

## Wales Co-operative Centre Response



# Wales Co-operative Centre Canolfan Cydweithredol Cymru

## About the Wales Co-operative Centre

The Wales Co-operative Centre is a not-for-profit co-operative organisation that supports people in Wales to improve their lives and livelihoods. We are working for a fairer economy. We help to create and retain wealth within our communities through the growth of co-operatives and social businesses and by providing people with the skills to take more control of their own lives and strengthen their communities.

Our projects are as follows:

- Social Business Wales provides intensive, one-to-one support to new start social businesses as well as those which have ambitions to grow and a viable business proposal.
- Digital Communities Wales: Digital Confidence, Health and Well-being works with organisations across Wales, in order to help people increase their confidence using digital technology so they can improve and manage their health and well-being.
- Our Communities Creating Homes project offers support and advice to new and existing organisations looking to develop co-operative community-led housing schemes in Wales.
- Community Shares Wales Resilience Project is funded by the National Lottery Community Fund and delivered by the Wales Co-operative Centre. We help communities raise investment to protect and strengthen the things that matter to them, such as pubs, libraries or other local services.

## Consultation Questions

### **1. What, in your opinion, has been the impact of the Welsh Government's 2021-22 budget including funding related to COVID-19?**

During the Coronavirus pandemic, the digital divide has been exacerbated, and it has been more important than ever for people to be able to get online. Welsh Government funding has been vital in supporting thousands of people with vital digital skills and equipment during the Covid 19 pandemic. The Digital Communities Wales programme, delivered by the Wales Co-operative Centre and funded by the Welsh Government, delivered a range of

services in 2020-21 that have a huge impact on people's lives, including providing 1,288 digital devices to care homes, sheltered housing schemes and hospices, training 2,491 staff and volunteers to gain digital skills, and supporting 39,035 people to get online, and this work continues into the next year. Digital is transforming every facet of normal daily life from staying in touch with friends and family to accessing essential goods and services. Being able to get online in a confident and safe manner is more important than ever and will only get more important.

Financial support provided by Welsh Government through the Economic Resilience Fund and the Third Sector Resilience Fund has been crucial in supporting social enterprises to stay open and continue their important work. The Economic Resilience Funding has supported 72 social enterprises or charities to a value of nearly £1.5million to date, which has been an essential lifeline for these businesses. With EU and Welsh Government funding, the Social Business Wales programme delivered over 8500 hours of business support and over 100 new social businesses were incorporated during the year 2020-21, and this work has continued in 2021-22. Social businesses themselves have identified the importance of this support, and an independent evaluation of Social Business Wales has highlighted an "ongoing need for specialised support for the social business sector, recognising the multi-stakeholder environments and specific legal, constitutional and financial arrangements that have wide-reaching implications for the successful operational of social businesses".

Since Covid-19 there has been a commitment from the Welsh Government to refocus the priorities of its economic development policies towards well-being, resilience and social value. We welcome this policy direction and the budget decisions that have been taken to support this.

Welsh Government funding is also helping provide specialist support to facilitate co-operative and community-led models across several sectors. These models play a vital role in approaches to community wealth building, sustainability and well-being. Our Communities Creating Homes project, funded by The Nationwide Foundation and Welsh Government, assisted 50 groups and organisations to develop community-led housing projects. Employee Ownership Wales, part of the Social Business Wales programme funded by Welsh Government and the European Regional Development Fund, has converted 5 businesses to the employee ownership model in 2020-21, and will play a key role in achieving the Welsh Government's objective to double the number of employee-owned businesses in Wales by 2026.

## **2. How do you think Welsh Government priorities for 2022-23 should change to respond to COVID-19?**

An important context for this discussion is the end of European funding, and its impact on the ability of the third sector in Wales to continue to meet the needs of our diverse communities. While of course we recognise that many of the financial levers reside with UK Government in terms of a future Shared Prosperity Fund, there is a significant role for Welsh Government to play in working with the sector. Some third sector organisations in Wales deliver large scale projects to individuals and communities across the country with the support of ESF or ERDF funding. These programmes meet essential needs for many and

address some of our most difficult issues as a nation including structural inequalities. Much of the funding is currently due to end between now and 2023, with the inevitable loss of capacity and expertise from our sector during that period. There has been significant demand for our services during the pandemic, due to the unequal impact of Covid on different groups, individuals, and sectors. Now, when it is most important to get individuals, communities and businesses back on their feet to support our social and economic recovery, it is vital that funding is found to continue to support these crucial services.

