

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

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Senedd Finance Committee

Consultation on Welsh Government Draft Budget

Federation of Small Businesses Wales

November 2024

About FSB Wales

Celebrating its 50th anniversary, FSB is the authoritative voice of businesses in Wales. It campaigns for a better social, political, and economic environment in which to work and do business. With a strong grassroots structure, a Wales Policy Unit, and dedicated Welsh staff to deal with Welsh institutions, media and politicians, FSB Wales makes its members' voices heard at the heart of the decision-making process.

Key Asks

- **Using the consequential funding the Welsh Government will receive from the UK Budget to deliver measures that will support SME growth and prosperity, including:**
 - **Retaining or extending the relief for hospitality, retail and leisure at least 40%, at least matching that in England. Following the UK Autumn Statement and the impact on businesses there is a persuasive case for reinstating the 75% support from 2022-23.**
 - **Freezing the multiplier used to calculate Business Rates for the budget year 2025/26. This is a short-term measure until powers allows for a freezing of a differential SME multiplier for the long term when the power comes into force in Wales.**
 - **Restoring funding available for Apprenticeships in Wales to levels administered prior to the loss of European funding**
 - **Using the 'potholes consequentials' from the UK Autumn Statement by investing strategically in our critical infrastructure, including improving transport networks and roads maintenance.**
 - **Ensuring Wales's Business Support institutions at least retain their current level of funding to align with any mission for**

growth, and enable further developing areas which could drive up productivity including management and leadership support, innovation support, skills development and commercial expertise.

Overview

There is no doubt that the Chancellor of the Exchequer's Budget will be a difficult Budget for businesses with increases to employer National Insurance contributions (NICs) increasing taxes on businesses by an average of £24.5 billion a year from 2025-26 onwards.¹

FSB campaigned hard for the smallest businesses to be protected from the worst of increased employment costs by increasing the Employment Allowance and we won a substantial increase which will help many micro-businesses.

However, we know that these rises coming at the same time as other increases in employment costs will be a struggle for many small and medium-sized employers. This will have an impact on jobs, pay, profit and prices.

The Welsh Government must therefore use the consequential funding it will receive because of this Budget to introduce measures that will support small businesses to weather these increases, and to grow in the future.

It is essential that the 40% Retail, Hospitality and Leisure Relief in Wales is at least maintained and that the multiplier used to calculate business rates is frozen, as is the case in England. The Cabinet Secretary should also follow the Chancellor in acknowledging that Business Rates system doesn't work for these businesses and should look to match any future permanent lower rates for this sector as signalled by the UK Chancellor, in Wales.

Last year's substantive reduction in funding for apprenticeships in Wales in Welsh Government's 2023/24 Budget has had a significant impact on the landscape of available skills for Welsh businesses and correspondingly, opportunities for younger people, at a time when the Welsh economy is in need of such skills to realise opportunities for projects such as Floating Offshore Wind (FLOW) for example. This impact is evidenced by research from the Centre for Economics and Business Research (CEBR), commissioned by the National Training Federation for Wales (NTfW) and Colegau Cymru (see below).

Funding for apprenticeships should be restored to levels available prior to the withdrawal of European Funding and funding for training should be a strategic

¹ https://obr.uk/docs/dlm_uploads/OBR_Economic_and_fiscal_outlook_Oct_2024.pdf

focus in the 2025/26 Budget if Welsh Government's Economic Mission is to be realised.

Consequential funding from infrastructure investment in England, such as funding for potholes, should also be used for similar priorities here in Wales as we know that this investment is essential for growth.

This Budget alone will not deliver sustainable growth, this will rely on the effective delivery of other government interventions, including the Industrial Strategy and planning reform. As such growth depends on the industrial strategy and the economic missions in driving growth. It is vital the UK firepower and spending on this is targeted in a way that has an impact on Wales – and that the 'place' aspect of UK policy is delivered to the Wales context, ensuring that the targets and aims provide for sustainable growth in Wales, and ensure that SMEs embedded in their communities are drivers for economic development across all communities in Wales.

