

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2024-25](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2024-25](#).

WGDB_24-25 19: Ymateb gan: Cwmpas (Saesneg yn unig) | Response from: Cwmpas (English only)



Welsh Government Draft Budget Scrutiny

Social Enterprise Stakeholder Group

Consultation questions

1. What, in your opinion, has been the impact of the Welsh Government's 2023-2024 Budget, including funding related to the recovery of the pandemic? Have Welsh Government business support policies been effective, given the economic outlook for 2024-25?

The Welsh Government's continued funding of specialist support for the social business in Wales through the Social Business Wales programme has been essential to the growth and development of the sector. Research mapping the sector in 2022 has shown that post-Covid, the sector is going from strength to strength with high levels of new entrepreneurial activity. There are now approximately 2,828 businesses in the sector, an increase of 22% from 2020 (2309), delivering a wide variety of economic, social and environmental benefits to communities in Wales.

Just some of the different types of impact are highlighted in the following case studies from recent winners of the Social Business Wales Awards 2023:

Social Enterprise of the Year Award- Câr-y-Môr

Câr-y-Môr is committed to starting the first commercial seaweed and shellfish farm in Wales, to motivate and inspire others to duplicate. With a commitment to making a positive impact on the Welsh coastline and the local community, Pembrokeshire based Câr-y-Môr puts their people and community at their core.

<https://www.carymor.wales/>

Building Diversity, Inclusion, Equity, & Justice Award – Outside Lives

With nature as their guide, Outside Lives are committed to connecting both people and communities, creating a more supportive, adaptable, resilient and resourceful environment for every living thing.

<https://www.outsidelivesltd.org>

The social enterprise sector in Wales is growing and diversifying to maximise the impact it has in Welsh communities. Social Business Wales offers free specialist support to new and growing businesses to answer some of the key challenges facing the country. It is now delivered by a consortium of members of the Social Enterprise Stakeholder Group, with Cwmpas as lead delivery partner. The social enterprise sector and the ecosystem of specialist support providers is joined-up and working collaboratively to deliver on the ten-year Vision and Action Plan launched in 2020 which seeks to make social enterprise the business model of choice in Wales by 2030.

2. How should/could the Welsh Government support the economy and business following the pandemic, Brexit and inflationary and other economic pressures?

– How financially prepared is your organisation for the 2024-25 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?

While our 2022 mapping of the social business sector found that there are high levels of optimism and entrepreneurialism in the sector, there are still signs of vulnerability, with evidence suggesting there may be lingering effects from the pandemic alongside an increasingly competitive trading environment, potentially triggered by a reduction in available funding.

The changing landscape of funding, the loss of EU funding and the cessation of grant finance offered during the pandemic appear to be affecting social businesses with an increased proportion noting issues relating to cash flow. These challenges are perhaps all the more acute given recent inflationary pressures associated with energy costs and other key items of expenditure. It is also important to note that the imposition of restrictions during the pandemic had a clear and disproportionate impact on the sector as a whole. Differing grant support, trade demand and ability to operate means that, at an organisational level, business performance, size and turnover has changed dramatically in different ways between 2020, 2022 and today.

Despite these challenges, we know that investment in supporting the development of the social enterprise sector will create a more sustainable and resilient Welsh economy for the future. The triple-bottom line model of social enterprise means that these organisations and the services they provide are anchored in communities, prioritising the creation of social value rather than economic value generation for shareholders. Throughout these challenging economic conditions we have seen high levels of innovation and entrepreneurialism to pivot to new contexts, transform services to continue to deliver value, and exploit new opportunities. Wales owned social businesses can also play a key role in preventing exploitation of key assets by businesses from elsewhere that are less socially and environmentally motivated.

The Welsh Government should continue to support the sector through challenging times by prioritising and the provision of consistent specialist support services for the sector across Wales. Current levels of funding for specialist support services are delivering results as demonstrated by the findings of the 2022 mapping exercise, and we believe this is just the start of the growth of the sector at a time when these models have never been needed more. The transition from EU funding has been difficult and Welsh Government investment has played a vital role in enabling the continued provision of support. However, there has been a contraction of funding which has impacted the level of service provided, and, as always, there is more that could be done with more investment to grow the sector at pace as a key mitigation of the impacts of the multiple crises we're facing in the current context.