Covid-19 has exacerbated existing inequalities and exposed the lack of resilience in our economic system. At the same time, it has shone a light on the vital work that is done by communities, co-operative models and social enterprises in addressing social problems. We believe that the Welsh Government should now prioritise supporting existing groups and organisations to grow and expand what they do. In the context of the challenges of the future, particularly the impact of climate change, we believe that radical change is needed in the way we do things, from public services to models of business. The Welsh Government should take a proactive role in transforming our economy through supporting co-operative, community-led and social value models.

In addition, we know that many of the impacts of Covid-19 will be long-term and persistent. For example our 2020 mapping exercise of the social business sector in Wales, that aims to understand the size and scale of the sector and conduct a health check, showed that many social enterprises in Wales have significantly depleted their reserves through the past 18 months, leaving them in a less resilient position for future challenges. In addition, many social enterprises have had to reprioritise their activities and haven't been able to think long-term for future projects or funding opportunities. Supporting the social enterprise sector to rebuild its resilience and manage the long-term impact of the past 18 months is therefore crucial. Similarly, we know that some sectors will need specific support to "catch-up", such as health and education, and therefore we believe that a long-term approach to rebuilding the sector is necessary.

### **3. How financially prepared is your organisation for the 2022-23 financial year, and how can the budget give you more certainty in planning and managing budgets given the ongoing volatility and uncertainty?**

The Wales Co-operative Centre is undertaking a significant amount of work to prepare for the future. For instance, we are looking at how expert support can continue to be provided to social enterprises in Wales after the end of EU funding. The service would still require funding from Welsh Government but there are ways in which core funding from Welsh Government could be supplemented from other sources.

Short term budgets and late decisions about funding are two of the biggest issues that cause problems for organisations in the third sector. Whilst short term funding is inevitable on certain occasions, it is usually preferable to have multi annual funding arrangements in place. This reduces administrative costs and provides greater level of certainty to recipients of the service as well as to employees. To help with planning, it is important that we are given notice about funding decisions in good time in line with the Code of Practice for Funding the

Third Sector. For example, we would urge Welsh Government departments to keep to its commitment, as a requirement of all grants, of giving notification of decisions about future funding at least three months prior to the expiry of an existing funding agreement. The principle of full cost recovery is also important so that Welsh Government includes all costs associated with a delivering a project or service.

**4. Given the ongoing uncertainty and rapidly changing funding environment do you think there should be changes to the budget and scrutiny processes to ensure sufficient transparency and Ministerial accountability?**

The Wales Co-operative Centre adds its voice to the growing calls for Citizens’ Assemblies to be embedded into the political process in Wales. The rebuilding process from Covid-19, as well as the ambition to restructure the economy to focus on sustainability, places and well-being, requires active community consent and public participation in the political processes. In the development of New Zealand’s Well-being Budget in 2019, they undertook new processes which are outlined below, and we urge the budget to follow this process in Wales:

Figure 1 - Development of initiatives in a Wellbeing Budget

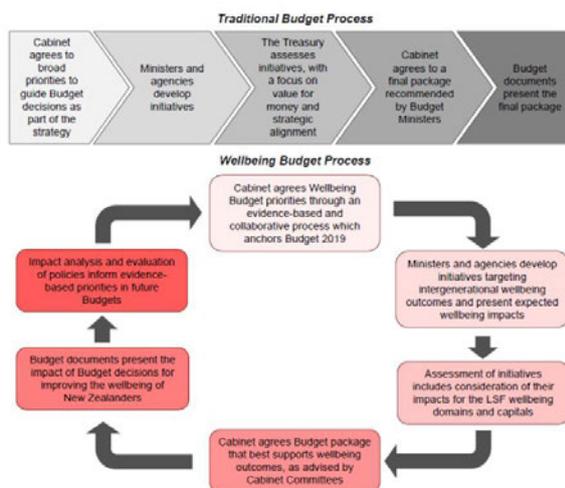


Figure 1: From New Zealand Treasury: <https://www.weforum.org/agenda/2019/05/new-zealand-is-publishing-its-first-well-being-budget/>

**5. Does the Fiscal Framework adequately reflect the impact of the public health emergency in Wales compared to other UK countries and do you support increasing the annual and/or overall limits, £150 million and £1 billion respectively, to current Welsh Government capital borrowing within this Framework?**

N/A

**6. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified below, particularly in light of the COVID-19 situation and how these should be reflected in the 2022-23 budget?**

**– How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised.**

The social enterprise sector faces long term challenges as a result of Covid-19, with our mapping data suggesting a greater adverse impact on the sector than on the economy as a whole. Our mapping survey found that 45% of social enterprises perceived Covid-19 to be a large or critical threat to their financial viability over the next 12 months, demonstrating the ongoing risk. Specialist business support will be critical in helping the sector confront these challenges going forward.

