

Consultation questions

1. What, in your opinion, has been the impact of the Welsh Government's 2020-21 budget including recent funding related to COVID-19?

Our report "COVID-19 and the impact on social enterprises in Wales" highlighted how the sector had responded to the additional funding made available in response to the crisis. Social enterprises have utilised the Economic Resilience Fund, Third Sector Resilience Fund and funding made available through sector bodies such as Sports Wales, Arts Council for Wales and the WCVA.

Our report found a high number of successful applications and quantity of funds allocated, which validates the necessity of this emergency funding source. Many social enterprises have entered into "survival mode" – accessing the funding necessary to keep the business going while maintaining its operations, or accessing the funding while entering a "hibernation mode". The impact of this additional funding has been clear, in that many of the social enterprises operating in Wales would have had to close down without it. However, there is also some evidence of social enterprises falling through the gaps and entrepreneurs having to turn to universal credit or self-employment grants.

Naturally, the funding made available in response to Covid-19 has been short-term focused in order for businesses to survive the succession of local and national lockdowns and economic crisis. However, it is clear that there will be long-term consequences of this period, as a result of social businesses losing out on long-term funding as a result of these resources being diverted to emergency short-term funding, development officers being placed on furlough, and many social enterprises operating in seasonal industries.

2. How do you think Welsh Government priorities for 2021-22 should change to respond to COVID-19?

The Wales Co-operative Centre believes that well-being and sustainability should be at the heart of the Welsh Government's priorities for 2021-22 and onwards. We support the "build back better" agenda and want the Welsh Government to take a well-being approach to economic development policy, rather than traditional economic indicators.

We welcome that the Welsh Government has announced its official membership of the Well-being Economy Governments (WEGo) partnership. New Zealand, one of the founding members of WEGo, recently announced its first Well-being budget focusing on long-term impact on quality of life rather than short-term output measures. We urge the Welsh Government to take this approach to the 2021-22 budget.

We believe this approach to government spending and economic development policies has become even more necessary following the Covid-19 crisis, which has exacerbated existing inequalities in Welsh society. An approach that builds resilience, protects our most vulnerable citizens and takes a long-term approach to economic development is more necessary than ever.

Our specific policy priorities are as follows:

- 1) Continued funding of specialist business support for social businesses
- 2) A commitment to the foundational economy and community wealth building which is embedded across government
- 3) Decarbonisation of existing housing stock and a target for local and social business procurement
- 4) Doubling the number of employee-owned businesses in Wales
- 5) Creating a new generation of social entrepreneurs by embedding social entrepreneurship in all forms of entrepreneurship education in Wales
- 6) Pioneering the establishment of health co-operatives to tackle the problems of primary care services closing
- 7) Growing the number of community-led housing schemes in Wales through the creation of an investment fund from Financial Transaction Capital
- 8) For Citizens' Assemblies to be embedded as part of the political process in Wales
- 9) A commitment to ending digital exclusion in Wales
- 10) A programme for digital leadership in the Welsh third sector, including for social enterprises and co-operatives

3. How financially prepared is your organisation for the 2021-22 financial year, and how can the budget give you more certainty in planning and managing budgets given the ongoing volatility and uncertainty?

N/A

- 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. We strongly believe that the potential of digital democracy is yet to be fully realised in Wales, and should be included in the conversation around the importance of Citizens' Assemblies. Digital platforms can democratise debate and be an additional platform to voices that are currently under-represented in the political process.