The current context of financial challenge alongside the climate emergency, conflicts and a changing relationship with Europe and the rest of the world, demand that we do things differently if we are to achieve positive outcomes for people and communities in Wales. This provides a real opportunity to set a different vision for the economy in Wales, one that has people and the planet at the heart. We are small enough with a strong legislative framework and the passion as a small nation to be world leading in our response. However, when funding contracts the tendency is to pull back from innovation and change, when it's needed most. Social business models offer the potential to really transform the economy and public services through a wellbeing economy approach that puts communities at the heart and sees wealth generation redistributed back into local areas.

As well as specific funding, the Welsh Government can take on a co-ordination role of different funding streams across the country – particularly funds such as the Shared Prosperity Fund – to ensure equal service provision in different areas. In addition, the Welsh Government can ensure its expenditure in other areas prioritises the creation of social value through procurement practices that promote the role of social enterprise. To go a step further, the Welsh Government should take a pro-

active role in facilitating the networks, investment and entrepreneurialism that can lead to the development of more community-based, democratically-owned social enterprises in the supply chain in the future.

As an organisation, Cwmpas has worked hard to ensure a stable financial future in the short term in a very difficult period of transition from EU funding. Accessing regional investment in the form of SPF has played a critical part in this sustainability for 2024-25. However, in the longer term, there is great uncertainty in a financial climate that is increasing challenging. As with other organisations in the 3rd sector, funding core costs is extremely difficult which has an impact on the ability to robustly plan for future sustainability. However, we are reviewing our strategy to ensure its continued relevance and are developing an underpinning funding plan to enable us to deliver against it and prepare as best we can for the future. The difficulty of doing this effectively in a context of ongoing uncertainty, and the impact it will have on the sector, should not be underestimated.

3. What action should the Welsh Government take to help households cope with inflation and cost of living issues?

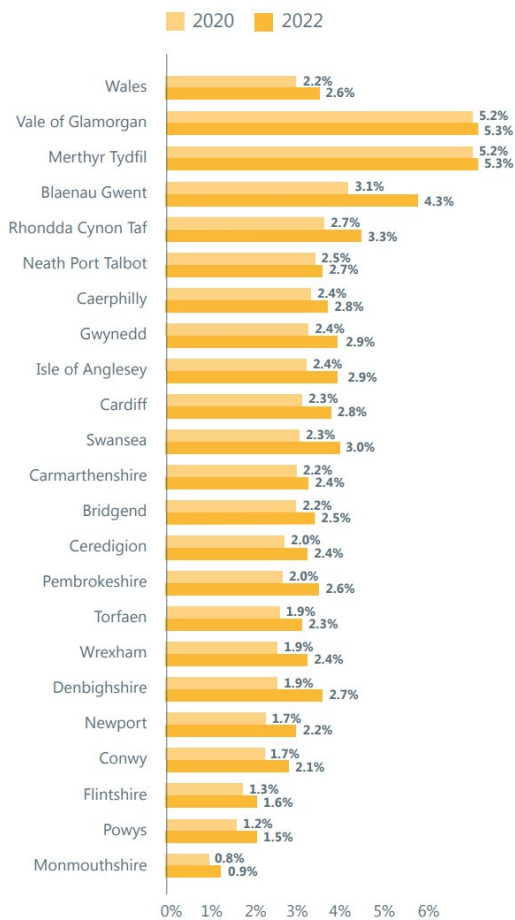
– How should the Budget address the needs of people living in urban, post-industrial and rural communities and in supporting economies within those communities?

We know that the work social enterprises do to ensure the delivery of accessible, inclusive, community-based services and activities are essential to well-being of people across Wales. A brilliant example from the recent Social Business Wales Awards 2023 was the winner of the Community Based Social Enterprise Award, With Music in Mind.

With Music In Mind is a not-for-profit Community Interest Company based in South Wales offering a regular service for older people in the community. The judges were impressed by the care and dedication With Music in Mind show towards the people that need their service, and their plans to extend their services to a wider area, ensuring more people suffering with isolation have the support they need and deserve.

