



Welsh Affairs Committee Call for Evidence: Wales and the Shared Prosperity Fund

Wales Co-operative Centre response, April 2020

Summary of key points

- Our projects funded by European Structural Funds have been successful in growing the social business sector in Wales. This is reflected in a bi-annual mapping exercise to gauge the health of the sector in Wales. Our most recent project statistics from December 2019 also show good progress against project targets. This sector is important to Wales. The total value of the sector is estimated at £3.18 billion and an estimated 55,000 people employed in the sector. This is an increase from our first mapping exercise in 2014 when the sector was valued at £1.7 billion and employed 38,000 people. This would not have happened without the support provided by Structural Funds through programmes such as Social Business Wales.
- We welcome Welsh Government's Framework for Regional Investment in Wales and support the proposals it contains. The Framework aims to achieve inclusive growth in Wales. The need to build an inclusive economy in Wales will be of increased importance as we seek to recover from the economic impact of Coronavirus. As noted by economist Mariana Mazzucuto, the COVID-19 crisis is exposing more flaws in our economic structures and exacerbating existing problems. Social enterprises can play a key role in helping to rebuild a fairer, more inclusive and sustainable economy.
- We would strongly urge that Wales should not receive any less than it currently receives from European Structural Funds. We would also urge that the amount Wales receives should be based on need not just population size.
- We believe that existing arrangements based on long term funding should be continued. Offering long term funding arrangements gives organisations stability.

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 social businesses 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.

Effectiveness of European Structural Funds

Our projects funded by European Structural Funds have been successful in growing the social business sector in Wales. Social Business Wales is funded by the European Regional Development Fund and Welsh Government. It is delivered by the Wales Co-operative Centre and is part of the Business Wales service.

We conduct a mapping exercise to gauge the health of the sector biannually. Our most recent mapping exercise showed an increase in the value of the sector and number of people employed demonstrating in part the impact of support programmes including Social Business Wales. Our most recent project statistics from December 2019 also show good progress against project targets. This sector is important to Wales. The total value of the sector is estimated at £3.18 billion and an estimated 55,000 people employed in the sector. This is an increase from our first mapping exercise in 2014 when the sector was valued at £1.7 billion and employed 38,000 people. This would not have happened without the support provided by Structural Funds through programmes such as Social Business Wales.

Social businesses play a key role in building wealth in communities across Wales. They are anchored in their communities; investment in them stays in the community and is recycled for wider economic and social benefits. Our mapping report revealed a concentration of social businesses in the most deprived areas of Wales. Creating economic opportunity in local neighbourhoods means that economically active

individuals will remain within the community full time to spend money and contribute to community cohesion. Social businesses also play a particular role in creating jobs for, and developing the skills of, people who outside the labour market. For many this is their social purpose.

What should be the priorities and objectives of the Shared Prosperity Fund and what, if any, improvements are needed to the current European funding system?

We were able to contribute to the development of Welsh Government's Framework for Regional Investment in Wales and support the proposals it contains. The Framework aims to achieve inclusive growth in Wales through productive and competitive businesses, reducing the factors that lead to income inequality, supporting the transition to a zero carbon economy and healthier, fairer, more sustainable communities.

The need to build an inclusive economy in Wales will be of increased importance as we seek to recover from the economic impact of Coronavirus. As noted by economist Mariana Mazzucato, the COVID-19 crisis is exposing more flaws in our economic structures and exacerbating existing problems. Social enterprises can play a key role in helping to rebuild a fairer, more inclusive and sustainable economy. They are anchored in their communities; are frequently community-owned; employ locally and often have improving their local area at the heart of their social aims. Social businesses also play a particular role in creating jobs for, and developing the skills of people who are outside the labour market. The social business model will be crucial roles as Wales seeks to rebuild its economy in the aftermath of Covid-19 and should be a focus for a Shared Prosperity Fund.

Social enterprises create jobs and tackle poverty in difficult economic conditions, particularly in rural, post-industrial, inner city and coastal communities. They operate and thrive in areas where other businesses cannot or do not want to. In this way, they help to ensure that economic growth is inclusive and reaches all people and places in Wales, reducing poverty and inequality.

Social enterprise empowers communities to come together to address issues that matter to them. Community-based social enterprise can deliver people-centred local economic development that responds to community need and where participation and empowerment are integral. They can address feelings of being left behind by tackling specific failures and stepping into areas that neither the public nor the private sector can address.

What level of funding should Wales receive, and how should this be calculated moving forward?

We would strongly urge that Wales should not receive any less than it currently receives from European Structural Funds. We would also urge that the amount Wales receives should be based on need not just population size. This additional need is reflected in GDP. The UK faces geographical imbalances with the West Wales and the Valleys region having the lowest Gross Domestic Product (GDP) per head of any part of the UK. Research from the IPPR also showed that Wales lagged behind in terms of disposable income of private households and levels of poverty measured by Regional Human Poverty Index.¹

What timescale should be adopted for each funding round? How should responsibility for funding and administering the fund be divided between UK and devolved governments?

We believe that existing arrangements based on long term funding should be continued. Longer term funding, of 5 years or more, is not readily available from other sources, such as other government programmes or trusts and foundations. Offering long term funding arrangements gives organisations stability. This is particularly necessary for programmes focused on cultural and structural change which need time to implement change.

In terms of administration, we would welcome an arrangement whereby UK Government provides a broad framework of options that devolved governments choose from. This would enable the Welsh Government to choose the options that are best suited to the Welsh economy.

What role could, or should, local government and, where applicable, city or growth deals play in relation to the fund?

We would welcome national coordination by Welsh Government. It is difficult for national organisations to meaningfully engage with all 22 local authorities. While there is a continuing need to deliver programmes on an all Wales level, we would support a more regional approach to the delivery of funds that allows funding to be flexible to meet the particular needs of regions. Yet some programmes, such as business support, will need to have national coordination to ensure consistency across Wales.

We also note that in our experience, third sector and not for profit organisations have struggled to engage with city deals.

For further information on this response, please contact:

¹ https://www.ippr.org/files/2019-02/1551278444_regional-policy-post-brexitefeb19.pdf

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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.