

## **Scrutiny of the Welsh Government Draft Budget 2022-23: Written evidence from FSB Wales**

### **Business Rates – Retail, Leisure and Hospitality**

FSB Wales welcomes the £116m support for sectors most directly affected by the pandemic through a 2022-23 Retail Leisure and Hospitality Rates Relief (RLHRR) scheme where ratepayers in Wales will receive 50% non-domestic rates relief for the duration of 2022-23. We note that that it matches the equivalent scheme announced by the UK Government. The Welsh Government's RLHRR scheme will be capped at £110,000 per business across Wales.

However, we note that the package was drafted prior to the current Omicron crisis and before the severity of the significant additional challenges within these sectors were felt – challenges which may yet have a lasting impact on businesses. As a result of the significant impact on trade over the crucial Christmas and New Year period due, in part, to Omicron's influence on consumer behaviour – as well as the restrictions imposed on these businesses to help protect the capacity of the NHS – we would urge that the Welsh Government should retain the full 100% business rates relief holiday, which was in place in the 2021-22 budget period and which has been a welcome support to businesses at a difficult time. Furthermore, in April, Welsh businesses face the additional challenges of rises in National Insurance Contributions, repayment of Covid debt and a likely significant hike in energy prices providing for a 'perfect storm'. We are concerned about the cumulative impact of this for businesses which may only recently have come out of the Omicron wave. Retaining the 100% rates holiday would provide significant 'headroom' for businesses to regroup and recover, reinforce their survival as well as signal the importance of the sector to the Welsh economy

### **Business Rates – Other sectors**

We would urge flexibility to remain for business rates relief and support for other industries impacted in the upcoming pressures of Omicron, and call for an analysis of its economic impact – and any targeted measures following this wave – ahead of the final budget. The Omicron variant's impact on public services is well known, but its impact on wider supply chains, business productivity capacity, staff shortages remains to be seen but what is clear from our membership is that the impact goes far beyond the most directly-affected sectors. An economic impact assessment would allow monitoring of any sectoral impact and where any additional support measures should be in place.

## **Flexibility and contingency funding**

The impact of Omicron has again illustrated the importance of keeping contingency funding in place, in anticipation of other shocks. We note that the Welsh Government have been prudent in their use of support funds, allowing them to have funds held back for a crisis – an approach that was proven to be correct in light of Omicron. We would urge a similar approach for 2022-23, with clear benchmarks and timelines for when such funding can be released from 'crisis funding' to support the wider budget should circumstances allow.

While the advantages of more flexibility in year-on-year budgets have been illustrated during the pandemic, given the severity of the Omicron crisis on SMEs, we urge that the Welsh Government should ensure that any money available to respond to the crisis in 2021-22 be used ahead of the end of the budget year. Given the impact of the past year – where many may have anticipated more recovery – it is vital that SMEs affected are supported to ensure survival. Unused reserves would now be seen by small businesses – especially those that would have to close as a result – as support not provided when most needed.