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

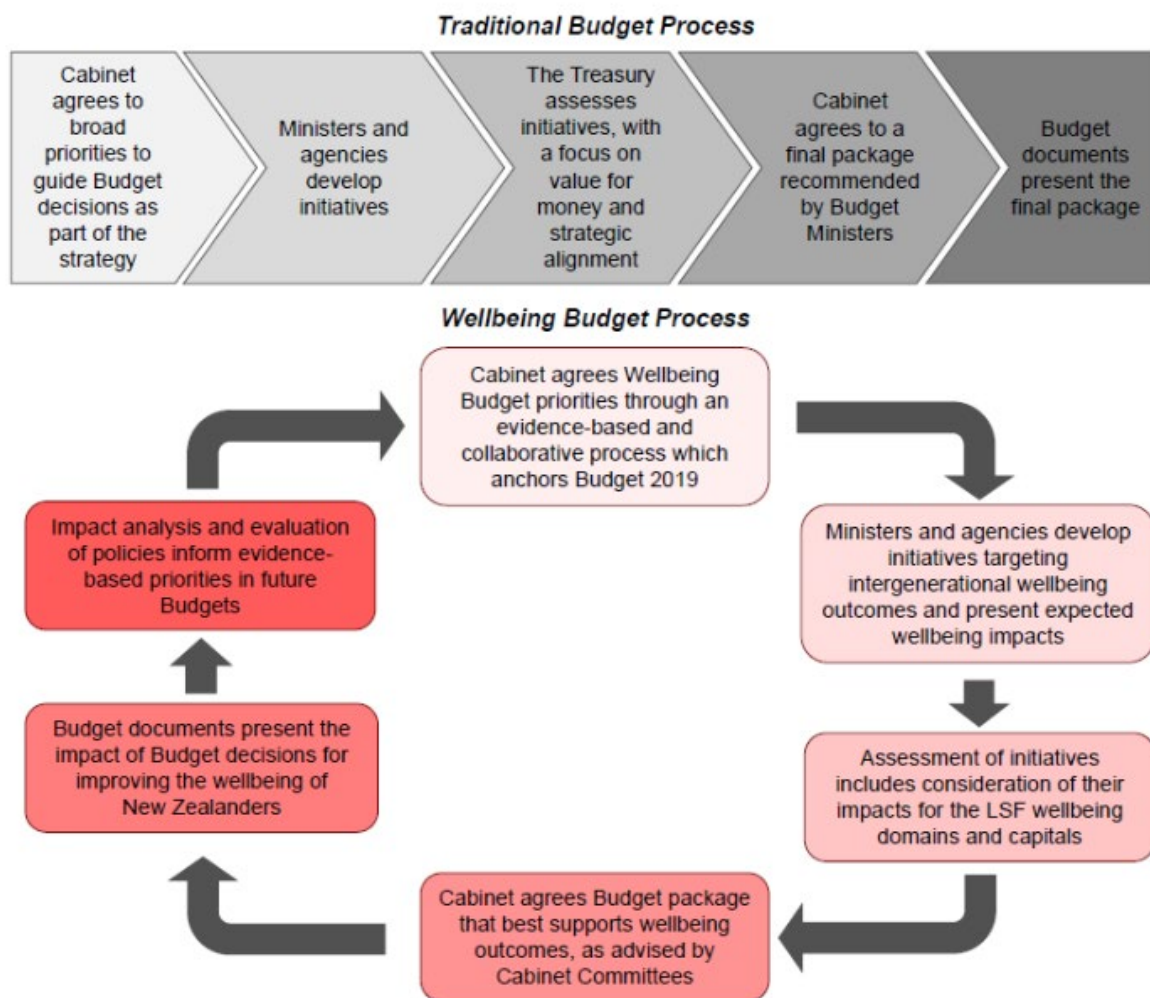


Figure 1: From New Zealand Treasury: <https://www.weforum.org/agenda/2019/05/new-zealand-is-publishing-its-first-well-being-budget/>

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 to current Welsh Government 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 2021-22 budget?

- *How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised.*
- *To what extent alleviating climate change should be prioritised in supporting economic recovery.*
- *Welsh Government policies to reduce poverty and gender inequality.*
- *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*
- *How evidence is driving Welsh Government priority setting and budget allocations*
- *How the Welsh Government should use taxation powers and borrowing.*
- *Support for businesses. economic growth and agriculture after EU transition ends.*
- *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)*

As discussed in response to Question 2, we believe that well-being and sustainability need to be prioritised in the 20-21 budget. Central to this, we believe investing in the foundational economy and taking a localised approach to community wealth building should be the priority when targeting resources, in order to build local resilience and sustainability. We are calling on the Welsh Government to appoint a task force or Champion within government to lead on this work and to ensure it is embedded across government.

We believe that sustainability should be essential to the economic development agenda of the Welsh Government, and this requires the prioritisation of alleviating climate change. We support the utilisation of Oxfam Cymru's Doughnut Model that sees the Welsh economy working within its ecological limits and in a manner that ensures well-being for all. Specifically, the Wales Co-operative Centre supports calls for investment in the decarbonisation of social housing in Wales. Such a programme could make a significant impact on reducing carbon emissions. In addition, the investment could also be a major boost for local economies if delivered effectively. In order to achieve this economic boost, we ask that the next Welsh Government gives housing associations and local authorities an ambitious target to spend a certain percentage of the investment with local businesses and social enterprises. This is a key opportunity for Government investment to support the "Build Back Better" initiative.

Support for businesses is crucial, and it is essential that specialist support for social enterprises continues after the current funding arrangement ends. While social enterprises face many of the same challenges as any mainstream foundational business, they also face particular challenges. They have different drivers and need to balance environmental and social objectives with economic ones. They have specific governance structures and are accountable to multiple stakeholders. These businesses need to be supported in ways which are sympathetic to the means of delivery and the social impact. Funding specialist business support for the sector enables it to grow. We know the model works and is now being considered in other parts of the UK, for example in London. Thanks to funding from the current Welsh Government, the social enterprise sector in Wales has shown significant growth in the last few years. In 2014 it was estimated the sector was worth £1.7 billion,

employing 38,000 people and made up of 1470 enterprises. By 2019 the sector was valued at £3.18 billion (up 87%), employing 55,000 people (up 45%) and made up of 2022 businesses (up 38%).

We also want the Welsh Government to invest in and target the growth of the employee-owned sector. Employee ownership is a tried, tested but often overlooked succession route for business owners who want to retire. It is rarely an option that is presented to them when they are looking to exit the business. The Welsh economy is dependent on small businesses. In Wales we have a higher proportion of older business owners and therefore the issue of business transition failures (note – not business failures) is greater. Our research has shown that three out of four business owners in Wales have not made plans for the future transfer of their business. We believe the Development Bank of Wales should establish a specialist fund from Financial Transaction Capital to help employees to buy an equity stake in their business.

We support the focus on innovation in public services and welcome the appointments of Chief Digital Officers for Local Government and the NHS, as well as the launch of the Centre for Digital Public Services. It is essential that digital inclusion is central to this digital transformation initiative and given the same level of resources as investment in infrastructure and technology. The Covid-19 crisis has exacerbated the digital divide in Wales and ensuring that everyone in our communities can access our public services has never been more important. To work with the Centre for Digital Public Services, we are calling for a programme to promote digital services in the third sector. Many charities and third sector organisations provide essential public and community services. We need to ensure these organisations are also able to take advantage of digital technology to enhance the services they provide and to become more efficient. In particular, we are calling for specific leadership training to be made available to ensure that those working in the third sector are able to gain valuable digital skills.