The Welsh Social Enterprise Coalition (WSEC) objectives were established in 2010, when both financial and advisory support from Welsh Government were made available for the creation of the organisation to become the national body for social enterprise in Wales. WSEC are a membership-led organisation and have been supported by Welsh Government to function as the collective voice for Welsh social enterprise. WSEC members comprise social enterprises, other social enterprise infrastructure organisations (including DTAW and SFW), private businesses, charities and public sector organisations.

Specifically, in the case of the Welsh Social Enterprise Coalition, the core objectives of the organisation and the objectives set out in the Welsh Government’s award of grant funding have been⁵:

1. *To build the WSEC as a well-managed, membership-led organisation, representing the full range of social enterprise in Wales.*
2. *To raise the profile of social enterprise as a dynamic business model, championing the values and benefits of social enterprise to a broad range of stakeholders.*
3. *To represent the needs and views of Welsh social enterprise through it being a strong voice driving forward the opportunities for the sector.*
4. *Facilitating access to support and resources for potential, new and existing social enterprises and providing an information portal and access to business acumen.*

Under each of these main objectives, the Welsh Government further agreed with WSEC a number of sub-objectives intended as operational objectives to aid the early stage progress of the new organisation. The detailed ‘Purposes Schedule’ is included at Annex 2.

The Welsh Government committed to support core funding of WSEC to a total of £700,000 over the first three full years as follows:

2009/10 (part year)	£100,000
2010/11	£200,000
2011/12	£200,000
2012/13	£200,000

⁵ Award of Grant Funding letter – Schedule 1, Welsh Government 27th January 2010

2. Review of WSEC economy, efficiency and effectiveness

To clarify the terms used in this review:

- **Economy** asks questions regarding the actual cost of activities including, how much has the intervention cost; how was this decided on; have the funds been used for the stated activities and, what additional funds have been levered in?
- **Efficiency** considers whether activities were delivered in line with expectations including, were the funded activities delivered in line with the plan; what additional activities were delivered; was the cost of delivery as expected and, how has efficiency been measured and monitored?
- **Effectiveness** focuses attention on outcomes such as, have the funded activities achieved the expected results or outcomes; what additional outcomes have been achieved, if any; and, how has effectiveness been maximised?

2.1 Economy

Economy asks questions regarding the actual cost of activities including, how much has the intervention cost; how was this decided on; have the funds been used for the stated activities and, what additional funds have been levered in?

CM International has reviewed the accounts and budgets produced by the WSEC executive and discussed with the WSEC Board and submitted as part of the Welsh Government's normal monitoring arrangements. CM International has not however carried out auditing or accounting tests based on this information and has not discussed the accounts and budgets with any of the staff or executive of WSEC.

From a Welsh Government perspective its intervention has cost as budgeted, i.e. a £200,000 grant in 2011/2012 and a forecast similar amount in 2012/2013 giving a total grant expenditure of £700,000 over the initial 4 year award agreement. We have confirmed that these were the amounts included in the award agreement.

It is also clear that Welsh Government has regularly monitored the progress of expenditures against budget throughout the period since the grant award in January 2010.

While it appears that no major deviations from the expected budget lines and items have occurred we are aware of some correspondence regarding the treatment of some discretionary costs such as consultancy fees and the use of the corporate credit card for relatively small items of travel and subsistence expenditure on behalf of the WSEC CEO. These items were raised by Welsh Government as part of the normal monitoring process.

We should note at this point that, in our interviews with Board members as well as through our review of Board minutes, we were made aware of rumours that have circulated about misspending by WSEC. Board members were not clear where the rumours may have originated. We understand that Welsh Government has commissioned a specific investigation into these matters and they form no further part of our review.

A review of the budgets set for 2011/12 and 2012/13 and agreed by the WSEC Board revealed that despite operating on a known fixed budget – the Welsh Government grant plus a small amount of additional grant and rental income (no more than £19,000 per annum) – in each year, an overrun of expenditure over income was budgeted.

In 2011/12 expenditure in excess of income of £25,000 was budgeted and, in a revised budget (9+3 months) produced in December 2011 the overrun was reduced to an estimate of circa £23,000. This amounts to a budgeted overrun of approximately 11%.

In 2012/13 (current year), the budgeted expenditure is forecast to overrun forecast income by some £40,000 i.e. almost 20%⁶.

As noted these overruns were budgeted after taking into account some small elements of additional funding that have been levered in mostly around rental income (the sub-let of some space) and conference/exhibition sponsorship and fees. However, this has amounted to no more than £19k in 2011/12 and £6k in 2012/13. In addition, a small Third Sector partnership grant of £4,000 per annum has been received in each financial year.

From a brief analysis of the accounts, it appears that expenditure for some budget items was committed upfront on, for example, an office lease agreement. In addition, the Board member nominated as Treasurer recalls that external financial management services were commissioned for £15,000 per annum even though the initially budgeted figure was for £6,000 per annum. Similarly, ancillary services such as IT were also eventually contracted at prices higher than initially budgeted.