The Welsh Government must therefore outline how it will deliver on its growth mission including what specific measures will be implemented and how progress will be measured against clear targets.

Impact of the UK 2025-26 Budget

The impact of the UK Autumn Statement is far reaching and covers much ground on terms of impact on business. Our UK colleagues have responded and submitted evidence on the impact at the UK level.

In this document we focus on areas that are particularly pertinent to the upcoming Draft Wales Budget and provide evidence of why Welsh Government should use all levers at its disposal to support SMEs in response.

Employers' NICs and Employer's Allowance

The most consequential policy choice made in Autumn Statement is the rise in National Insurance, and the change of its threshold for payment. This is mitigated to a limited extent by UK Government adopting the FSB call for raising the Employer's Allowance- the Chancellor increased the Employment Allowance to £10,500.

National Insurance Contributions

The government will increase the rate of employer National Insurance contributions (NICs) from 13.8% to 15% and reduce the per-employee threshold at which employers become liable to pay National Insurance (the Secondary Threshold) from 6 April 2025 to £5,000.

The Secondary Threshold is the point at which employers become liable to pay NICs on employees' earnings and is currently set at £9,100 a year. The government will reduce the Secondary Threshold to £5,000 a year from 6 April 2025 until 6 April 2028, and then increase it by Consumer Price Index (CPI) thereafter.

Small employers are struggling with the rising costs of employment. FSB's last SBI, Q2, 2024 found labour costs were the top factor driving increases in business costs, overtaking utilities. For Q2, 2024, 52.2% of small businesses identify labour costs as one of the main causes of increase in business costs, this is the highest figure on SBI records since 2014. FSB's General Election survey found that 92% of small business employers were concerned about the costs and risks associated with employing people. The NICs increase is a significant additional pressure for small employers, but the Chancellor has protected small employers with the uprating of the Employment Allowance.

For every employee on the National Living Wage (2025 rates) the NICs bill will increase by over £700/year. This is because a lowering of the threshold has a disproportionate impact on lower paid jobs. For every employee on an average salary (£29.8k a year) the employer NICs bill will increase by around £860/year.

Taking into account the employer NICs changes and the Employment Allowance uplift, FSB analysis estimates the impacts on different employer sizes as follows:

- An employer of four people on NLW is about £2400 better off a year.
- An employer of eight people on average salary is about £1400 worse off a year.
- An employer of forty people on average salary is about £29,000 worse off a year.

These increases must be considered alongside the substantial uprating in the National Living Wage and so together, these measures represent for many businesses a very significant increase in the cost of employment. We know that businesses are already considering the measures available to them to mitigate this impact including restricting wage growth in 2025/26, freezing recruitment, consideration of headcount reduction and passing costs to customers.

It is also worth noting that this increase in employer NICs will have a negative impact on limited company directors who do not employ others. If the director pays themselves via a salary, then they will face an increase in employer NICs due to the lower threshold and higher rate.

OBR figures say on impact of NICs increase and threshold change, and the mitigation of employers' allowance are as follows:

"HMRC estimates that these measures combined will impact around 1.2 million employers from April 2025, with 250,000 employers gaining from the package, 940,000 losing out in net terms, and a further 820,000 employers seeing no change. This results in an average annual tax increase in excess of £800 per employee. The average employer who loses out will see their liabilities increase by around £26,000."

It's worth noting too that the Office for Budget Responsibility (OBR) forecasts that 76% of the cost of the NICs increase will be passed on to workers through higher prices and lower pay rises.²

FSB have asked UK Treasury for equivalent information for Wales but as they're based on HMRC data, it is UK only. David Chadwick MP submitted a written question in the House of Commons asking 'how many businesses in Wales will benefit from changes to employment allowance. (Question 12653)', to which the answer was as follows:

'**James Murray:** Estimates of the number of businesses in Wales that will benefit from changes to the Employment Allowance announced at Autumn Budget 2024 are not available.'

