A call for information – Welsh Government draft budget proposals for 2019-20

Response from the Wales Co-operative Centre, September 2018

Summary

We welcome the opportunity to respond to the call for information. We have focused our response on:

- Welsh Government policies to promote economic growth, reduce poverty, gender inequality and mitigate welfare reform
- Sustainability of public services and innovation
- Welsh Government's policies to strengthen the economy and promote innovation
- Welsh Government's planning and preparedness for Brexit.

Our response highlights:

- We are committed to promoting inclusive local economies across Wales. While we welcome Welsh Government's support for the foundational economy and the new economic contract we believe that there is scope for further progress. We would welcome clarity on how Welsh Government will support the four foundational economy sectors outlined in Prosperity for All and support to develop the wider foundational economy.
- Social businesses are key to developing an inclusive economy. We would welcome continued commitment to funding specialist advice and support services for social businesses in Wales. We would also welcome continued Welsh Government's commitment to working with the sector to develop a new vision and strategy document for the sector in Wales.
- We echo IPPR's recent proposals for strengthening the foundational or everyday economy through a new social partnership body. This would focus on raising productivity in these sectors through advisory and support services alongside direct grants and loans.
- We believe that increasing people's stake in economic decision making through employee ownership is key to developing a fair and inclusive economy. We would urge Welsh Government to consider IPPR's recent recommendations on expanding employee ownership alongside a earmarked fund for business succession and employee buy out transitions in Wales.
- Welsh Government's previous plans to support a greater role for co-operatives, mutuals and social businesses in the delivery of public services.

We highlight the potential benefits of this model and current examples. We ask that Welsh Government publish the action plan for co-operatives and mutuals in public service delivery that was developed during the last Assembly.

- We would ask that Welsh Government continue to fund digital inclusion work, particularly focusing on helping people to access public services that are online such as health and social care services and resources. This will be key to ensuring that vulnerable and excluded groups are not left behind as public services increasingly move online.
- The social business sector is concerned about the potential impact of Brexit. We highlight what Brexit could mean for the sector in Wales and the further advice and support we would like to see from Welsh Government.
- We support Welsh Government's calls for successor funds to EU structural funds to be controlled in Wales to ensure that Welsh circumstances are fully taken into account.

Introduction

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 include:

- Social Business Wales provides intensive, one-to-one support to social businesses which have ambitions to grow and a viable business proposal.
- Digital Communities Wales tackles 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.
- Our Community Shares Wales project helps community groups raise funds from within their local communities to fund the running of community projects and assets.

1. Welsh Government policies to promote economic growth, reduce poverty, gender inequality and mitigate welfare reform

Traditional approaches to economic development are not working for the whole of Wales. Economic growth has become unbalanced and many communities across

Wales are being left behind. This unbalanced model of growth was also recently highlighted in the new report from the IPPR's Commission on Economic Justice.[1] The Commission found that without fundamental reform, our economy will continue to fail large numbers of people and that a fairer economy will generate greater prosperity. A new approach focused on building an inclusive economy is needed.

Current Welsh Government approaches to addressing these issues include the support for foundational sectors and the Economic Contract outlined in Prosperity for All.

Prosperity for All outlines support for four 'foundational sectors' - Tourism, Food, Retail and Care. We believe that there is more that Welsh Government could be doing to support the wider development of the foundational economy. We would also welcome further clarity from Welsh Government on what support for the four sectors identified will involve.

We believe that the Welsh Government's Economic Contract is a step in the right direction towards an economic policy that works for everyone. But there is still a lot more than needs to be done if we are to achieve an inclusive economy in Wales. As a result of the new Economic Contract businesses that receive government support will be expected to give something back in return. The Contract will only apply to the £50 million Economic Futures Fund in the first instance. If successful the Wales Co-operative Centre would like to see the contract rolled out to a broader range Welsh Government support measures in future.

Our recent report with the Bevan Foundation outlined key steps for growing an inclusive economy in Wales. These included:

- Growing the foundational economy
  Our report recommended that Welsh Government, City Deals and local authorities should embrace an asset-based, collaborative and capacity-building approach to developing the foundational economy. They should support and evaluate innovation and encourage the adoption of good practice.

  We also support the IPPR's conclusions that the foundational or everyday economy could be strengthened through a new social partnership body. This would focus on raising productivity in these sectors through advisory and support services alongside direct grants and loans.