The Board member nominated as Treasurer told us that he asked for clarification regarding the budgets, but cannot recall receiving a substantial clarification from the CEO. Further he told us that his suggestions for tighter financial controls were not welcomed by the executive team.

A review of the Board minutes reveals that the Board generally discussed the need for additional income and cash flow but do not appear to have discussed reducing expenditures and appear to have reached only tentative conclusions on how to resolve the budgeted financial shortfall.

The main idea discussed appears to have been to request the Welsh Government to pay the quarterly grant payments considerably in advance of the due date to ease the cash flow issues that had already arisen by early 2012. However, the inevitability of eventually being unable to 'balance the books' seems not to have been discussed in earnest. At the Board meeting held in March 2012 the Director acting as Treasurer recommended a programme of overhead reductions although no definitive decision or substantive discussion on this matter appears to have been made at this Board.

One obvious possibility available is to raise revenue from charging of membership fees as similar organisations achieve⁷. It appears from the Board minutes and from Board members recollections that the question of membership fees was not in fact widely discussed at Board. We understand that there was some reluctance to ask social enterprises for member fees when the overall economic climate has been difficult. We also understand that the practitioners (i.e. social enterprise managers) on the Board, as well as the CEO, felt strongly that since WSEC was not set up to provide advice and support or any other distinct services to individual social enterprises, there was no strong case to charge fees.

A number of Board members and stakeholders also feel that there must be some doubt if social enterprises will be willing to pay membership fees, if asked. Although the CEO's

⁶ It appears that part of the explanation for a budgeted overrun lies in the prepayment of rent that was made in 2010 from the initial grant award. The result is that rent charged to each year's accounts being a non-cash item as it is released from prepayments. This could account for up to £15,000 of the annual overrun.

⁷ For example, Social Enterprise Scotland has some 150 members who pay fees at an average of approx £250 per annum each.

recruitment effort was successful in signing up individual practitioner members across Wales, it is not clear what they would actually get for their membership fee⁸. Member benefits from WSEC remain unclear and one stakeholder and WSEC member interviewed described the strategy followed as:

‘WSEC has identified the customers (members) but has not identified or developed a product’

The current Chair (as at August 2012) told us that the Board position is to charge membership fees only after 2012/2013 although noted that to date there has been no communication of this possibility with members. The following note from the latest WSEC monitoring report sets out this position:

“The consideration of membership fees for the financial year, 2012-2013 was discussed at the WSEC AGM held in December 2012. The meeting agreed that there would be no charge for membership fees for the year 2011-2012. The subject of membership fees would be an agenda item at the 2012 AGM.”⁹

Consequently, WSEC remains almost totally reliant on Welsh Government grant funding with few steps taken to ease that situation.

A Finance Sub Committee of the WSEC Board met for the first time in late August 2012 and offers the potential for greater transparency and rigour in financial management and budgeting than has been apparent to this point.

2.2 Efficiency

Efficiency considers whether activities were delivered in line with expectations including, were the funded activities delivered in line with the plan; what additional activities were delivered; was the cost of delivery as expected and, how has efficiency been measured and monitored?

An important caveat to make here is that not all activities can be measured or reported as quantitative indicators. However, WSEC has had the benefit of a list of objectives and associated performance indicators and targets initially set out in the WSEC Development Plan¹⁰ and then built on and agreed with Welsh Government as a basis for reporting on and managing performance.

The list of performance indicators and targets that were agreed with Welsh Government are summarised at Annex 3 with performance to date shown alongside each performance indicator.

Welsh Government has quite closely monitored the performance and activities of WSEC in line with these indicators, receiving regular quarterly monitoring reports, attending Board meetings as observers and meeting with the Chair and Chief Executive on numerous occasions. We are also aware that Welsh Government officials have raised queries and concerns with the Chief Executive as necessary and have pursued these matters when appropriate; for example, in encouraging progress on the appointment of a Policy Officer.

⁸ Although a list of anticipated member benefits and potential fee structure were set out in the original Wales Social Enterprise Coalition Development Plan

⁹ WSEC Monitoring Report to Welsh Government, January 2012 to March 2012

¹⁰ A Plan to Develop the Welsh Social Enterprise Coalition, circa 2009/10

In reviewing the performance of WSEC against the agreed targets and indicators, our conclusion is that although there has been significant achievement and progress made in a number of key areas of activity, notably membership numbers, overall the activities delivered by WSEC to date have fallen below or been behind expectation in many aspects.

As noted membership numbers have been the major over-achievement. The targeted number of members was 172 and, at the latest monitoring report, at circa 260 this has been exceeded by over 150%. However, these are non-fee paying members and stakeholders and Board members told us that it was quite easy to become a member. Members were not asked for even an in-kind contribution or attendance at WSEC events.