- **The committee may want to ask if Welsh Government have made an equivalent impact assessment for these changes in Wales.**

One important thing to note on Employers Allowance is that it is necessary to claim for it and with a dramatic change in threshold and eligibility, it is important that Welsh Government, Business Wales, local authorities, FSB and other bodies with contact with businesses ensure that all businesses who can claim do so.

- **The committee may want to ask on any initial Welsh Government plans to ensure that SMEs know about and access the allowance as a key mitigation on the impacts of the UK budget.**

Employment Allowance

The UK Government will increase the Employment Allowance. The current Employment Allowance gives employers with NICs bills of £100,000 or less a discount of £5,000 on their employer NICs bill.

The government will protect the smallest businesses by increasing the Employment Allowance to £10,500 next year. The government will also expand

² [Economic and fiscal outlook – CP 1169](#)

the Employment Allowance by removing the £100,000 eligibility threshold, to simplify and reform employer NICs so that all eligible employers now benefit. Taken together, this means that 865,000 businesses will pay no NICs at all, and more than half of employers with NICs liabilities will either see no change or will gain overall next year.

This has been a long-standing FSB recommendation, and for FSB was linked to increasing the minimum living wage in a way that protected costs for small business, although in this budget it serves as a mitigation to the national insurance rise for employers. FSB evidence shows almost four-fifths (79%) of small business employers agreed that the Employment Allowance should rise in line with the NLW every year. Our evidence also shows that an increase in the Employment Allowance would encourage small business employers to retain staff and recruit more apprentices.

Increasing the employment allowance for small businesses by a record amount is a very welcome move. More than doubling it, from £5,000 to £10,500, will shield the smallest employers from the rise in Employers National Insurance contributions.

Within the private sector, recruitment of those furthest from the labour market is traditionally extremely concentrated within small and micro businesses, the increase in the Employment Allowance would benefit these firms. It is important that Government supports small businesses to manage the cumulative cost of employment. This measure provides a 'pro-business' and 'pro-employment' element to the overall policy decisions. It is important that Welsh Government look to provide similar mitigations within its powers where possible.

Welsh Government policy levers in response to the UK Autumn Statement

Business Rates

Non-Domestic Rates are a devolved competency, and so it is a matter for Welsh Government to decide policy opportunities that follow on from the Autumn Statement in this area.

In contrast with previous budgets, the significant consequential funding means that there is headroom to look at supporting businesses to recovery, and that they are still standing to take advantage of any success from the move towards a growth mission in the Spring and over the course of this parliament. This should be a Welsh Government priority to ensure that growth opportunities

across Wales land in future years, as well as ensuring businesses are supported right now.

Here are our calls for Welsh Government, as a consequence of the Autumn Statement and UK policy positions.

1) Immediate support action

Retaining the Non-Domestic Rates Relief for hospitality, retail and leisure – at least 40% - to ensure that businesses are best placed to recover. Given the impact of NICs on business, we would suggest that there is a case of reinstating the support at 75%.

- The hospitality, leisure and retail sectors are vital pillars of the Welsh economy, as well as being important to social well-being, especially in rural communities, providing essential services and opportunities for entertainment, socialising and physical activity.
- These sectors have experienced a prolonged period of difficult economic conditions. With low consumer spending and disproportionately high costs still affecting some businesses' viability, they still need support to recover.
 - In 2023 Wales was the only UK nation to not recover visitor spending figures from 2019.
 - Wales has lost 17% of its licensed hospitality venues since the start of the pandemic, compared to 14% in England and 13% in Scotland.
 - The latest tourism barometer shows that almost a quarter of businesses aren't confident that they can run their business profitably this year.³
- Moreover, following the autumn statement there is a need to mitigate the impact of NICs rises on these sectors given the difficult context in which the sector has operated over recent years.
- These are businesses that provide for employment, which are vital to high streets and to areas across Wales, and to the wider tourism sector, as well as providing for wellbeing for communities. Given the added consequential funding expected from the UK Budget, the Welsh Government should look to protect these sectors as a priority and to balance out the effects of raising business taxes, look to how they can deliver future growth and ensure that they are still there to take advantage of any prospective future growth.

