



Welsh Parliament Finance Committee - A call for information – Welsh Government Draft Budget proposals for 2022-23

Social Enterprise Stakeholder Group response, November 2021

About us

The Social Enterprise Stakeholder Group believes that the social enterprise sector in Wales can play a key role in helping to rebuild a fairer, more inclusive, and sustainable economy. Our members include: [Development Trusts Association Wales](#), [Social Firms Wales](#), [UnLtd](#), [Wales Co-operative Centre](#) and [WCVA](#). More information on the purpose of our group and our work to date can be found on our [webpage](#).

Our response highlights:

- The important role of Welsh Government support for the sector through the Covid pandemic. This includes funding through the Economic Resilience Fund and funding for specialist business support.
- Welsh Government should place social enterprise at the heart of plans to rebuild and recover following the Covid pandemic as these are organisations that deliver people-centred local economic development that responds to community need and where participation and empowerment are integral.
- Welsh Government needs to consider how it works with and supports the third sector in Wales as it responds to the loss of European funding.
- The social enterprise sector faces long term challenges as a result of covid with our mapping data suggesting a greater adverse impact on the sector than on the economy as a whole. We would welcome Welsh Government prioritising support to help the sector recover. For the sector to realise it's potential and help deliver Programme for Government commitments in a manner that maximises social and environmental value, it needs continued support from Welsh Government including specialist business support.
- Tackling climate change should be prioritised as part of the economic recovery. The UN calls Climate Change the crisis of our time. Social enterprise should be the business model of choice for those wishing to work in this field.
- Policies to reduce poverty and gender inequality should consider the role the social enterprise sector can play and how they can be supported. The most recent mapping of the sector in Wales demonstrated the key role it plays in reducing poverty.
- Welsh Government should consider specialist advice and support for social enterprises as part of its approach to post EU transition. Social enterprises require specialist business advice services to meet their unique needs.

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

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.

Welsh Government funding for specialist business support has also been key in helping social enterprises navigate the pandemic. This is reflected in the support delivered by two of the Social Enterprise Stakeholder Group group, the Social Business Wales programme delivered by the Wales Co-operative Centre, and Social Firms Wales. 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. The recent mapping of the sector in Wales also reflects this. The mapping saw a substantial increase in start-up activity since the last mapping exercise, with 17 per cent of all businesses surveyed in 2020 having started trading within the last two years (11 per cent in 2018 and eight per cent in 2016). Of new businesses that had been trading for less than a year, 46% had received support from the Social Business Wales New Start project.

Social Firms Wales provides specialist support to social enterprises. Since the beginning of the pandemic Social Firms Wales provided 1,800 hours of support with Welsh Government funding, supporting 38 new start, survival, and growth enterprises. All of these organisations have been established to support people who are easily excluded from society and those that face significant challenges and barriers to gaining and retaining employment. This includes people with disabilities, prison leavers, people that have experienced homelessness, managing substance mis-use or mental health challenges, minorities groups, and ex-service veterans.

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

Covid-19 has caused seismic societal and economic shocks in Wales that worsened pre-existing inequalities and challenges. As we begin to think about building back from the pandemic and addressing Wales' pre-existing long-term challenges there is an opportunity to reconsider the Wales we want to see in the medium and long term. It is our chance to be bold and ambitious in re-imagining the economy and society we want to live in. Welsh Government should place social enterprise at the heart of plans to build back, recover and thrive. Social enterprises in Wales are ready to challenge the economic models of the past and rebuild a fairer, more inclusive and sustainable economy. The sector is at the forefront

of delivering a just and green transition and have pioneered solutions to tackling the climate emergency. Social enterprises can deliver people-centred local economic development that responds to community need and where participation and empowerment are integral. But to fully deliver these things, social enterprises in Wales need specialist business support to rebuild and grow.

Many of the impacts of Covid-19 will also be long-term and persistent. For example, the 2020 Social Business Mapping Exercise 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.

This also needs to be placed within the context of the end of European funding, and its impacts on the ability of the third sector in Wales to continue to meet the needs of our diverse communities. While 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. Many 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, at the very time when it is most important to get individuals, communities and businesses back on their feet to support our social and economic recovery, we are deeply concerned that this is the time funding is starting to contract.

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 with our mapping data suggesting a greater adverse impact on the sector than on the economy as a whole. Our mapping survey found that forty-five per cent 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 includes commitments which the social enterprise sector can play a key role in implementing while also delivering additional social and environmental value. 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

For the sector to realise its potential and help deliver Programme for Government commitments in a manner that maximises social and environmental value, it needs continued support from Welsh Government including specialist business support.

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

Tackling climate change should be prioritised as part of the economic recovery. The UN calls Climate Change the crisis of our time. Wales declared a climate emergency in 2019. It is vital that combatting climate change is at the forefront of our plans for economic recovery. There is a real opportunity at this time of profound health, social, economic and political turmoil, to develop new and radical solutions and profound changes that rebuilds our economy and society in a way that works for people and planet. Social enterprise should be the business model of choice for those wishing to work in this field.

Social enterprises value the environment just as much as people and profit and can lead the way in tackling climate change. Our sector can show what can be achieved when we put people and planet ahead of profit. Social enterprise should be promoted as the business model of choice for organisations working and wanting to work in this area.

Many social enterprises operate in sectors such as renewable energy, zero waste, food, biodiversity and land management. Some have environmental objectives and improving the local area at the heart of their social aims. It is also worth noting that many social enterprises

have embedded circular economy principles within these environmental objectives. They are ideally placed to play a key role in helping with training and skills development in local communities as part of a just green transition.

There is also an opportunity to build more resilient communities and local economies, through scaling up social enterprises and community and locally owned businesses and assets, and creating sustainable quality jobs to be at the heart of the green recovery.

Welsh Government policies to reduce poverty and gender inequality.

Policies to reduce poverty and gender inequality should consider the role the social enterprise sector can play and how they can be supported. 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 South Wales Valleys and are more likely to operate in areas of deprivation. Social enterprises are good employers, with the vast majority offering the 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, although ethnic minority communities and people with disabilities are underrepresented.

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

Welsh Government should consider specialist advice and support for social enterprises as part of its approach 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.

For further information on the issues raised in this response, please contact:

Ceri-Anne Fidler

Social Enterprise Policy Officer on behalf of the Social Enterprise Stakeholder Group

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