
FSB Wales

Welsh
Government's
Draft Budget
2015/16

10th September 2014





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FSB Wales welcomes the opportunity to present its views to the Finance Committee on the Welsh Government's draft budget proposals. FSB Wales is the authoritative voice of businesses in Wales. With 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees; FSB Wales is in constant contact with business at a grassroots level. It undertakes regular online surveys of its members as well as a biennial membership survey on a wide range of issues and concerns facing small business.

Introduction

As the Wales Bill passages through the Westminster Parliament the opportunity for a re-evaluation of the budgeting process between the Welsh Government and National Assembly for Wales presents itself. In this respect, FSB Wales welcomes the Finance Committee's recent inquiry into the budget process and its subsequent recommendations. FSB Wales would like to take this opportunity to reiterate its concerns around the lack of economic data available to Welsh Government and the obvious impact this has on the budget process. This is becoming even more important as we move towards budgets that actively manage tax revenues as well as departmental expenditure limits.

At present, the budget process is difficult to decipher with a focus on departmental spending lines providing little detail to external organisations seeking to analyse Welsh Government's priorities. Furthermore, the timeframe for budget allocations (with the notable exception of the Wales Infrastructure Investment Plan) is very short term, with longer-term budgetary trends going largely unanalysed. FSB Wales therefore welcomes conclusions four, five and six of the Finance Committee's inquiry into the budget process and would like to see coordinated action between the Welsh Government and National Assembly to deliver an improved process¹.

Young Recruits Programme

FSB Wales warmly welcomed the additional funding provided to SMEs through the Young Recruits Programme. This included substantial support for administration costs for small firms hiring an apprentice as well as an increased wage subsidy to employers. Initial anecdotal evidence suggests that this has been successful with a large number of our members making inquiries as to how best to take on an apprentice via the Young Recruits Programme.

¹Finance Committee 2014. *Best Practice Budget Processes Inquiry* [Online]. Available at: <http://www.assemblywales.org/bus-home/bus-business-fourth-assembly-laid-docs/cr-ld9872-e.pdf?langoption=3&ttl=CR-LD9872%20-%20Report%20of%20the%20Finance%20Committee%27s%20-%20Best%20Practice%20Budget%20Processes> (accessed 10th Septmeber 2014). p.6



FSB Wales is therefore concerned that the budget proposals do not at present make provision for the continuation of the expanded Young Recruits Programme. This was initially funded via a £20m per year additional allocation and FSB Wales would like to see this continue in order to continue to encourage SMEs to take on and up-skill apprentices in Wales. Furthermore, in response to the Welsh Government's recent co-financing of skills consultation, FSB Wales stated that support for co-financing measures would be dependent on sufficient support continuing to be made available for apprenticeship programmes at level three and below, via the Young Recruits Programme².

M4 relief road

The Welsh Government recently committed to the 'black route' as its preferred strategy for dealing with the congestion problems on the M4 around Newport. While FSB Wales does not agree with this course of action, it is crucial that the budget clearly identifies how the spending commitments, which at present are at least £1bn, are to be met. The current indicative budget has no budget line allocated to the repayment of capital spending accrued through the UK Government's advance borrowing powers. FSB Wales believes the repayments on this finance should be clearly identified and should include the cost of borrowing to meet the scheme's proposals.

Crucially, this would allow decision makers to be clear about what resources are being reallocated to meet the expenditure need of the M4 relief road policy. At present, the EST department's budget for rail and road capital investment stands at around £150m per annum³. Looking at the period 2015-2025 when both the M4 Relief Road and Cardiff Capital Region Metro projects are due to be implemented, a total of £2.24bn is expected to be spent according to respective Welsh Government business plans on the two projects⁴. Over the same 10 year period at present prices around £1.5bn would be available to the Welsh Government (assuming all other transport capital projects such as the Bontnewydd Bypass and improvements to the A40 west of St Clears were removed from the Wales Infrastructure Investment Plan transport section). This potentially leaves a shortfall of £740m over this period, only £500m of which could be covered by newly devolved borrowing powers. Presumably, this gap would be funded by reallocating funding from other sections of the capital budget.