It is evident that this focus of management attention was a point of regular discussion at the WSEC Board with practitioner members in particular feeling that, to be a credible voice for social enterprises in Wales, it was vital to get members signed up.

By contrast, other more policy oriented Board members felt that it was necessary to have a product to offer first of all and that influence with Welsh Government and Ministers was a key element in the WSEC offer. One Board member commented that, *“the CEO put a lot of emphasis on the initial recruitment drive, but focused too late on what members would actually expect from the WSEC”*.

Other key areas of activity were slow to get moving and are behind profile. For example;

- The website was launched in January 2011 but with limited material and policy briefings available. The latest monitoring report notes that there is a complete re-design and re-launch for the website planned in 2012.
- The proposed marketing strategy has not been completed despite having been planned for 2011.
- Social Enterprise awareness activities with schools, further education (FE) colleges and higher education (HE) institutions have been limited to the Chief Executive’s involvement with YES Programme and activities with one HEI, Trinity St Davids. Other activities here have revolved around the Chief Executive meeting with a small number of individual FE colleges and links being established by one Board member to the University of Glamorgan.

Probably the key, and most problematic, delay in activity has been the time taken to appoint a Policy Officer resulting in inevitable delays in being able to update the website, contribute to sector policy debates and make inputs to Welsh Government consultations. Once a Policy Officer was appointed activities immediately stepped up and positive feedback was received from those interviewed regarding this activity¹¹.

Finally, a major plank of activity, that of acting as a conduit for the views, concerns and needs of the social enterprise sector and WSEC members, was to be achieved through holding, on a regular basis, a series of focus groups and regional fora. Performance here has been notably slow and lacking in scale until early 2012 when 6 focus groups were held involving over 80 participants.

One stakeholder noted *“The focus groups that were held around Wales were useful but came too late in the day.”*

From a review of the monitoring reports, Board minutes and interviews with stakeholders and Board members, it appears that the approach of the WSEC Chief Executive to the work

¹¹ There is no Policy Officer currently in post

of the organisation was one that relied on his own energy, experience and reputation. For example, this may be illustrated by a recurring paragraph from a number of monitoring reports as follows:

“As part of his Welsh social enterprise visit programme and the focus groups, the WSEC CEO continues to collate information from the growing membership as to how best to canvass opinion, consult and inform its members. In addition to the website, the WSEC makes significant use of both Twitter and Facebook profiles to canvass opinion on a range of issues relevant to the sector and to engage with them in relation to sector developments and substantive changes in WSEC policy.”

The development of tools and strategies to capture and analyse the voice of the sector in a systematic, policy-focused and efficient manner therefore does appear to have been less of a priority and focus of attention than the face-to-face contact and interaction with social enterprise organisations and members across Wales.

Some additional activities, not foreseen in the targets, have also been delivered.

In a number of cases, these were ‘replacements’ for other targeted activities that have not been undertaken or they have been conducted in cooperation with other organisations with WSEC being given a ‘seat at the table’ in some high profile events and opportunities rather than initiating the events and activities themselves.

We note that working with and ‘piggy-backing’ on other initiatives can be a very efficient way of promoting the social enterprise agenda, effectively ‘leveraging in’ investment and resources that may not otherwise have been available. However, it can also be argued that taking this line of action too frequently may lead to a lack of visibility and profile for the organisation, its aims and its members.

During our interviews with Board members we were told that, *“The conference in Swansea was a missed opportunity to establish the identity of the WSEC. The expectation was that the Wales Coop Centre would be organising the conference but that the focus would be on the WSEC. However, the result was that a confused message was given with WSEC marginalised”*.

In the key area of responding to policy consultations and issues, there are no specific targets or performance indicators in place. However, it is clear that this is regarded as a major aspect of work for WSEC and represents a key value for money expectation on the part of the Welsh Government which has frequently been raised with the CEO in monitoring meetings.

It is not possible, from the monitoring reports or Board minutes to accurately identify how many consultations or policy inputs have been made by WSEC. However, it is highly likely that these would amount to less than 10 over the 3 year period since 2010. A Board member told us that when a Policy Officer was appointed they found that *“there was no pipeline in place – he had to begin policy work from scratch”*.

In this respect, there is some criticism of the Welsh Government position where, after working closely to encourage and facilitate the establishment of WSEC, a more ‘hands-on’ or ‘client’ input from officials and Ministers may have proved useful. One Board member commented, *“We didn’t think there had been enough timely communication between the civil servants and the organisation in terms of how to navigate the policy side of things, for example, which departments needed to be considered in the policy remit and communications with Welsh Government”*.

The extent to which this criticism is justified however relies on an assumption that it would have been welcomed or accepted by the Chair and Chief Executive of WSEC. There is evidence within the documents we have reviewed and from the recollections of Welsh Government officials that when this sort of input was offered from time to time it was not always well received or acted upon. An additional concern relates to the fact that to truly represent social enterprises and act as a 'critical friend' to relevant Welsh Government policy processes, a proactive rather than reactive WSEC role would have been required.