The new Welsh Programme for Government makes lots of commitments which are going to be difficult to meet without the programmes delivered by the third sector, for example business support and finance for social enterprises and support to organisations working with black and minority ethnic communities, women and other under-represented groups in our economy and society. These commitments include:

- Support 80 re-use and repair hubs in town centres;
- Develop more than 50 local community hubs to co-locate front-line health and social care and other services.
- Improve the interface between continuing health care and Direct Payments.
- Build on our approach to the Foundational Economy and develop a Backing Local Firms Fund to support local businesses.
- Provide greater support for worker buyouts and seek to double the number of employee-owned businesses.
- Help businesses to work co-operatively to support local supply chains, including local delivery and logistics services.
- Support innovative new social enterprise schemes such as bike maintenance repair cafes and bike recycling schemes.
- Develop community recycling facilities in town centres and promote repair and re-use facilities to encourage zero-waste shopping
- Develop new remote working hubs in communities.
- Empower communities to have a greater stake in local regeneration
- Deliver the Young Persons Guarantee
- Deliver a 30% target for working remotely
- Implement and fund the commitments made in the Race Equality Action Plan
- Explore legislation to address pay gaps based on gender, sexual orientation, ethnicity, disability and other forms of discrimination
- Implement targets around Gender Budgeting

In addition, the ambition and commitment to ending private profit in children's social care provision will necessitate the development of new models of care in this crucial sector. The Wales Co-operative Centre has extensive experience of working with community groups to develop care and support services, and know that co-operative and community-led models can play a crucial role in empowering those giving and receiving care. To achieve the ambition of taking private profit out of this sector, specialist support for communities and those working in the care sector will be crucial.

**– To what extent alleviating climate change should be prioritised in supporting economic recovery.**

Climate change should be at the forefront of our priorities, in order to ensure that we can prevent climate change as much as possible, and in order to ensure that our communities are resilient in anticipation of the negative effects that are already happening and will worsen in the future. We believe that in order to do this, radically different models of business and service delivery must be used, and co-operatives, community-led and social enterprise models are essential for this.

Community projects and social enterprise will play a crucial role in achieving net zero emissions both through working in specific industries like energy production and in the wider economy. For example, community energy projects currently have 22.6 MW installed renewable capacity, making a significant contribution to green energy production. In addition, there are wider economic and community benefits to these projects, such as job creation in the local economy, keeping profits and contracts circulating locally, and gaining community consent for energy production.

In a wider sense, the social enterprise model's unique triple bottom-line of prioritising prosperity, people and planet each to the same degree means environmental and social concerns are embedded in its model of entrepreneurialism in all sectors. This radical redesign of what it means to do business is the level of transformation required to find solutions to an emergency as stark as the climate crisis. For example, social enterprises we have worked with proactively seek to ensure they are as energy efficient as possible, and work to ensure that their supply chains are green and locally sourced.

**- How resources should be prioritised to address the pressures felt in sectors that need to “catch-up”, such as Health and Education.**

**– Welsh Government policies to reduce poverty and gender inequality.**

A key aspect of poverty that is becoming a more and more pressing issue in Wales is data and digital poverty. Data poverty has been made even more visible through the Covid-19 pandemic as many households have struggled to engage fully in the online world, due to the cost both of data and devices. In Wales, as elsewhere, the pandemic has highlighted stories of families having to choose between data or dinner, or having to share one device among a large family. Further work and research are necessary to fully understand this in Wales, following NESTA's scoping work. Investment to address data poverty in Wales will become more and more important as more of our lives and public services move online.

Social enterprises play a key role in tackling poverty, for many this is their social mission. Our mapping survey demonstrated that social enterprises are particularly concentrated in some of the poorer areas of the South Wales Valleys and are more likely to operate in areas of deprivation. Social enterprises are good employers, with the vast majority offering the real Living Wage to all their staff and employing people who are further away from the labour market. There is a very positive gender balance within the leadership of these businesses.

**– Approach to preventative spending and how is this represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).**

**– Sustainability of public services, innovation and service transformation.**

The Welsh Government has committed to the digital transformation of public services, and we believe that this has the potential to hugely improve the integration and quality of public services in Wales that deliver for the people of Wales. It can also result in cost savings. The Wales Co-operative Centre, in collaboration WCVA and ProMo-Cymru, has recently launched the Newid project aiming to ensure that the Welsh third sector takes advantage of the opportunities from digital approaches. As delivers of key services and a significant proportion of the Welsh economy, we believe that this is an essential piece of work that will become more and more important in the future.

