

## Summary

- Our recent mapping report showed that social businesses are concerned about Brexit and see it as a potential barrier to their growth
- 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 are seeking reassurances that the kind of actions that European funds have supported over the years will now be funded by UK Government.
- We believe that there should also be a smooth transition from EU funds to successor funding with a transitional fund to ensure continuity for projects currently receiving EU funds.
- We would welcome the opportunity for social businesses and their support agencies to be consulted on the design and implementation of any successor programme to EU structural funds.
- The potential negative economic impacts of Brexit and uncertainties surrounding the process have been well documented. This is likely to not only lead to a challenging trading environment for social businesses but may also lead to increased demand for their services. Social businesses will need increased support and advice to help them meet these challenges.
- With the large legislative agenda resulting from leaving the EU, we would seek to ensure that the social economy is not overlooked.
- Co-operatives and co-operation could also provide positive solutions to potential problems faced by businesses in Wales post-Brexit. For example, co-operatives could help to address some of the issues faced by the Welsh agri-food sector following Brexit.
- Potential economic instability resulting from Brexit is likely to hit some of Wales' poorest communities hardest. We would argue that there is an opportunity to develop more bottom-up and collaborative approaches to

local economic development, supported by successor funds to EU structural funding. These should focus on developing inclusive local economies with social businesses at their heart.

## 1. 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.
- Your Money Your Home tackles the financial exclusion of Private Rented Sector (PRS) tenants in Wales, and to prepare people for the introduction of Universal Credit.
- 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.

## 2. Main issues facing social business sector as a result of the UK's withdrawal from the European Union

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.<sup>1</sup>

### 2.1 Loss of European funding

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. This includes the Social Business Wales project delivered by the Wales Co-operative Centre which is supported by a £6m of EU structural funds and almost £5m from the Welsh Government. The Social Business Growth Fund administered by the WCVA also part-funded by ERDF and Welsh Government. The Fund provides funding to help social businesses grow and create job opportunities.

We support Welsh Government's request for assurances from UK Government that it will ensure Wales continues to receive the equivalent amount of funding when EU Structural Funds end. We are also seeking 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, as set out in Section 2.2 below. We believe that there should also be a smooth transition from EU funds to successor funding with a transitional fund to ensure continuity for successful projects currently receiving EU funds.

We believe that social businesses and agencies that support them should be consulted on the design and implementation of any successor programme to EU structural funds.

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<sup>1</sup> Mapping the Social Business Sector in Wales, April 2017 <https://wales.coop/helping-social-businessesgrow/research/>

## 2.2 Impact of Brexit on the wider economy and potential increased demand for social business 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. They plug gaps in provision and, in some cases, grow through innovative delivery and defining services in direct response to their community's needs. This is likely to be 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.

## 2.3 Legislative changes arising from exiting the EU

With the large legislative agenda that will result from leaving the EU, we urge the Welsh Government to champion the social economy to ensure that it is not overlooked. We support calls from our colleagues at Co-operatives UK for Brexit safeguards for cooperatives.<sup>2</sup> Co-operatives should not be put in a disproportionately worse position by the Brexit process. In particular, key Brexit safeguards in the following areas need to be addressed:

- The repatriation of EU competition law into UK law
- The repatriation of EU co-operative law into UK law
- The repatriation of EU consumer, employment and environmental law into UK law
- The repatriation of EU public procurement law into UK law
- EU recognition of and support for co-operatives

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<sup>2</sup> [https://www.uk.coop/sites/default/files/uploads/attachments/brexit\\_safeguards\\_for\\_coops\\_march\\_2017\\_draft.pdf](https://www.uk.coop/sites/default/files/uploads/attachments/brexit_safeguards_for_coops_march_2017_draft.pdf)

## 2.4 How co-operatives can help to address challenges arising from Brexit

Co-operatives also provide potential solutions to challenges faced by business sectors in Wales post-Brexit. For example, co-operatives could help to address some of the issues faced by the Welsh agri-food sector following Brexit. With profound changes to the structure of support for the sector potentially arising from the UK leaving the European Union, co-operatives and indeed co-operation in the sector could play an important role in sustaining and developing different aspects of the agri-food supply chain. During November, the Wales Co-operative Centre will be launching a new research report exploring the opportunities for co-operatives in the agri-food supply chain in more detail. We would be happy to provide the Committee with a copy of this report.

As outlined in Section 2.2 above, potential economic instability resulting from Brexit may hit some of Wales' poorest communities hardest. This will compound a situation where 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. We would argue that there is an opportunity to develop more bottom-up and collaborative approaches to local economic development, supported by successor funds to EU structural funding. Successor funds could focus on creating the conditions where strong, local, community-centric economies can flourish. We believe that the social enterprise and co-operative sector can be at the centre of these economies, playing a key role in creating more balanced economies. These are ways of doing business that deliver sustainable economic growth while fostering positive social change and innovation. Social businesses are anchored in their communities; investment in them stays in the community and is recycled for wider economic and social benefits.

## **3. Impact on other Wales Co-operative Centre projects**

The Wales Co-operative Centre delivers a range of projects that 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. These are supported by a range of funders including Welsh Government, the Big Lottery Fund, Nominet Trust and Nationwide.

We believe that communities faced with uncertainties from Brexit and resulting economic instability may require increased support to overcome these challenges. This has potential to increase the demand for our projects and services. For example, a result of economic instability could be increased public sector austerity leading to public sector bodies seeking to offload more community assets. This could increase the demand for support from our Communities Shares Wales project. Economic instability that forces more people into challenging financial circumstances could also increase the demand for our financial inclusion projects.

## 4. Advice and support from Welsh Government to help prepare for Brexit

### 4.1 Advice, support, or assistance received from the Welsh Government to date in preparation for Brexit

The Wales Co-operative Centre has received information on Welsh Government's approach to Brexit in many ways, for example through the Council for Economic Development (CED) as well as in discussions with civil servants. At a CED meeting, the First Minister established a working group to focus purely on the business impact of Brexit and to report back to the Council. The Wales Co-operative Centre represents the social business sector on this working group. In addition civil servants are involving the Wales Co-operative Centre in their thinking about how business support might work post Brexit.

### 4.2 Advice and support needed from Welsh Government to help prepare for Brexit

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 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.