2.3 Effectiveness

Effectiveness focuses attention on outcomes such as, have the funded activities achieved the expected results or outcomes; what additional outcomes have been achieved, if any; and, how has effectiveness been maximised?

The responses to questions of effectiveness can overlap with those around efficiency. However, here we have taken into account the perceptions and responses that we received from our qualitative research obtained from the structured interviews with stakeholders and Board members of WSEC as well the initial interviews with Welsh Government officers.

For WSEC, as noted earlier, value for money cannot be measured by quantitative outputs and outcomes. This is the case for a number of reasons:

Firstly, it was not set up to advise individual social enterprises. In this respect, WSEC's role and remit differs significantly from that of Social Firms Wales, Development Trust Association Wales and Wales Cooperative Centre which balance service delivery with policy influence and input. Secondly, WSEC was established with Welsh Government encouragement, advice and support to provide a conduit between government and social enterprise and social enterprises across Wales. Thirdly, WSEC was established as a tool to promote social enterprise as a business model both to potential social enterprise operators and public service deliverers.

To achieve these objectives, WSEC needed a strong and authoritative voice with which to present the social enterprise case.

The notion of WSEC providing a strong voice for the social enterprise concept and organisations adopting this model arises frequently in the documents reviewed, from the descriptions of WSEC's role and mission presented by both Board members and other stakeholders and comments and recollections of senior Welsh Government officials.

In seeking to explore and further understand the nature and characteristics of this concept of 'voice', we suggest the following elements which relate well to the overall objectives and performance indicators agreed by WSEC with Welsh Government:

1. **The voice of the customer:** WSEC should engage with social enterprise in Wales, listening to and clearly identifying the needs and concerns of the sector and translating them into appropriate policy inputs;
2. **A voice worth listening to:** WSEC, because of the quality of its debate within the sector and the experience and expertise of its Board and officers, should be making a rigorous, strategic and constructive contribution to policy and thinking around social enterprise as a business model;
3. **A voice that is well regarded and thoughtful:** WSEC should be providing a balanced yet passionate voice within policy development and service delivery circles, taking a campaigning, advocacy and scrutiny role as appropriate.

We have considered the evidence in respect of each of these important aspects of effectiveness.

1. The voice of the customer

WSEC has established a relatively high number of members in excess of the targeted number, however, as noted there remains a lack of clarity regarding the benefits to be gained from membership and the expectations of members in helping WSEC reflect their issues, concerns and needs to government.

This aspect has already been commented on earlier in this report and can be further illustrated by the comments made by a Board member who summarised this point when they noted that, *“it was difficult to justify why social enterprises should pay fees for yet another membership body without considerably more clarity as to what those fees entitled members to.”*

Further, one stakeholder (also a member of WSEC) thought that most members, since they were not asked for any financial or in-kind contribution, will have joined simply to get *“another certificate on the wall”*.

In order to act as conduit for WSEC member views into the policy and service delivery process, the performance indicators and targets envisaged a series of communication tools and channels being in place. Evidently, although the website was finally launched in 2011, it was not fully utilised as a communication tool and there is little evidence that the use of social media channels has resulted in two-way dialogue between WSEC and its members.

There was no clear methodology or strategy for gathering member’s views and concerns. As noted above, when the Policy Officer was appointed, *“there was no pipeline in place”*. A number of Board members also acknowledged that gathering views was only one aspect of this element of ‘voice’; another necessary aspect was to be able to effectively synthesise and present the information and analysis however, *“(The CEO) needed an appropriate counter balance on the Board to pick up ideas and guide them into productive activity”* which was not provided by the Board or within the staffing of the WSEC team.

The WSEC Focus groups were long in the planning and are therefore a recent innovation within the WSEC activities. Their outputs are certainly useful although they probably require significant further elaboration alongside policy analysis and fresh thinking to become high quality lobbying and policy influencing tools.

2. A voice worth listening to

WSEC was established with a Board providing a strong representation across large parts of social enterprise activity in Wales. In particular, it has enjoyed a good mix of practitioners, policy focused members and social enterprise infrastructure organisations.

However the strategic direction from the Board has, for the most part, been weaker than would have been expected given the experience of the individual Board members.

In reviewing the Board minutes of WSEC, the impression may be gained that the Board meetings were dominated by organising the business of WSEC and overseeing the CEO’s activities to respond to the targeted outputs for Welsh Government rather than by making contributions to policy debates and inputs and developing fresh thinking and advocacy for its funder and members.

We were told by Board members, *“the organisation was output focused rather than developing a shared understanding of where we were going”*. This seems to also be the impression gained by some stakeholders and officials for example, *“WSEC has struggled to find a remit and role.”*

It appears that there have been at least two weaknesses in this respect.