³ [Tourism Barometer: summer wave 2024 | GOV.WALES](#)

In answering Questions to the Finance and Welsh Language Cabinet Secretary on Nov 13th, 2024, the Cabinet Secretary noted the imperfections of the system as a rationale to not increase the relief available. He noted that half of all small businesses in Wales pay no business rates at all, that an additional 30% have some relief from their business rates and that only 20% of businesses in Wales pay full business rates.⁴

The business rates system is imperfect and does not work well for small businesses. The system is complex and difficult to understand and businesses pay rates before making a penny of profit. The valuation process is long and technical, and the rates don't always correlate with a business's ability to pay, an issue which affects particular sectors disproportionately due to how the system values the businesses.

The Welsh Government do of course have the ability to reform the system, and until they do, reliefs are an important lever to alleviate the impacts of an imperfect system. Moreover, it is a lever that the Welsh Government holds to alleviate some of the impacts of the NICs rises at a UK level and one they should use.

We would also note in response to the Cabinet Secretary for Finance and Welsh Language's point that of the businesses who do not pay NDR, that these businesses will be more likely to have employment numbers around the 4 employees or below, and so be more likely to be protected from NICs increases by the Employment Allowance. As such, where additional relief is made available, it would likely target those who will be most impacted by the UK Autumn Statement announcement on employer NICs increases. **Retaining or extending the relief would therefore be a useful policy measure in terms of targeting relief, mitigating the impact on those firms of this particular policy of raising employers NICs.**

- **The committee may want to ask Welsh Government for any data and assessments they have made around impact on Welsh businesses in this policy area and what understanding they have of the mitigatory effects of rates relief on businesses impacts by NICs rises.**
- **Welsh Government should commit to at least retaining the 40% rates relief for Retail, Leisure and Hospitality, and consider reinstating the 75% relief.**

2) Business rates for longer term

⁴ <https://record.senedd.wales/Plenary/14180#A91905>

The above looks at immediate measures to support struggling businesses through the journey to UK Government's future growth plans.

However, as the Cabinet Secretary has noted the system remains imperfect. It is also important to signal practical steps to look at how we can better shape the NDR system to support entrepreneurship, and toward growing businesses for the longer-term. Whether the system is fundamentally reformed or not, a strategic view of how NDR can help support growth and employment in the longer term will mean the system is at least used with a wider economic strategy in mind.

Measures geared toward the longer-term, looking at how the system can support SMEs toward growth and economic development are as follows:

Freezing the Multiplier

- Freezing the multiplier used to calculate rates would provide immediate support and help businesses position themselves to grow their business in the future.
- This is a temporary measure until the Welsh Government can use the powers which will be granted via the Local Government Finance (Wales) Act 2024 to use a variable SME multiplier to support small businesses, as is the case in England and Scotland.

Retail, Leisure and Hospitality – a permanent answer to raising revenue fairly

- We would welcome Welsh Government Cabinet Secretaries agreeing with the UK Chancellor in noting that business rates system does not work in understanding the value of these businesses. UK Chancellor has acknowledged need to address the system for these businesses by promising to permanently lower business rates multipliers for retail, hospitality and leisure (RHL) properties with a rateable value of under £500,000 from April 2026-27.
- **Welsh Government should explore how it can similarly best support small businesses operating in these sectors on a permanent and more stable basis. This may be to ensure the new powers from the Local Government Finance Act follow the Chancellor's policy for England in Wales for 2026-27, or proposals looking at providing a tax NDR policy that understands the value of RHL businesses properly and puts them on a firmer and stable long-term basis.**

Upgrading the Small Business Rate Relief Threshold

- Update the 100% relief SBRR threshold from £6,000 to £12,000, with further tapered reliefs between £12,000 and £15,000.