- Growing the social business sector
  Social businesses have a key role to play in building an inclusive economy. Social businesses help to diversify and build the resilience of local economies, and crucially they help to retain money and wealth. Welsh Government should ensure that there continues to be adequate, specialist business

[1] Prosperity and Justice – the plan for the new economy, https://www.ippr.org/research/publications/prosperity-and-justice

support, support for networks and help with social innovation. Welsh Government should also support the sector to develop a strategy or vision to guide the development of the sector in Wales. There has not been a social enterprise strategy for Wales since 2009.

- Making the most of public procurement

  We recommend that the Welsh Government and other public bodies develop a fresh and more strategic approach to maximising the benefits of all forms of procurement, involving building firm capacity as well as generating benefits for the wider community, and which is contractually enforced.

The IPPR's Commission on Economic Justice also recommended that a key enabler for creating a fairer economy is to spread wealth and ownership. They argue that the concentration of business ownership means relatively few people have a significant stake in economic decision making. Expanding employee ownership is one means of doing so. The Commission recommend UK Government pursue a Co-operative Development Act that includes a right to own giving employees the option to buy out a conventional business. We would urge Welsh Government to also consider how it can support employee ownership through a Right to Own or similar measure. It could also consider creating earmarked funds for business succession and employee ownership transitions. This would stimulate growth, protect jobs and keep existing businesses in Wales.

In Taking Wales Forward, Welsh Government pledge to carry forward work on financial inclusion, including advice services and credit unions. Until recently, we delivered the Your Money, Your Home project with funding from Comic Relief and Money Advice Service. The project worked to help tackle poverty and reduce economic inequalities through targeted one to one interventions. It aimed to create longer term, sustained, positive change where tenants were less anxious and more able to deal with financial difficulties, increasing their financial resilience and confidence in preparing for and managing life events.

We would welcome the opportunity to share learning from this project to inform Welsh Government's approach to financial inclusion going forward. We would welcome funding for initiatives that support community based financial inclusion initiatives which improve community resilience.

Our asks:

- If Welsh Government's Economic Contract proves successful for the Economic Futures Fund, we would like to see the contract rolled out to a broader range of Welsh Government support measures in future.
- We would welcome further clarity from Welsh Government on support for the 'foundational sectors' outlined in Prosperity for All.
- Welsh Government should continue to support specialist advice and support for social businesses. We would welcome continued support to the sector to develop a strategy or vision document to guide the growth and direction of the sector in Wales.
- Welsh Government should consider how it can support greater employee ownership in Wales including a Right to Own measure giving employees the right to buy out conventional businesses and earmarked funds for business succession and employee ownership transitions.

2.. Sustainability of public services and innovation

During the last Assembly, Welsh Government accepted the recommendations of the Welsh Co-operatives and Mutuals Commission around the potential role for co-operatives and mutuals in public service delivery. Following the report, the Welsh Government consulted further on the role of co-operatives and mutuals including the Reforming Local Government White Paper and the Alternative Delivery Models in public service delivery action plan.[2] However, there has been a loss of momentum on developing this further and a final action plan has not been published.

While it is for others to make political decisions about the future of public services, where privatisation occurs, we believe that co-operatives, mutuals and social enterprises offer a citizen focused, accountable and values based alternative to privatised services. Consequently, we would welcome further consideration of the role of co-operatives, mutuals and social enterprises in delivering public services. Social enterprises, co-operatives and mutuals can deliver services in the community which are citizen-focused, responsive and accountable. They are anchored in their communities and investment by the public sector in co-operatives and social enterprises stays in the community and will be recycled for wider economic and social benefits.

Examples include:

- Holywell Leisure Centre. Holywell Leisure Centre had faced potential closure due to cutbacks by Flintshire County Council. The staff who worked there wanted to save the facility and their jobs, so wanted to explore the option of a community asset transfer. As a result of the community asset transfer and TUPE process, 47 jobs were safeguarded from redundancy.
- Denbighshire Music Co-operative. It is a not for profit organisation providing quality music tuition in Denbighshire. Established in April 2015 following the

[2] We would be happy to provide Assembly Committee's copies of our responses to these consultations.

loss of the previous music service the co-operative is owned and run by the tutors for the benefit of all pupils in Denbighshire. The co-operative provides tuition on a wide range of instruments and voice, aiming to develop each pupils' musical potential according to their individual needs and aspirations. DMC offers a fresh approach to music provision throughout the county and are the lead Music Co-operative in Wales.