Firstly, the heavy reliance on the Chief Executive to drive the organisation forward in its delivery activities with relatively little staff or Board support or challenge to the ultimate effectiveness of the delivery of the organisation. Stakeholders and Board members commented to us, *“there was an expectation that the Chief Executive would be the main delivery agent”* and that WSEC is *“very dependent on its CEO”*. However, this reliance on the CEO to deliver is further compounded by a feeling that the post holder *“doesn’t have the right skills to run an umbrella organisation.”*

Secondly, there is a sense that the Board has to some extent been passive in exercising its collective role in respect of the advocacy of the aims and work programme of WSEC. One key aspect in this respect is evidenced by the necessary but belated adoption of a sub-committee structure for the Board to allow greater scrutiny and input to key areas of the Board’s duties such as finance; human resources and strategy while freeing up the whole Board to focus more on policy discussions. One Board member put it this way, *“a human resources board, in retrospect, would have been useful”*

There has clearly been a significant burden on the freely-given time and efforts of the Board members that has meant that many issues had to be dealt with quickly, deferred to later dates or delegated in their entirety. *“The board was only meeting every 2 months, with so many issues to deal with”*.

In addition, it is worth noting that there has been some divergence of opinion between practitioner members and others regarding a number of important points, alluded to earlier, such as the focus on the membership drive and the associated question of membership fees. Summarising this point, a Board member commented that there was *“some tension between the expectation from a policy point of view and the expectations from the grass roots in terms of more practical actions”*.

3. A voice that is well regarded and thoughtful

With a strong and well mixed Board and a widely admired and experienced CEO in place, we believe that it could have reasonably been expected that the voice provided by WSEC would be well regarded and thoughtful.

The extent to which it has been effective in this regard is a qualitative and subjective assessment on which point it is not possible to be robust. Therefore we need to reflect on the comments made to us in the course of this review.

Firstly, the potential for confusion and duplication between the various social enterprise infrastructure and representative bodies including WSEC was commented on as a barrier to the work and ‘voice’ gained by WSEC.

“You had 3 main support providers competing in the same market place, no compulsion to develop a strategic understanding of how the various organisations fit together and how to move forward the agenda in Wales.” **WSEC Board member**

“WCVA and WCC did not actively hinder WSEC but their very existence was a barrier to WSEC”. **Welsh Government official**

“There is a lack of clarity around its (WSEC) role; inviting questions about duplication.” **Stakeholder**

Secondly, the approach taken by the CEO and the role taken by the Board to promoting the objectives and work of WSEC was mentioned as contributing to a failure to establish sufficient identity and visibility within the sector and amongst policy makers and officials.

“WSEC didn’t develop a niche or show what its added value could be quickly enough.” **Welsh Government official**

“(WSEC) is dependent on its CEO without sufficient recourse to using the Board effectively as ambassadors for social enterprise - as a result it has not achieved the necessary visibility”. **Stakeholder**

“The Welsh Government would have expected WSEC to be regularly engaging with Ministers regarding Social enterprise delivery of public services.” **Welsh Government official.**

From this brief summarising of the evidence in respect of the authoritative nature of the voice achieved so far by WSEC we conclude that:

Firstly, the lack of a dedicated policy officer for much of the time and with a CEO with a very strong reputation and experience as a social enterprise innovator and manager but little policy experience, meant that WSEC would inevitably be exposed as lacking in sufficient authority and weight in respect of the quality of inputs being sought by Welsh Government and others. Particularly when compared to policy inputs being provided by others in the sector such as WCC, SFW and DTAW.

In order to overcome issues around the ‘crowded space’ of Welsh social enterprise and third sector, WSEC would have needed to develop clarity regarding its *raison d’être* by demonstrating how it could aggregate and synthesise the existing diversity of the social enterprise arena and provide coherence and analytic rigour to the social enterprise profile in Wales.

Secondly, the representative voices on the Board, notably, WCC, SFW, Cylch and DTAW arguably provided sufficient ‘membership weight’ that, with the other key players also represented on the Board such as Charity Bank and Chwarae Teg and allied to well regarded practitioners, could have produced an authoritative voice without recourse to the efforts taken to gain a ‘mass membership’ of individual practitioners across the social enterprise environment in Wales. Strengthening identity and visibility in this way may have provided the organisation with the credibility necessary to attract a strong membership base.

3. Conclusions on the value for money achieved

Based on the evidence and analysis set out in section 2 above, we conclude that in overall terms the Wales Social Enterprise Coalition has not been able to provide the value for money that Welsh Government could have reasonably expected from its financial and other support over the period 2010 – 2012.