- Increasing the 100% relief to £12,000 could lift up to 26,750 Welsh businesses properties out of paying businesses rates, which only accounts for 9.1% of Wales's total rateable value.⁵
- Further tapered reliefs up to £15,00 could help up to 5,830 Welsh businesses properties, accounting for 3.2% of Wales's total rateable value.
- Increasing the threshold aligns the tax system with a forward-looking mission to drive economic growth in Wales whilst addressing the competitive disadvantage Welsh businesses face compared to their English counterparts.
- This would support and stimulate sustained growth across the SME economy by encouraging investment and increasing employment capacity.
- Using the SBRR threshold is also a way to begin addressing the question of how the burden of business rates is distributed – for example rates paid by an independent gift shop on a town's high street vs an out-of-town warehouse owned by a multinational company.

Unlocking the Planning System

The First Minister has emphasised the importance of the planning system as a key growth lever available to the Welsh Government and we welcome the commitment to unlocking the planning system and the recently launched consultation on how the Welsh Government can bring capacity into a speedier planning system.

Too often, FSB members complain of a system which is limited in capacity and expertise and where decision making is slow. These challenges impact all development from the largest infrastructure project to the smallest commercial premises extension. The breadth of opportunities to exploit new green economic opportunities including on and offshore wind, wave and tidal flow technologies as well as microgeneration will depend on planning reform at UK and Welsh levels and a system with the capacity to respond.

- FSB Wales welcome the Welsh Government's signalling their intent to unlock the planning system by a speedier pace for nationally significant project.
- FSB would like to see **additional funding allocated to local government specifically to create capacity and expertise within planning authorities.**

⁵ [NDR Revaluation 2023 Compiled List Tables.xlsx \(live.com\)](#)

- This could provide capacity to ensure that local projects have a single point of contact who links across the planning process, and in doing so makes it easier for developers to navigate what can be a complex system.
- In the longer term, the Welsh Government should **review the 2015 Planning Act** to ensure it is fit-for-purpose and responsive to the economic priorities of Welsh Government and the mission to grow our economy, and looks at unlocking projects for growth throughout the whole planning processes from local to nationally significant.

Apprenticeship Funding in Wales

In its Draft Budget for 2023/24, Welsh Government outlined significantly unexpected cuts of around 24% in apprenticeship funding in Wales. FSB joined a number of other organisations to outline our serious concern about the impact of these cuts. While the subsequent restoration by Welsh Government of £5.25million funding was welcome, the remaining funding shortfall has had significant consequence in the past year.

This impact is outlined in research undertaken by CEBR for NTfW and Colegau Cymru which points to 6000 fewer apprenticeship starts in the past year and a £50.3million 'short run' impact on the Welsh economy.

The challenges of skills gaps and a lack of technically qualified individuals in key areas of our economy are already well articulated by several partners and these were highlighted for SMEs in our report 'A Skills-Led Economy for Wales'⁶

However, such shortages and their corresponding impact on the economy must be addressed, not only if we are to grow the Welsh economy more broadly, but if we are to realise the huge opportunities of projects such as Floating Offshore Wind (FLOW). A lack of appropriate skillsets at volume represents a significant threat to capturing the best of this opportunity and others like it and the development of resilient SME-focussed supply chains.

Welsh Government should therefore use this Draft Budget to restore funding for apprenticeships in Wales to the levels afforded prior to the withdrawal of European funding and ensure SME access to such funding is a priority.

Further Use of Barnett Consequential Funding

⁶ <https://www.fsb.org.uk/resource-report/a-skills-led-economy-for-wales.html#:~:text=Focusing%20on%20growing%20the%20SME,to%20have%20new%20skills%20opportunities%2C>

The Autumn Statement has led to £1.7bn in additional funding through the Barnett formula for Wales. This is welcome news, and it is important that the funding is used to best impact on prosperity in Wales.

We would also note that the post budget announcement of funding support for public sector employer NICs contributions should also lead to significant further consequential funding.

From asking UK Treasury officials their understanding is that this £1.7bn is for a single budget year, but Welsh Government Cabinet Secretaries have intimated this is over 2 years.

- **The Committee should seek clarification on whether the £1.7bn consequential funding is over 1 or 2 years.**

Understandably, there will be focus on public services that need financial support given fiscal pressures and ongoing impact after the pandemic. It is also understandable that statutory function in Local Authorities have felt the strain for years and will require support.

