

ACCA response to Senedd Finance Committee consultation – November 2021

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of 233,000 members and 536,000 future members based in 178 countries and regions, who work across a wide range of sectors and industries. In Wales, we have over 6,000 members and students working across a range of sectors including in practice, in the public sector, financial services, manufacturing and leisure and hospitality. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in [our purpose](#). We believe that accountancy is a cornerstone profession of society and is vital helping economies, organisations and individuals to grow and prosper. We do this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

Through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation. Find out more at

accaglobal.com

1. General Comments

During the pandemic, as well as the huge investments in supporting public health, the Welsh Government has supported businesses to survive and recover, including emergency business support and investing in skills. We would urge that support for small businesses to help drive the economy forward continues, including targeted support for sectors that have been most affected. Provide them with certainty with a stable fiscal regime through the remainder of the Senedd term. Provide businesses with the certainty and stability that will help them recover and to help create a fairer, greener and prosperous future for Wales.

We welcome the work modernising the role of businesses in society through the Economic Contract. Continued focus is needed on encouraging purpose-driven behaviours in business and helping businesses better understand the broader contribution they make to society, whilst balancing the on-going needs of their businesses.

Alongside support for SMEs, continued investment in public services is required to address waiting times and immediate post covid catch up issues but also to invest in longer term issues including innovation in service delivery, infrastructure and decarbonisation.

2. Areas for consideration within the Welsh Budget 2022-23

(i) Principles for tax policymaking

ACCA's 2020 report [Foundations for a Sound Tax System: Simplicity, Certainty, Stability](#) | [ACCA Global](#) identified three essential principles which a tax framework should strive to balance: simplicity, certainty and stability. These should also act as the benchmarks by which policymakers and public can measure the maintenance and improvement of a tax system.

For businesses and for the wider economy, the issue of stability is most urgent, particularly for businesses facing restricted cashflows in the aftermath of the pandemic. Businesses planning any kind of long-term investment will be less likely to commit to a particular course

of action if the financial outcome is uncertain. This particularly important in the current context where the Government is pursuing strategic objectives to deliver a sustainable and inclusive recovery that will require some level of business investment.

ACCA believes that a greater commitment to simplicity and genuine structural improvements to the tax system to improve taxpayer understanding of the tax framework, can in turn, produce greater transparency and accountability.

Given the current competitive lending landscape, there should be an appraisal of the use of the Government's capital borrowing within the current limits, to fund projects including housing, health, schools, transport, digital and public sector transformation, as well as exploring the possibility of increasing the existing borrowing limits.

(ii) Reform of Local Taxation

Following the report 'Reforming Local Government Finance in Wales: Summary of Findings', we await updates regarding future changes to local taxation in Wales – as noted above, the essential principles which a tax framework should strive to balance are simplicity, certainty and stability. Following the Chancellor's announcement of cuts in business rates for the retail, hospitality and leisure sectors in England, consideration should be given to whether additional support can be provided to these sectors in Wales in 22-23, given the on-going challenges they are facing, and whether other affected sectors could be supported.

We are keen to consider how the available fiscal levers in Wales can be used to embed a green recovery, at a time when many Welsh SMES are carrying a significant post-pandemic debt burden. While businesses may be encouraged to invest in climate positive property improvements, ACCA believes there is scope to better align policies to incentivise business investment in net-zero technology and energy efficient building upgrades through the rates framework. It is vital that investment in adaptations, such as energy efficient property fit-outs which could include solar panelling, smart meters, thermal insulation or replacement of

doors and windows does not materially alter the rateable value and result in a business rates uplift.

Engagement with the business community is essential regarding the impact of changes to taxation at a Welsh level, to ensure the most efficient use of Welsh taxes to support economic growth and social needs whilst not putting Welsh firms at a competitive disadvantage (e.g. changes to the multiplier).

(iii) Access to Finance & Embedding Green Recovery

Throughout the pandemic, we have surveyed our members regarding a range of issues, including business support. Our most recent surveys, which reported data from accountants representing nearly 7,000 SME clients in Wales, indicated that SMEs in Wales have generally had a strong return to trading with levels at or above expected levels (albeit with some decline in confidence in the most recent survey). However, areas of concern have included access to finance for small businesses and lack of action on net zero by SMEs.

Additional funding announced recently by the Welsh Government and also via the British Business Bank will help Welsh businesses to access additional funding, at a time when some SMEs are experiencing difficulties in accessing finance from traditional sources. Alongside this, the support for Business Wales and the Development Bank for Wales needs to be continued, whilst ensuring a clear and joined up approach to help businesses access sources of funding, and consideration given to specific funds to support firms to support net zero transition.

Small business owners in Wales said the number one issue holding businesses back from making their operations more sustainable is lack of time and the resources to implement environmental strategies. Professional advisers also highlighted that leadership often don't know where to start with sustainability plans, as well as the fact that the issue is not a current priority for the leaders of small enterprises in Wales, due to other immediate challenges.

Mirroring these barriers, accountants in Wales reported that just 1% of Welsh clients have requested support from them on sustainability issues.

An area to explore is the implications of net zero reporting in Wales for organisations of all sizes and in all sectors. As part of global climate plans we expect to see an expansion of monitoring and reporting on emissions in coming years, whether in the public, private or third sectors. Increasingly, this will be pushed down supply chains (whether public or private) to smaller businesses and organisations. In our [recent report](#), published jointly with the ICC and Sage, we highlighted the urgent need to begin to streamline, simplify and automate this process to avoid an unnecessary burden on small businesses. The report called on governments to 'think small first'. The report focuses on breaking down practical barriers for SMEs and challenges large businesses to simplify and standardise the emissions related data requests of small businesses, for policy makers to consider the burden of reporting requirements and to provide the right incentives for SMEs to invest in technology that can automate reporting.

(iv) Skills and Training

The Apprenticeship scheme in Wales has been a success but with no funding beyond the (limited at present) Degree Apprenticeship programme there is a danger that learners are unable to progress and meet their full potential and that businesses suffer in the longer term. Consideration should be given to funding Level 7 Apprenticeships to develop high level skills, support high value jobs and to support sustainable economic growth through improved productivity, innovation and entrepreneurship. Accountants and finance professionals have played an important role in supporting businesses during the covid-19 pandemic, and can play a key role in building a stronger, greener Welsh economy.

Finance teams can help their organisations and businesses, regardless of size or sector, to plan, measure and report on their efforts to reach net-zero. A recent ACCA report

[Professional accountants at the heart of sustainable organisations | ACCA Global](#)

highlighted accountants' role as trusted advisers, from raising awareness to supporting sustainable transformation of business models and reporting on non-financial information. Accountants should take the lead and assist in making real, effective change at the heart of businesses and organisations in all sectors. As highlighted above, at our core is our mission to ensure the accountancy profession is a force for public good. Key to this is our activity to support the next generation of finance professionals in Wales by ensuring accessible routes into the profession.

Investment to improve the signposting of training and funding opportunities at all levels is essential to ensure that businesses, and those looking to begin their careers, upskill or reskill can access opportunities and funding. The work of Careers Wales and Working Wales and of programmes such as ReAct and Personal Learning Accounts is vital in this area. The recent announcement of additional support for PLAs is welcome, but ensuring that the initiative is accessible, well-understood and meets all skills needs (and levels) is essential. A further development would be the funding of would be the value of accredited, bite-sized modular learning, particularly now that working practices have become more flexible and individuals are more comfortable with virtual learning and development. Offering a broader range of accessible training options beyond traditional approaches, such as apprenticeships or degrees, is going to be key to boosting the reskilling and upskilling we need to see across our current workforce.

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