We would again draw attention to the fact that we have not conducted a financial audit of the organisation nor have we carried out any accounting tests. In addition, neither the Chief Executive nor the original Chair of the Board of WSEC has been available for interview. Our focus has been in assessing value for money based on the UK Treasury guidance that advises an assessment of *‘the whole life cost and quality to meet the user’s requirements.’*

Our reasoning can be summarised as follows:

9. The cost of the intervention is as budgeted in the original grant award letter i.e. £700,000 over the 3.5 year period to March 2013.
10. No additional amounts of finance of any significance have been levered into the WSEC activities – although partnerships and collaborations with other organisations have almost certainly reduced costs in some activities.

11. The lines of expenditure that have been reported have been broadly in line with those that might have been expected based on the plans set out in the original WSEC development plan and reported on regularly in budgets, accounts and monitoring information.
12. Budgeting for an overspend in at least two of the years in question is unusual and raises some concern regarding a lack of scrutiny compounded by an evident lack of discussion at Board regarding remedial action to either increase revenue income or to reduce overhead expenditures. The Finance Sub Committee now in place, albeit belatedly, is to be welcomed.
13. In respect of achievement versus planned activities, the number of members recruited is significantly ahead of target.
14. The majority of other performance indicators are behind target in respect of either - or both - timing and scale to an extent that could not reasonably have been expected by Welsh Government at this point.
15. A notable absence within the agreed performance indicators is anything relating directly to WSEC inputs to policy development and consultation exercises. We would have expected to see something here even though it is clearly accepted by WSEC Board members, stakeholders as well as Welsh Government officials that this was a crucial area where value for money could be expected to be demonstrated.
16. In respect of WSEC role in providing an effective 'voice' for social enterprise and social enterprises across Wales we must conclude that WSEC is neither fulfilling its potential nor meeting its own expectations in this important area of activity.

For these main reasons therefore, overall, we conclude that the Welsh Social Enterprise Coalition has not been able to provide the value for money that Welsh Government could have reasonably expected.

4. Key issues and recommendations

As part of our agreed scope of work with Welsh Government, we are asked to review the supported organisations' fit with Welsh Government policy and strategic objectives for the future and, where appropriate to make recommendations regarding further Welsh Government support for the organisations concerned.

We are of the view that the explicit aims and objectives of WSEC as constituted remain by and large relevant and appropriate, namely,

1. *To build the WSEC as a well-managed, membership-led organisation, representing the full range of social enterprise in Wales.*
2. *To raise the profile of social enterprise as a dynamic business model, championing the values and benefits of social enterprise to a broad range of stakeholders.*
3. *To represent the needs and views of Welsh social enterprise through it being a strong voice driving forward the opportunities for the sector.*
4. *Facilitating access to support and resources for potential, new and existing social enterprises and providing an information portal and access to business acumen.*

The social enterprise 'agenda' in Wales has developed in recent years particularly around the role of social enterprise in public service delivery arenas. This makes the existence of an

organisation with a strong authoritative and respected voice arguably more important in 2012/13 than it was in 2009/10 when WSEC was established.

However, the quality and scope of the policy and service design inputs expected from such a body have also increased as more public bodies and service delivery commissioners and managers become engaged in designing and implementing modern approaches to 'mixed-mode' delivery involving potential social enterprise activities.

We recommend that one key area of the aims and objectives of WSEC that would bear further and fresh consideration is that of the notion of membership for the organisation.

As noted in this report, there has been a significant effort made, and success achieved, in gaining members to the WSEC; however, these members pay no fees and receive no tangible, clearly defined and communicated benefits. If WSEC is to raise finance from its members it will therefore need to put a strong product offer in place first – around policy, services design and advocacy – before asking members to make a contribution to costs. Even then, given the experience in Scotland and the initial estimates made by WSEC in its pre-formation phase, only a small amount of income probably around £50,000 could be generated.

Therefore considering further how best to position a membership organisation without an element of service delivery poses a challenge for the Board of WSEC but one that, we recommend, it is essential to address at this stage of the organisation's development.

On the one hand, we suggest that there is limited, if any, scope in the current Welsh context for WSEC to begin to transform itself into a body capable of providing direct one-to-one services for members as part of social enterprise development. On the other hand, many of the Board members already represent, through their own organisations, a large number of relevant members with social enterprise credentials and attributes thus bringing a strong potential member voice to the table.

A key challenge in any case will be to achieve and maintain greater clarity on the role and scope of WSEC when set alongside other infrastructure organisation representing parts of the third sector in Wales. ***We recommend that this clarity needs to be developed by the WSEC in close cooperation with other infrastructure organisations*** including Wales Cooperative Centre, Wales Council for Voluntary Action as well as Social Firms Wales and the Development Trust Association Wales. To be efficient as well as effective, these bodies will always need to collaborate and cooperate where appropriate, but at times it will be important that individual activities and initiatives are conducted so that each organisation can maintain its own identity.