Nevertheless, it is also important now to use the headroom from this additional funding to look to the future, to support businesses in the immediate future (as noted in the policy recommendations above), but also in looking to longer term economic growth. This means looking beyond statutory and emergency need, and there needs to be a balance that provides room for future economic development.

In this regard it is important now that the economy be given its proper weighting in supporting prosperity within the Future Generations Act, and that drive for SME-led growth be acknowledged as a key cornerstone for future wealth, health and opportunity for future generations. In this way, we need to look at this over the long-term of the next decade.

So, as well as immediate policy proposals following the Autumn Statement, it is important to emphasise the importance that Welsh Government place on aligning and proactively shaping the UK's economic mission and industrial strategy as it pertains to Wales. The UK government's whole economic model and drive for growth depends on the success of its entrepreneurial state-led mission approach, and so in Wales all levels of Government need to work together in a structured and strategic way to ensure that this drive brings the prosperity that will make some of the sacrifices asked of many businesses in this year worthwhile. In many ways, whether they are successful in this regard – movement in shaping the UK fiscal firepower to relevant priorities in Wales – will be the test for Welsh Government in the Senedd 2026 election from a business and economy perspective.

Alongside this, there are clear commitments in the UK Autumn Statement for England that need to be replicated by Welsh Government, shaped to Welsh needs.

A Lost Pothole Dividend?

Members of the Senedd will already be well aware of the controversy around the classification of HS2 as an 'England and Wales' project despite Wales not benefitting from any physical rail infrastructure of the project being laid in Wales. Like many others in Wales, FSB Wales think that Wales is locked out from funding that could be harnessed for growth-oriented infrastructure projects that would benefit businesses across Wales. Time-after-time in our research, transport infrastructure in Wales – both public and private, freight and haulage, and for access to skills and employees being able to come to work - is raised as a key priority issue that undermines their growth.

HS2 decisions remain an issue that directly impacts opportunities for Wales to develop its infrastructure. Whether reclassified as 'England-only' or not, it is important that UK Government recognise the shortfall and a duty to provide for infrastructure support in Wales to remedy this shortfall. It is important too that this administrative classification does not become the norm.

In this latter context, a worrying aspect in the budget is the way in which Wales is funded on transport department funding, directly because of HS2 funding.

With England providing a £500million 'potholes fund' we would expect Wales to gain directly from this spend.

However, as the funding is designated through the UK Department for Transport, the devolved funding depends on the 'comparability factor' of the department – that is how much money for transport in England is linked across to the devolved nations, and therefore how much money is passed on to the devolved government as a result.

For transport, the 'comparability factor' in Scotland and Northern Ireland is 95.6%, which means they get close to a full share of the consequential funding. In Wales this is 33.5% - which means Wales loses out on this funding pot compared to other devolved nations. This difference in 'comparability factor' is almost certainly due to the HS2 funding, which means that Wales does not only lose out through this decision on HS2 funding, but this has a knock-on effect on further funding decisions on transport now and in future – in other words, it is becoming a norm.

- **UK Government needs to take steps to address this shortfall in infrastructure funding that Wales particularly needs to develop, and it is vital that Welsh Government speak up for Wales – and its own aims for infrastructure and transport on this issue.**

Wales will still gain consequential funding from the potholes fund, and we would expect this money to also be ringfenced and earmarked for roads maintenance. This is vital as in the last financial term, councils in England and Wales are faced with the daunting task of repairing two million potholes - a 43% increase from the previous year and the highest figure since the 2015-16 period, and this at a time of severe contraction in the Local Authorities ability to fund this work.

As our 2022 report 'Different Routes, Same Destination'⁷ noted, in our surveys, local roads have consistently been viewed as a key infrastructure need for SMEs, with maintenance of local roads often seen as more important than larger projects. SME contributors in our recent reports on tourism, skills, manufacturing, creative industries have all overwhelmingly highlighted how public transport gaps are a huge barrier to their development, access to skills, and connectivity. Significantly, in the research work this was often unprompted, with transport arising as an issue where we were not necessarily expecting it. This illustrates how prevalent an issue it is for members, and across many sectors.