Consequently, we would like to see publication of the public service delivery action plan alongside a concrete plan for delivery. This would give direction to both public bodies considering alternative delivery models and the co-operatives and mutuals operating in this sphere.

The Wales Co-operative Centre currently delivers the Welsh Government funded Care to Co-operate project. This helps bring people together to set up or run well-being services in a more collaborative, co-operative and inclusive way. The project helps to deliver Welsh Government's policy commitments around person centred care with greater voice and control for care users as outlined in the Social Services and Well-being (Wales) Act. Funding for the project is currently due to end in March 2019 and we would welcome clarity from Welsh Government on future funding for this work.

In 'Taking Wales Forward', Welsh Government committed to helping 95% of people gain basic digital skills needed for the 21st century by 2021. This commitment is key to reconnecting communities physically and digitally to build a united and connected nation. Digital inclusion helps reduce poverty by reducing inequalities of access to online services. With public services increasingly moving online, there is a danger that digitally excluded people will be unable to access them. This will further marginalise already vulnerable and excluded groups as statistics show that 15% of adults in Wales are not online with older people, disabled people and those who live in social housing more likely to be digitally excluded. The Wales Co-operative Centre's Digital Communities Wales project is increasingly working with health and social care organisations to help them work with their patients and clients to ensure that they can access online health services.

We would ask that Welsh Government continue to fund digital inclusion work, particularly focusing on helping people to access public services that are online such as health and social care services and resources. This will be key to ensuring that vulnerable and excluded groups are not left behind as public services increasingly move online.

In summary, we would ask that Welsh Government:

- Publish the public service delivery action plan alongside a concrete plan for delivery.

- We would welcome clarity on continued funding to support the emerging co-operative care and support movement in Wales
- Continue to fund digital inclusion work, particularly focusing on helping people to access public services that are online such as health and social care services and resources.

3. Welsh Government's planning and preparedness for Brexit

The Wales Co-operative Centre previously responded to the External Affairs and Additional Legislation Committee's Resilience and preparedness: the Welsh Government's administrative and financial response to Brexit consultation. We are happy to provide the Committee with a full copy of our response. It highlighted:

- Social business sectors' concerns
- Social businesses are concerned about the impact of Brexit. In particular, they are concerned their future trading environment is going to be affected adversely by leaving the EU, in particular from the loss of European funding and from the wider impact on the economy. This was highlighted as a concern in our most recent survey of the sector.[3]
- Businesses, communities and individuals across Wales have benefited significantly from European Union funding. Social enterprises and co-operatives have been helped to grow and create new jobs as a result of business advice, grants and loans funded by the EU. We would seek assurances from Welsh Government that it will continue to fund advice and support services for the social business sector through any challenging financial environments arising from the UK exiting the EU. We believe that this will be crucial to help social businesses meet increased demands for their services.
- The potential negative economic impact of Brexit and uncertainties surrounding the process are well documented. This is likely to not only lead to a challenging trading environment for social businesses but also to increased demand for their services. Social businesses are often found in areas of social deprivation, supporting communities, offering jobs and training and often providing services that the public and private sectors would struggle to maintain. This is likely to exacerbated if public and private sector businesses further reduce their services in these localities as a result of the challenging economic environment post- Brexit. Social businesses will need increased support and advice to help them meet these challenges in a sustainable way.

- Advice and support needed from Welsh Government:

[3] Mapping the Social Business Sector in Wales, April 2017 https://wales.coop/helping-social-businesses-grow/research/

While appreciating that there is still a great deal of uncertainty we would make the following points to help us as an organisation as well as the social business sector prepare:

- We support Welsh Government's position that Wales has control of funding that replaces European Structural Funds to reflect Wales' circumstances. We support the IPPR's Commission on Economic Justice's proposal for an Inclusive Growth Fund, administered by devolved nations.
- We would like assurances from Welsh Government that the kind of actions that European funds have supported in recent years to support social businesses continue to be a priority.
- We ask that social businesses sector have the opportunity to feed into the development of any successor funds.
- Given the likely increase in demand for their services, we are seeking assurances that social businesses will have access to support and advice to help them meet these challenges in a sustainable way.

For further information on this response, please contact:

Ceri-Anne Fidler
Policy Officer
Wales Co-operative Centre
Y Borth
13 Beddau Way
Caerphilly
CF83 2AX

0300 111 5050
Ceri-Anne.Fidler@wales.coop

The Wales Co-operative Centre is happy to provide any further information on the points raised in our response, and for our response to be in the public domain.