Our research shows that social enterprises in Wales are often concentrated in areas of deprivation. Our mapping exercise found that 45% of social businesses operate in the top 40% most deprived areas in Wales, and only 30% operate in the 40% least deprived areas. We can see in Figure 3.4 (taken from the mapping exercise) below that social businesses are vital to the economy particularly in areas such as the south Wales valleys, proving high-quality jobs. In addition, they provide a variety of essential services that promote well-being and connection in communities.

Figure 3.4: Proportion of social businesses out of total business stock 2020 and 2022



The budget must think long-term about the type of economy and communities we are trying to build. We need to foster an economy that leads to stronger, more resilient communities and economies that are more resistant to painful external shocks. Investing in the social enterprise sector and the support available to them, as well as using other policy levers to ensure that government and public bodies are pro-actively supporting the development of the sector and considering how these models could be applied to doing things differently in response to the complex social challenges our communities and public services are facing.

4. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

Building a greener economy means promoting and facilitating models of business that put sustainability at the heart of their modus operandi. Investing in developing and growing the social business sector should be pivotal to tackling the climate crisis. The triple bottom line at the foundations of a social business – people, planet, profit – means that the innovation and

entrepreneurialism of the private sector can be fostered to answer the challenges facing our communities in a way that also prioritises a positive impact on the world around us.

The Community Energy Wales State of the Sector 2022¹ report found “a reported total community-owned electricity generation capacity of 27.5 MW, including solar, wind and hydro” across 67 organisations with 8599 members and 586 volunteers. The report indicates that “projects not only generated renewable energy but also generated income that was local, long term and held within local communities. In total 75% of organisational expenditure was retained in the local area. Further, the survey reported that energy efficiency services resulted in £222,000 saved on household bills. In this context, the surplus income channelled into community benefit funding delivered an overall spend of £276,500 supporting local communities. In Wales, 79 new jobs were created, extending the overall FTE staff employed in community energy to 145.”

While some social businesses have a product or service that is specifically dedicated to mitigating or tackling climate change, others may work in a different sector entirely but still have operating sustainably and in a green way at their heart of their business. Our 2022 mapping data found that over half of social businesses said that mitigating the climate crisis was a ‘high’ or ‘essential’ priority for them, while only 10% said it was not a priority. As you can see in the case study below, the social enterprise model facilitates the innovation and economic impact that enterprise can bring and applying it to finding the solutions we need for a sustainable, net zero Wales.

Social Enterprise Innovation of the Year Award – Creating Enterprise

Creating Enterprise, part of Cartrefi Conwy, is an award-winning building and maintenance contractor based in North Wales. The judges were impressed by their plans to build energy efficient, carbon zero homes, certified by Beattie Passive, whilst also employing the people supported by Cartrefi Conwy in the construction of these innovative homes.

<https://www.creatingenterprise.org.uk/en/home/>

The mapping report also highlighted how social businesses could be supported to introduce measures to come carbon neutral. At a time of challenging economic conditions, many businesses said that while they wanted to become carbon neutral, they were having to spend all their time and resources on remaining economically viable and continuing to deliver their services. As a result, 44% said that grants/funding would be most helpful to them to become carbon neutral. Alternatively, 24% said that advice and guidance would be most helpful. Other options included an audit/measure of their carbon footprint (8%), local government support (8%), more time/staff capacity (6%) and support with strategic planning/policy development (4%).

We therefore strongly believe that the Welsh Government must invest in support for the social enterprise sector, both in terms of existing businesses and facilitating the model becoming the business model of choice in Wales by 2030, in line with the Ten Year Vision and Action Plan. Making the social enterprise and democratic ownership models the go-to business model for economic development in Wales will bring multi-faceted benefits for communities as we see to ensure a just transition.

6. Is the Welsh Government using the financial mechanisms available to it around borrowing and

¹ <http://www.communityenergywales.org.uk/ycc-login/resources/welsh-report-draft-8.pdf>

taxation effectively?

7. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

– Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?

Social enterprises provide essential community-based services that improve well-being, create better-connected communities and create good jobs in areas of high-deprivation, and across Wales. They should be supported to continue to provide these services during challenging economic conditions and the sector should be invested in and facilitated to support their ambitions to grow even further. There should be two objectives – helping people and communities through the challenging short-term problems they are facing, and then building local economies and communities that help move people away from poverty. Social business models are a potential solution to many of the complex issues facing communities and should be at the heart of the plan to achieve both of these objectives. This should be reflected in the level of investment and prioritisation within government spending and policy decisions.