To address these points will require great clarity and rigour from the WSEC Board. ***We therefore recommend that the role and responsibilities of the Board would bear further consideration.***

As we have noted, it appears that much Board attention has been directed at 'management' issues with only limited space for policy discussions and fresh thinking. These aspects are, however, key for taking WSEC forward. ***We recommend that the Board focus on strategic direction of the organisation*** in the first place delegating management issues (HR and finance) to sub committees and with regular 'policy think-tank sessions' in order to assist the executive in analysing feedback from members, playing a role as an engine for policy ideas and inputs and assisting in responding to requests for policy and consultation inputs. In this way, the WSEC Board can provide authority and strength to the WSEC 'voice'.

We are aware of the current uncertainty regarding the leadership of the Board and the position of the current Chief Executive. ***We recommend that the Board should be***

encouraged and supported to elect a Chair with the vision and authority to take the WSEC forward not limiting itself to current Board membership or to the list of WSEC members as they stand. Leadership, authority and vision are, at this stage, more important than deep experience of or exposure to the social enterprise world. It may in fact be beneficial to elect a Chair with no preconceived ideas or ‘baggage’ within the third sector in Wales and someone who can relate to the political context in which WSEC inevitably operates.

Furthermore, taking the experience of other social enterprise infrastructure bodies as well as SME organisations, ***we recommend that, without pre-judging the outcome of current discussions of which we are somewhat aware, if a change in Chief Executive becomes necessary, the proven ability to network effectively and efficiently and to be capable of holding their own in policy debates and circles would be beneficial.*** Only if the Board conclude that WSEC is to be a delivery body providing services to the social enterprise sector and individuals would an experienced social enterprise entrepreneur and manager be appropriate.

Finally, and possibly most importantly, ***we recommend that the WSEC Board should recommit itself (as a group and individually) to the mission of WSEC, and visibly reinvigorate this commitment and ‘passion’ for the work of WSEC.*** As one stakeholder commented on the current perception of WSEC and its Board: *“there is little passion behind it...”*.

Visible evidence of new policy ideas and briefings; WSEC Board members talking positively about the mission of WSEC from public and private platforms and announcements regarding new appointments and planned activities supported, where appropriate, by Ministerial support will probably be needed. Without this, as another stakeholder put it, WSEC could be *“dead in the water”*.

Annex 1: Interviews conducted

Welsh Government officials

- Duncan Hamer
- Karyn Pittick
- Iain Willox

Welsh SEC Board members

- Bev Pold, Chwarae Teg & current Interim Chair
- Derek Walker, Director, Wales Cooperative Centre
- San Leonard, CEO, Social Firms Wales
- Menna Jones, Antur Waunfawr
- Lis Burnett, University of Glamorgan (previous interim Chair)
- Mark White, Charity Bank

Other stakeholders

- Elwyn James, Arts Factory & DTAW Chair
- Martin Price, Chair SFW & DTAW Board member
- Jane Lee, WLGA
- Geoff Jones, WCVA

UK comparator organisations

- Craig Carey, CEO Social Enterprise UK
- Fraser Kelly, CEO Social Enterprise Scotland

Annex 2: Welsh Government Purposes of WSEC core funding grant support

1. To build the WSEC as a well-managed, membership-led organisation, representing the full range of social enterprise in Wales.

- Recruit a broad membership base and then constantly review the current Membership and Associates Strategy and communicate any revisions.
- Elect the Board by establishing clear procedures and diversifying the make-up of the Board.
- Agree the staff structure and roles, appoint, train and develop the staff.
- Design the communications tools and systems.

2. To raise the profile of social enterprise as a dynamic business model, championing the values and benefits of social enterprise to a broad range of stakeholders.

- WSEC to prepare, launch and sustain a major awareness campaign
- Develop the marketing and media strategy and action plans with the Board.
- Implement its marketing and media strategy.
- Develop the brand, the literature and marketing materials.
- WSEC will promote social enterprise day within enterprise week in schools, colleges, universities and third sector organizations as part of the awareness campaign.
- WSEC will promote young entrepreneur achievements where possible within media opportunities including Trailblazers magazine.

3. To represent the needs and views of Welsh social enterprise through it being a strong voice driving forward the opportunities for the sector.

- Establish the communication channels with the members and begin to seek views on broad issues.
- Canvass opinion of its members on how representation of them and their views are best considered and taken forward.
- To ensure that WSEC clarifies its links with regional representative groups and canvasses their opinion on representation.
- To establish the method of driving forward the agenda, influencing policy and effecting change within decision makers.
- WSEC to organize a major biennial social enterprise conference.

4. Facilitating access to support and resources for potential, new and existing social enterprises and providing an information portal and access to business acumen.

- To use the existing networks, organizations and members to help to establish an overview of support, finance and resources available to the sector.
- Make these contacts available to members.
- Work with partners to help to link social enterprises with delivery of services.
- WSEC will identify social enterprise pathfinders and negotiate their involvement as sources of learning for others to share.
- WSEC to establish a peer-to peer mentoring and coaching scheme.
- WSEC to work with funders to publicize and co-ordinate all the sources of investment available to social enterprises.

