

Senedd Cymru

Pwyllgor yr Economi, Masnach a Materion Gwledig

Ymchwiliad: Bargeinion Dinesig a Thwf

Cyf: CGD08

Ymateb gan: Cwmpas

-

Welsh Parliament

Economy, Trade, and Rural Affairs Committee

Inquiry: City and Growth Deals

Ref: CGD08

Evidence from: Cwmpas





Cwmpas is a development agency working for positive change.

We believe our economy and society should work differently, putting people and planet first.

Since 1982, we have supported Welsh social entrepreneurs, co-operatives, businesses, public bodies, communities and more to make positive change happen.

We have three missions:

1. Creating a fairer, greener economy

We are working to increase the proportion of the economy made up by social enterprises, co-operatives and employee-owned businesses

2. Building a more equal society

We are working to advance social justice by increasing access, equity, diversity and participation

3. Making positive change happen

We are working in co-operation with people and organisations to take action for social good

Social enterprise and co-operatives in regional economic development

Social enterprises play a vital role in the Welsh economy and employ thousands of people across Welsh communities. They deliver essential services, utilise innovative green technologies and create inclusive and accessible jobs, while generating local wealth that is redistributed and circulated back into communities.

As key advocates of social enterprises for over forty years, we at Cwmpas know that social enterprises are uniquely placed to harness the spirit of Welsh entrepreneurialism while prioritising social value and implementing the ambitions of the Wellbeing of Future Generations Act. We also know that social enterprises typically require a specialist kind of tailored support to grow and thrive, and often an expertise gap exists regarding social enterprises within conventional business support structures.

As has been previously noted in the Audit Wales December 2022 report, 'A missed opportunity – social enterprises', most local authorities lack a coherent strategy to support the growth and development of social enterprises.

That is why Cwmpas believes that social enterprises have a key, currently underutilised role to play in delivering on the promise of high-level economic development work afforded by the creation of the new city and growth deals and that this should be a consideration for the respective deals as they develop and refine their upcoming strategies.

From the previous social enterprise mapping exercise undertaken in 2022 [n.b. new data from the current mapping exercise will be available later this summer], we know that the social enterprise sector in Wales has recovered strongly from the Covid-19 pandemic, with approximately 2,828 businesses in the sector, an increase of 22% from 2020. We also know that social enterprises are accounting for an increasingly significant amount of the Welsh labour market, with total employment for the sector calculated as 65,299, an increase of 16% from 2020.

Given the specific challenges of that a volatile regulatory environment and persistently high industrial energy costs during that period, this would indicate that social enterprise as a model is uniquely able to traverse challenging economic conditions - motivated by the triple bottom line of people, planet and profit, rather than maximising financial gain for shareholders.

In addition to this, the four city and growth deals have the opportunity to take a longer view of what constitutes the ideal mode of economic development and activity. They are uniquely placed to plug gaps in the existing business support framework and break new ground by offering tailored, proactive support for social enterprises. Due to the regional nature of their constitution, the city and growth deals are also well-situated to take a place-based approach to this tailored support by collaborating with economic development directorates within constituent local authorities.

Historically, we know that when business support tailored for social enterprises was provided at a local authority level, this support was valuable for both start-ups and existing businesses alike. We also know that as non-statutory services continue to face funding shortfalls, the scope of these Social Enterprise Officer roles has been diminished, and this is summarily reflected in the lack of strategic focus on social enterprises from local authorities reported in the 2022 Audit Wales report.

If the city and growth deals are to reach their potential, it's increasingly clear that social enterprises will have to play a greater role in how they conceptualise development and deliver strategies. It is also clear that as novel bodies, the city and growth deals have a unique opportunity to break new ground where local authorities and Welsh Government have struggled to provide targeted support.

Contribution to the four City and Growth Deals

From consulting the various constituent strategy documents and latest annual reports of the four city and growth deals, it is clear at present that due consideration to the potential positive impact social enterprises could have in achieving their overarching aims is not being fully explored across the majority of the four deals.

Despite the model's contributions to driving benefits for the environment and contribution to the skills agenda, social enterprise is not mentioned once in the latest Annual Report for Cardiff Capital Region. Similarly, despite social enterprises playing a key constituent part in many supply chains across rural Wales, the model is not mentioned once over the course of the Final Deal Agreement for the Mid Wales Growth Deal.

Likewise, while improving health and wellbeing is explicitly mentioned in the overarching objectives of the Swansea Bay City Deal, no reference is made to how harnessing the social enterprise model could contribute to achieving this overarching objective.

The only one of the four that makes explicit reference to social enterprises in its most recent annual report is the North Wales Growth Deal, which notes that it has secured over £1m in Shared Prosperity Funding to deliver on Access to Smart Local Energy by providing grant funding to SMEs, social enterprises and community organisations. Reporting from the North Wales Growth Deal is the most concentrated of the four on delivering social value, which would indicate that an increased focus on providing support for social enterprises across the geographic area of the growth deal would yield immediate agglomerative benefits as the growth deal is already utilising the levers it has available to deliver social benefits. Targeted support for social enterprises in the growth deal area would also benefit from the increased prominence of the Development Bank of Wales, which has made specific efforts to improve access to finance in the region.

To demonstrate how social enterprise can be better utilised to meet the City and Growth deal objectives we have collated some pertinent examples from across Wales against relevant objectives.