– How could the budget further address gender inequality in areas such as healthcare, skills and employment?

– Is the Welsh Government’s approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).

Prevention should be given the highest priority possible given the state of perma-crisis we exist within at present, and the damaging impacts on communities. Making Wales and our communities more resilient to external shocks should be a key ambition of economic policy moving forward. This should come in the form of both investing in the social business sector to achieve our ambition and changing policy and practice to promote and facilitate the development of the social business model as the model of choice.

In times of financial crisis retraction of preventative funding can be seen as an easy response but with devastating consequences. To address the many complex challenges we’re facing we need to be brave and invest the little money that is available differently to achieve greater outcomes. Continuing to invest as we always have will not bring the scale of change required to navigate these complex challenges with positive outcomes for people, communities and future generations.

We welcome the Future Generation’s Commissioner’s mission around a Wellbeing Economy. It is important to note that to achieve an economy that prioritises well-being, we need to transform how we see government spending. At times when the Welsh Government’s spending power is weakening, seeing all spend as an investment rather than a cost is pivotal. We must seek to ensure that money invested here remains in Wales where possible and goes towards supporting businesses that help achieve that goal, ensuring money stays circulating in local economies through businesses that are

not only profit-driven but also prioritise positive and sustainable impact on people and planet. In some cases, this may be through the continued reform of procurement processes to prioritise social value. In other cases, we need Government to take a pro-active role in developing supply chains, incentivising the creation of social and community-led enterprise, and using government spend as an investment in this economy.

– How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?

We want to see an impact assessment of budget cuts, including the intended and likely unintended consequences, particularly where decisions are likely to increase demand on other parts of the health and social care system; reduce quality of service or increase inequalities. We know that taking funding away from vital third sector services in communities, or taking funding away from investment in these providers to develop their services in the future, will have long-term implications for pressures on the health service in the future. This should be accounted for when budgeting decisions are made and published.

– How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?

– How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?

– Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.

– Has there been adequate investment from the Welsh Government in basic public sector infrastructure.

– Is there enough infrastructure investment targeted at young people?

– How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?

– Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost of living crisis and the pandemic, sufficient?

It is clear that the Welsh Government understands the value of the third sector as it has a key delivery role in achieving many objectives set out in Welsh Government policy. For example, the recent development of the Social Prescribing framework has community-based and community-led services and activities at its heart. However, given the challenging economic and social conditions we are living in, we cannot assume that these services will have a constant supply. The Welsh Government must take a pro-active role in supporting, facilitating and nurturing communities and community-led enterprises or groups to start and grow. This can be done through continued investment in specialist support, accessible financing and investment in the networks and platforms

that facilitate collaboration, but also through changing practice and how money is spent across Government to prioritise social value, democratic ownership structures and sustainability.

– What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Wellbeing of Future Generations Act?

At the Senedd Cross Party Group for Co-operatives and Mutuals meeting in September 2023, t Sandy Clubb, Involvement Artist at the Office of the Future Generations Commissioner for Wales, outlined the ambitions and the principles of the Well-being of Future Generations Act and discussed how they aligned well with the social enterprise and co-operative models, including the Sustainable Development Principle to "act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs" and the seven national well-being goals.

The important enabling role social enterprise can play in the context of building a regenerative economy was highlighted, and we welcome the focus in the Future Generations Commissioner's newly launched strategy on the mission towards a Wellbeing Economy. The potential of the social business sector to support the implementation of this with the ambition to transform communities must not be overlooked.

In terms of how social enterprises and co-operatives could be supported to apply the Act to their strategy and operations, our 2022 mapping report measured awareness of the Well-being of Future Generations Act within the social business sector and found it appears to be significantly increasing. 82 percent of respondents said they were aware of the Well-being of Future Generations Act (2015), rising from 27 percent in 2018 and 73 percent in 2020. Equally, two thirds (66 percent) were aware of the Social Services and Well-being Act (2014), which is an increase from 54 percent in 2020. The report noted that this may have had an impact on the increase in businesses noting commitments towards health and well-being.