

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

**Pwyllgor yr Economi, Seilwaith a Sgiliau/ Economy, Infrastructure and Skills Committee**

**Masnachfrait Rheilffyrdd a chyflwyno Metro / Rail Franchise and the Metro Ymateb gan Canolfan Cydweithredol Cymru / Evidence from Wales**

**Co-operative Centre**

### **About the Wales Co-operative Centre**

The Wales Co-operative Centre is Wales's national body for co-operatives, social enterprises and employee owned businesses. The Centre champions and strengthens co-operatives, mutuals, social enterprises, and employee owned businesses. As well as supporting social businesses, we develop and implement co-operative solutions to tackle poverty and promote inclusion. We do this through:

- Support for social enterprise and co-operative business development and growth;
- Facilitating access to joined-up financial advice and support services, including those offered by credit unions and the wider social enterprise sector;
- Encouraging people to use digital technologies, and;
- Supporting the development of co-operative housing initiatives in Wales.

Our projects include

- Social Business Wales provides intensive, one-to-one support to social businesses which have ambitions to grow and a viable business proposal.
- Our Financial Inclusion Champions project works strategically with local authorities and third sector partners to embed financial inclusion into their everyday work, and provide training to frontline staff. This year the focus will be on further developing the [Moneymadeclearwales.org](https://www.moneymadeclearwales.org) website.
- Our Your Money Your Home project aims to help tackle financial exclusion of Private Rented Sector (PRS) tenants in Wales, and to prepare people for the introduction of Universal Credit.
- The Digital Communities Wales project helps to tackle digital exclusion by providing training, support and encouragement to organisations to help them support digitally excluded people.
- Our Co-operative Housing project offers business support and advice to new and existing organisations looking to develop housing co-operative schemes. The goal of the project is to develop and stimulate demand for the co-operative housing approach throughout Wales.

- Our Community Shares Wales project helps community groups raise funds from within their local communities to fund the running of community projects and assets.
- Our Care to Co-operate project offers support and advice to groups who want to set up and run care and support organisations in a co-operative way.

• **The effectiveness of the Welsh Government's approach to the development, procurement and delivery of the rail franchise and South Wales Metro, including key risks and how they can be mitigated.**

1. Our main points with regard to the procurement processes Welsh Government are undertaking focus on the Metro, and opportunities for the social business sector down the line. To this end we have already made contact with Transport for Wales (TfW), and would like to highlight their proactive engagement with both ourselves and the social business sector in discussing the types of opportunities that the sector is best placed to deliver.

2. Social businesses offer a way of doing business that delivers sustainable economic growth while fostering positive social change and innovation. Our research has shown that the social business sector adds around £2.4 billion of value to the Welsh economy and supports in the region of 38,500 jobs in Wales. They are anchored in their communities, with profits and investment staying within the community, recycled for wider economic and social benefits.

3. Social businesses are more active in deprived areas than SME businesses and tend to employ locally, suggesting that they make an important economic contribution in some of the poorest parts of the country. They play a particular role in creating jobs for, and developing the skills of, people who are outside the labour market. Large public infrastructure projects such as the Metro development offer opportunities for Government to ensure that money spent in those areas can have a direct impact where it is spent; in the case of the Metro developments this will be in some of the areas most affected by deprivation and poverty.

4. Due to the nature of the project, we are aware that the sector cannot make a big impact at the first tier. It is further down the supply chain that we wish to see proactive efforts made to provide opportunities for social businesses. This fits in with the Welsh Government's policy on using procurement processes to utilise community benefits. The two main types of community benefit as identified by the policy, workforce initiatives and supply chain initiatives, are both relevant to the Metro project. Social Businesses could play a role in direct delivery of community benefits, working with suppliers to

support workforce initiatives and as integral elements of the supply chain.

5. Helping social businesses to do this could be achieved in a number of ways, including:

- Directly engaging with social businesses to deliver products and services
- Identifying reserved procurement opportunities for supported businesses
- Putting in place a programme of market builder support to encourage social businesses to work together to deliver parts of the project.

6. Directly engaging with social businesses to deliver products and services – Continued engagement with social businesses throughout the procurement phases and ongoing lifetime of the Metro project will be essential if they are to take up any potential opportunities to deliver products and services. As referred to above, Transport for Wales have already undertaken engagement with the sector, attending a round of our Social Business Wales Network meetings in December 2016 to outline the Metro project and identify the potential opportunities within that for social businesses. We welcome this proactive engagement and will work closely with TfW to continue dialogue in future. Support bodies such as ourselves that work with social businesses should also be made aware of any Meet the Buyer/Contractor or other type of information events, so that we can disseminate this amongst our contact network. Although social businesses will not be able to directly deliver on Tier 1 contracts there will be potential opportunities for social businesses to deliver at every stage below that in areas such as catering, facilities management, and signage, so engagement throughout this process, throughout the supply chain, from a very early stage is essential.

7. Identifying reserved procurement opportunities for supported businesses – Public contractors may reserve certain contract opportunities for supported businesses under Article 20 of the Public Contracts Regulations 2015, and for employee-owned businesses under Article 77 of the regulations. As both these types of businesses are social businesses, identifying any potential reserved opportunities for them within the supply chain will help open up markets for them that could otherwise be dominated by private companies.

8. Putting in place a programme of market builder support – Ensuring that market builder support is in place will help social businesses work. This could include publishing an advanced programme of works and procurement stages, skills needed and business support that encompasses issues like tendering, getting tender ready, and consortia approaches.

9. We would also like to see commitments made by Welsh Government and Transport for

Wales that:

- Consortia arrangements will be accepted throughout the procurement process at each tier.
- Contract and payment terms for supply chain providers will be friendly for small businesses
- Skill gaps that may arise during the lifetime of the project will be identified as early as possible in order to give social businesses the opportunity to upskill workers in advance

10. Consortia arrangements – Many social businesses are either micro or small to medium sized enterprises: our research shows that only 2% of social businesses in Wales qualify as large organisations. With this in mind, guaranteeing that consortia arrangements will be accepted throughout each stage of the procurement process will go towards ensuring many SMEs and social businesses have a chance of competing for larger contracts through collaborative working. There are also opportunities through this to create partnerships between the social business sector and private sector SMEs.

11. Contract terms – For the same reasons as the previous point, we would also like to see a commitment that contract terms for supply chain providers are small business friendly.

12. Skill gaps – A point that several social businesses have raised with us in discussions on this topic is the need for potential skill gaps to be identified as early as possible to allow for the upskilling/training of workers as early as possible. For a large number of social businesses in Wales, training workers is at the core of their social mission. Three examples are EBO Signs, PS Facilities Management and Vision 21. EBO Signs, a road traffic and commercial signage company, provide training and employment opportunities to disabled and disadvantaged people. PS Facilities Management provides cleaning, building and maintenance services across south Wales, reinvesting its profits into its parent arm Gofal Enterprises, who provide training opportunities for those furthest from the labour market. Vision 21 offer training in catering for people with learning needs through their Full Circle programme in Caerphilly and Nantyglo. The programme provides catering services to residential Housing with Care schemes in both locations, as well as an external buffet service for external organisations. Having a thorough audit of what skills will be needed and any potential gaps available from the outset will enable social businesses to make quicker decisions about bidding for work in the supply chain process, as well as potentially put themselves in a position to run training programmes.

- **Priorities for the franchise specification and Metro delivery to ensure rail services meet the needs of current and future travellers throughout the franchise area, and deliver value for money for both passengers and the taxpayer.**

13. We do not have any comments on this section.