Source: Welsh Government Grant Award letter 27th January 2010

Annex 3: WSEC Actions, Indicators and achievements

<p>Recruit a broad membership base and then constantly review the current Membership and Associates Strategy and communicate any revisions.</p>	<p>Recruit 172 members and 10 Associate members.</p> <p>Undertake an annual review of Membership and Associates Strategy, and ensure members/associates are informed of changes</p>	<p>260 members</p> <p>4 associate members</p> <p>The criteria for membership of the WSEC agreed by the WSEC board in 2012</p>
<p>Elect the Board by establishing clear procedures and diversifying the make-up of the Board.</p>	<p>Consult members/associates on board representation annually and discuss findings at board level.</p> <p>Ensure Third Sector Unit/Enterprise Division representative is invited to all board meetings as an observer.</p>	<p>7 practitioners and 6 individuals appointed</p> <p>Achieved</p>
<p>Agree the staff structure and roles, appoint, train and develop the staff.</p>	<p>Ensure Third Sector Unit is informed of any new staff appointments</p> <p>Ensure annual events calendar is maintained and distributed to members/associates.</p>	<p>Implemented</p> <p>Website contains events calendar</p>
<p>Design the communications tools and systems</p>	<p>Organise an annual WSEC trade fair.</p> <p>Arrange an annual SE day reception for AMs</p>	<p>WSEC Christmas Trade Fair held in Carmarthen 2011</p>

	Organise a major biennial social enterprise conference alongside key partners.	Joint Conference in November 2011 with WCC
Implement a marketing and media strategy	Create a media and marketing strategy by April 2011, taking into account partners marketing activities.	Due to have been delivered by mid-2011 Noted as a major delivery for 2012
WSEC will promote social enterprise day within enterprise week in schools, colleges, universities and third sector organizations as part of the awareness campaign	Promote social enterprise day with 5 different schools per year. Promote social enterprise day with 5 different FE colleges per year. Promote social enterprise day with 2 different universities per year.	Liaising with YES Action Plan Panel WSEC CEO a number of mentoring sessions via Dynamo Mentoring Scheme Meeting with Bridgend College Working with Trinity St Davids
WSEC will promote young entrepreneur achievements where possible within media opportunities including Trailblazers magazine	Submit one article every six months for publication in Trailblazers magazine.	Sponsor and key partner of the Leading Wales Awards CEO participation in PR and Awards activities
Establish the communication channels with the members and begin to seek views on broad issues	Hold a member forum meeting every six months in North and South Wales.	15 Focus groups planned in 2012 – 6 held with 55 SE participants and 22 other organisations
Canvass opinion of its members on how representation of them and their views are best considered and taken forward.	Devise and agree with members an appropriate mechanism for canvassing opinion.	<i>“As part of his Welsh social enterprise visit programme and the focus groups, the WSEC CEO continues to collate information from the growing membership as to how best to canvass opinion, consult and inform its members.”</i>

<p>To ensure that WSEC clarifies its links with regional representative groups and canvasses their opinion on representation</p>	<p>Ensure members are consulted using agreed mechanism prior to any substantive change in WSEC policy.</p> <p>Arrange and hold annual meeting with each representative group.</p> <p>Arrange quarterly meetings with other UK Social Enterprise bodies (ie SEC UK, SSEC and NI SEN).</p>	<p>Partner in regional social enterprise networks in the north, south east and south west Wales, run by Wales Co-op Centre.</p> <p>A number of regional networks have joined WSEC as members</p> <p>WSEC staff meets on a biannual basis with colleagues from the other social enterprise bodies in the UK to discuss sector developments and areas of joint working.</p>
<p>To use the existing networks, organisations and members to help to establish an overview of support, finance and resources available to the sector</p>	<p>Undertake an annual mapping exercise of support, finance and resource available to social enterprise.</p>	<p>The mapping exercise is an ongoing process.</p>
<p>Make these contacts available to members</p>	<p>Provide details of support, finance and resources on the internet and ensure this site is updated</p> <p>Provide and maintain a dedicated phone line for queries</p>	<p>WSEC website is updated frequently</p> <p>WSEC plan to work with Travers Merrill on a directory of finance options</p> <p>WSEC Office number included in literature</p>
<p>Work with partners to help to link social enterprises with delivery of services.</p>	<p>Arrange a meeting every six months with partners to ensure consistency of message</p>	<p>Regular cooperation and discussion but no planned 6 monthly programme of meetings</p>

WSEC will identify social enterprise pathfinders and negotiate their involvement as sources of learning for others to share

WSEC to establish a peer-to-peer mentoring and coaching scheme

“As the WSEC Chief Executive continues his visits to Welsh social enterprises, those “pathfinders” will continue to be identified.”

WSEC plans to build a “bank” of potential mentors and non-executive directors.