As such it is important that this money be clearly ringfenced for this use as a maintenance or 'Welsh pothole fund' for local authorities to access, and to ensure that it is not merely passed onto local funding pots where it may be used to other ends as decision makers will look to immediate problems while storing up other issues for the future.

- **FSB Recommends a ringfenced 2025-26 'pothole fund' for Wales**
- **Welsh Government should discuss with UK Treasury the ongoing impact of HS2 in comparability factors of transport to ensure any shortfall of funding for Wales is not a permanent fixture in transport funding.**

Supporting Business Support

As seen in our 2022 report on business support in Wales 'Building Business'⁸ Business Wales, Development Bank for Wales and the business support ecosystem are a competitive advantage for Wales and should be retained and developed for the future. While not perfect, they have been a force for good for SMEs and to support and develop the entrepreneurial ecosystem in Wales.

With the UK Government's economic growth mission and mission-led approach to economic development coming into focus over the next year, such publicly funded and controlled steering agencies for economic growth and support for

⁷ <https://www.fsb.org.uk/resource-report/different-routes-same-destination.html>

⁸ <https://www.fsb.org.uk/resource-report/building-business.html>

SME growth will become yet more important under this economic model of the 'entrepreneurial state.

As such, it is vital that these institutions are fully resourced and capable to work toward those missions for growth and economic development. This is particularly so, as the UK Government has put its prospects for growth on developing its economic mission and infrastructure spending.

These institutions will be needed to gain full value for SMEs from such opportunities and will need the skills and staff to leverage those opportunities accordingly and support businesses through the supply chain opportunities. Welsh Government will need to push to ensure their economic mission aligns, and that they ensure UK Government works hard to ensure such opportunities are brought to Wales.

- **In this environment it is vital that business support institutions such as Business Wales at least retain the funding they currently have and are strengthened for future growth.**

The future of SPF

Intrinsically linked to the support for business support is the future of SPF, or any replacement funding. As an indicator of how the economic mission will better serve intergovernmental working (and vice versa), how SPF is shaped for the future will be key and will be important to see developments on this between now and the UK and Welsh Spring Budgets.

Despite a substantive cut in funding, we welcome the extension of the SPF for another year to provide the headroom to approach future funds strategically, to learn the lessons, and to align the funding with wider growth strategy and mission.

In this time would expect further clarity on the quantum of future funding , and how decision making on future funds (such as SPF and Levelling Up or whatever their replacements may be) will be undertaken, as well as how they align with UK and Welsh economic mission(s) for Wales.

FSB's position has been that Welsh Government should have these powers returned on the basis that it better aligns with devolved competence on economic development, skills, high streets, and other areas of policy. However, this is not the only possible solution – the key is to ensure that there is coordination across the different government levels following the prudential approach for each governance level to 'do what you do well.'

Our analysis of problems around SPF has been of both a centralisation of decision making to the UK level and a highly localised fragmentation of delivery, and so missing a regional strategic economic development lens geared toward long term growth. There are different ways of working to address these issues, but it is important to see Welsh Government work together and provide the

intergovernmental structure to ensure successful alignment on economic funding in Wales.

Conclusion

UK Government have set out in its Autumn Budget its plan to address the fiscal position of the UK and to increase tax and spending. The UK Government are now looking to provide a positive economic vision and plan for growth and economic success and it is vital that this works for SMEs to ensure any short-term impact serves their needs in the long term.

The Welsh Government must therefore use all levers at its disposal, including the consequential funding they will receive from the UK Budget, to introduce measures that will support small businesses to weather these increases, and to grow in the future. Alongside this mitigation of impact, as UK Government develops its plan and missions for growth over the next few months, we expect Welsh Government to ensure it has maximum influence in shaping plans to Wales's SME needs. For any such growth plan to work, it is necessary that all levels of government work in tandem to address the needs of the Welsh economy. Progress on this will be a clear test as we go into the next Senedd elections.