²FSB Wales. 2014. *Co-investment in Post-19 Adult Skills: Consultation Response* [Online]. Available at: <http://www.fsb.org.uk/policy/rpu/wales/images/final%20co-investment%20in%20skills.pdf> (accessed 10th September 2014).

³ Welsh Government Final Budget 2014/15. [Online]. Available at: <http://wales.gov.uk/docs/caecd/publications/131206explanatoryen.pdf> (accessed 1st September 2014).

⁴ Welsh Government. 2014. *M4 Corridor Around Newport: The Plan* [Online]. Available at: <http://www.m4newport.com/assets/the-plan--english.pdf> (accessed 1st September 2014).

Welsh Government. 2013. *A Cardiff Capital Region Metro* [Online]. Available at: <http://wales.gov.uk/docs/det/publications/131126-metro-impact-study-main-report-en.pdf> (accessed 1st September 2014).



Therefore, FSB Wales believes that the decision to pursue the black route could potentially undermine a large portion of existing projects in the Wales Infrastructure Investment Plan, including in departments such as health and education. Without clarity around how the black route is to be funded, there is also potential for the investment case of the Cardiff Capital Region Metro to be undermined. FSB Wales believes the budget should include a longer term outlook in order to clearly set the black route decision into its proper context.

Devolution of NDR

The Welsh and UK Governments have agreed a target date of April 2015 for the full devolution of non-domestic rates to the National Assembly for Wales⁵. This is a major shift in the Welsh Government's budget with around £1bn of revenue raised from the business community for the first time allocated to the Welsh Government to manage and spend as they see fit. This is also by far the largest of the taxes to be devolved following the Silk Commission process, until a referendum is held on whether to devolve income tax powers to Wales.

FSB Wales therefore believes that the next budget should contain clear guidance on how much the Welsh Government expects to raise in terms of non-domestic rates review and how its policy in this area is likely to influence departmental expenditure limits. For instance, the Scottish Draft Budget 2014/15 included an analysis of how much revenue will be raised by non-domestic rates and the Scottish Government's policy in this area⁶.

⁵Welsh Government. 2014. *Financial Reform and Tax Policy* [Online]. Available at: <http://wales.gov.uk/funding/financereform/?lang=en> (accessed 10th September 2014).

⁶Scottish Government. 2013. *Scottish Budget: Draft Budget 2014-15* [Online]. Available at: <http://www.scotland.gov.uk/Resource/0043/00433802.pdf> (accessed 10th September 2014) P.157



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The Federation of Small Businesses Wales

The FSB Wales is non-profit making and non-party political. The Federation of Small Businesses is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has 200,000 members across 33 regions and 194 branches. FSB Wales currently has around 10,000 members, a Welsh Policy Unit, two regional committees and twelve branch committees meaning FSB Wales is in constant contact with small businesses at a grassroots level in Wales.

Lobbying

From the Press and Parliamentary Affairs Office in Cardiff, FSB Wales campaigns with AMs, MPs and MEPs in Cardiff Bay, Westminster and Brussels in order to promote our members' interests. FSB Wales also works closely with local, regional and national media outlets to highlight our members' concerns. Development Managers work alongside members in our regions to further FSB Wales influence at a regional level. More widely, the FSB has Press and Parliamentary Offices in Westminster, Glasgow, Belfast and Brussels to lobby the respective Governments.

Member Benefits

In addition, Member Services is committed to delivering a wide range of high quality, good value business services to members of the FSB. These services will be subject to continuing review and will represent a positive enhancement to the benefit of membership of the Leading Business organisation in the UK.

Vision

A community that recognises, values and adequately rewards the endeavours of those who are self employed and small business owners within the UK.

The Federation of Small Businesses is the trading name of the National Federation of Self Employed and Small Businesses Limited. Our registered office is Sir Frank Whittle Way, Blackpool Business Park, Blackpool, Lancashire, FY4 2FE. Our company number is 1263540 and our Data Protection Act registration number is Z7356876. We are a non-profit making organisation and we have registered with the Information Commissioner on a voluntary basis.

Associate Companies

We have three active subsidiary companies, FSB (Member Services) Limited (company number 02875304 and Data Protection Act registration number Z7356601), FSB Publications Limited (company number 01222258 and Data Protection Act registration number Z7315310) and FSB Recruitment Limited. (company number 07836252 and Data Protection Act registration number Z3131666).