In order to ensure that this digital transformation of public services has the biggest impact possible, and that everyone is able to benefit from it, continued investment in digital inclusion is essential. Investment in digital inclusion is preventative spending in a health context because it allows people to use digital resources to manage their health and access relevant health information. It is more important than ever that Wales is a digitally inclusive nation, and that everyone who wants to get online is able to when they want to, in a confident and secure manner.

**– How evidence is driving Welsh Government priority setting and budget allocations.**

**– How the Welsh Government should use taxation powers and borrowing.**

**– What specific support is needed in the budget for businesses, economic growth and agriculture, related to post EU transition.**

Social enterprises require specialist business advice services to meet their unique needs. While they face many of the same challenges as any mainstream business, they also face unique challenges. Social enterprises have different drivers and deliver holistic solutions, integrating their environmental and social objectives with economic ones. They have specific governance structures and are accountable to multiple stakeholders. They access funding in different ways and from different places, for example from trusts and foundations, social investment providers and community share schemes. These businesses need to be supported in ways which are sympathetic to their means of delivery and social impact.

The 2020 Mapping Exercise found that the sector is estimated to include up to 2,309 businesses and up to 56,000 employees, generating £3.1–3.8 billion in value, and that social businesses are particularly concentrated in some of the poorer areas of the South Wales Valleys and are more likely to operate in areas of deprivation. The sector is composed of a core group of well-established social businesses supplemented by a growing group of start-ups, and there appears to have been a substantial increase in start-up activity over the last two years, which is linked to the Social Business Wales New Start project. This is also important in the context of the Programme for Government's commitment to doubling the number of employee-owned businesses in Wales, as the Employee Ownership Wales team at

Social Business Wales provides specialist support to businesses to transition to an employee-owned model.

**– What are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act)**

Social Enterprise

As businesses driven by purpose, social enterprises exist to deliver economic, social, environmental and cultural aims. There is clear overlap with the Act's intention to deliver sustainable development through improving the economic, social, environmental and cultural well-being of Wales. Social enterprises also embody many of the Act's five ways of working – long term, prevention, integration, collaboration and involvement. Investing in specialist business support for social enterprises will be essential to ensuring that new social enterprises are able to start, and that they and existing social enterprises are able to grow. Our Mapping Exercise noted that this specialist business support will be essential for social enterprises to address barriers caused by the pandemic and in a more general sense, such as accessing funding, using digital technology, and finding new business opportunities in the private sector and through understanding public procurement and the Welsh Government's well-being agenda.

Employee Ownership

The Welsh Government has committed to doubling the number of employee-owned businesses in Wales, and providing access to finance for worker buy-outs would be a crucial investment that would help the 'build back better agenda'. We know that employee ownership has considerable advantages for workers, businesses, owners and the wider economy. It leads to higher levels of engagement for workers and gives them the opportunity to have a stake in the profits they create, increases productivity and improves workforce retention/recruitment for businesses, and anchors businesses in the local community and ensures profits and contracts are retained locally.

Investment in a fund to support worker buy-outs would help to overcome funding issues, one of the main barriers to growing employee ownership in Wales. It is clear that smaller firms seeking to transition to employee ownership can struggle to access traditional lending from banks, as a result of a lack of awareness of this as a business model.

Social Care Support programme

We believe the Welsh Government should invest in specialist support for the development of social care co-operatives and community-led models of care. The Welsh Government has committed to developing these models, and specialist support is needed to explore how these models of care can be nurtured and developed in Wales.

Those who care for others, whether as a profession or as an unpaid volunteer, deserve the utmost respect for the work they do for our friends, neighbours and communities as a whole.

In care co-operatives, recipients of care and those providing care can both have a say about what services are provided and how that is done. This is crucial to ensuring the best care possible is being delivered. Across all sectors, workers in co-operatives see improved working conditions, better pay, and higher levels of job satisfaction. We want care to be a career of first choice, for people to be respected for the work they do, and for them to have opportunities to grow and progress in their careers. It should be a career as respected as any other in our society. For people who care for loved ones, having access to a network of support that a co-operative provides, and for them to have the platform this network provides, is part of building and strengthening our neighbourhoods and communities.

Supporting the development of these models is in line with the Welsh Government's commitment to take private profit out of care for children, and with commitments in the Social Services and Well-being (Wales) Act 2014. In order for the change we want to see to happen on the ground to the benefit of those giving and receiving care, providing specialist support to co-operatives and community-led groups will be essential.

*We would welcome any opportunity to further engage with this budget development process. If you have any questions about our consultation response or would like to discuss the issues that have been raised, please get in touch with our Policy and Research Officer, Daniel Roberts, through [REDACTED]*