1. Inclusive Economic Growth

Relevant Objectives:

- *Cardiff Capital Region:* Improve productivity, tackle worklessness and stimulate inclusive economic growth.
- *Mid-Wales Growth Deal:* Support inclusive and sustainable economic growth across the region.

Social enterprises often keenly focus on providing opportunity for disadvantaged communities and marginalised groups, and the model is often more popular than more traditional profit-centred approaches to business and commerce. Social enterprises make an outsized contribution to providing employment and training opportunities where traditional market mechanisms fall short. Organisations such as Elite Paper Solutions demonstrate the unique ability of social enterprises to regenerate post-industrial communities while generating and circulating wealth locally.

2. Skills Development and Workforce Resilience

Relevant Objectives:

- *North Wales Growth Deal:* Develop a more skilled, adaptable workforce.
- *Swansea Bay City Deal:* Enhance skills and talent across the region.

Evidence:

Social enterprises frequently engage in upskilling, particularly for NEET (Not in Education, Employment or Training) individuals and those distant or disengaged from the labour market. Organisations such as the Community Impact Initiative in Swansea bring together people across age groups to build skills and a sense of community while working together on their projects.

3. Decarbonisation and Local Sustainability

Relevant Objectives:

- *Swansea Bay & Cardiff Capital Region Deals:* Enable a low-carbon economy and support sustainable development.

Evidence:

Social enterprises like *Egni Co-op* (community solar) lead on renewable energy projects, with a place-based, community ownership model. Through utilisation of the social enterprise model, local resilience can be built and meaningful contributions to Wales's net zero objectives can be made. In addition to this, community energy initiatives specifically can provide enhanced buy-in from local communities at the point of development through the delivery of social benefit in the nearby area.

4. Innovation and Foundational Economy Strengthening**Relevant Objectives:**

- *Mid Wales Growth Deal*: Strengthen the foundational economy and support innovation-led growth.
- *Cardiff Capital Region*: Foster innovation in key sectors.

Evidence:

Social enterprises operate at scale in foundation economy sectors, such as care, food and housing, and are increasingly adopting innovative delivery models such as tech-enabled care platforms or community ownership structures. This aligns well with city and growth deal ambitions to boost innovation while maintaining focus on everyday economic needs.

Founded in 1982 within the Centre for Alternative Technology (CAT), Dulas has been at the forefront of the renewables industry for nearly four decades, creating innovations that are still leading the field today. Based in Machynlleth, they are an employee-owned co-operative that has the prioritisation of people and planet embedded in their business model.

They have displayed incredible growth and in 2024 won the SME Exporter of the Year Award at the Wales Business Awards. They export solar powered vaccine refrigerators to over 80 countries worldwide and make an enormous difference to communities that often struggle to gain access to life-saving vaccines.

5. Employee Ownership and Productivity**Relevant Objectives:**

- *Cardiff Capital Region & North Wales Growth Deal*: Improve productivity and build resilient regional economies.

Evidence:

Employee ownership, a key facet of many social enterprises and co-operatives, has been shown to improve productivity, staff retention and long-term business resilience. Research from Cwmpas has highlighted that employee-owned businesses report higher levels of staff engagement, faster growth and lower rates of absenteeism. Examples like Tregroes Waffles in West Wales illustrate how employee ownership can protect local businesses and jobs while embedding a culture of shared responsibility and innovation.

Specialised Support City and Growth Deals Could Provide

An independent evaluation of Social Business Wales highlighted an “ongoing need for specialised support for the social business sector, recognising the multi-stakeholder environments and specific legal, constitutional and financial arrangements that have wide-reaching implications for the successful operational of social businesses”.

The key requirement is that advisors have a specialist understanding of the characteristics of social enterprises – that they are multi-stakeholder, have a triple bottom line, differing legal structures and alternative funding options.

This specialist support must be available to social businesses at all stages of the business cycle. This means from support to nascent entrepreneurs who have just had a new idea, to established firms who need help through challenging times, to businesses who are seeking to diversify and grow.

As well as providing high-quality specialist business support to social entrepreneurs and social businesses, city and growth deals need to be pro-active in identifying market opportunities for social business models and convene stakeholders (public, private and third sector) who can make things happen to help meet economic, environmental and social demand.

Opportunities for growth-focused, economically sustainable social businesses exist across different sectors, communities and supply chains. Identifying these opportunities requires specialist development capacity embedded in communities and sectors, whether that’s the green economy, food production, manufacturing, construction, finance, and much more. To make social enterprise the business model

of choice in Wales, city and growth deals need to be proactive in spotting and capitalising on these opportunities.

Cwmpas has a track record of providing this specialised, tailored support to Social Enterprises, and our work with Bridgend County Borough Council on the Social Enterprise Support Programme (funded by the Shared Prosperity Fund) is instructive as to what can be achieved through place-based collaborative working with local authorities. Here collaboration between existing economic development departments within the local authority combined with the specialist knowledge of the social enterprise sector from Cwmpas, have supported the creation of eight new businesses in the past year alone and have worked with existing social enterprises to scale their operations.

It's this approach, of pooling specialist expertise and the place-based grounding provided by Local Authorities that we would encourage the Welsh Government to consider as it seeks to develop the capacity of the City and Growth deals moving forward.