



REVITALISING RETAIL

RETAIL INDUSTRY RECOMMENDATIONS
FOR THE 2020-21 WELSH BUDGET



A SNAPSHOT



11,755
SHOPS
IN WALES



130,000
RETAIL WORKERS
IN WALES



£7.6 M
FOR GOOD
CAUSES IN 2018



£5.2 BN
IN WELSH VAT
IN 2017-18



WELSH RETAIL
WAGES ROSE
4.2% FROM
2017 TO 2018



OVER **£6M**
CONTRIBUTED TO
THE APPRENTICESHIP
LEVY IN WALES



RETAIL LIABLE FOR
OVER **25%** OF
WELSH BUSINESS
RATES



BUSINESS
RATES AT A **20**
YEAR HIGH



HIGHEST GVA
GROWTH IN UK
21.6% INCREASE
SINCE 2007



HIGHEST NDR
MULTIPLIER
IN GB **0.526**

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FOREWORD

AUTUMN 2019



Dear Finance Minister,

There has rarely been a better time to be a consumer. However, these are unsettling times for many retailers due to a combination of profound structural, economic and regulatory changes muting growth in sales and halving profits. The only fixed point in a world of flux for retail seems to be rising costs.

That said, the industry is resilient and reinventing itself for the future. Improvements in the labour market and an expanding population signify the potential for growth in Welsh retail over the next decade. Indeed, the industry in Wales saw the highest GVA growth of all UK nations, a 21.6% increase over the last 20 years, and retail wages in Wales continue to rise at a faster rate than anywhere else in the UK.

To make the most of that potential and the industry's economic and social contribution, we remain keen to progress a retail enabling plan with you and your colleagues. Working to identify the challenges and rise to these with workable solutions should be something we both commit to – in the interests of consumers and the communities that rely on the retail industry.

If the UK exits the EU in a disorderly manner that may have consequences for many retailers and their supply chains. In that event we recommend you review all impending regulatory moves that add costs to consumers and firms, with a view to delaying implementation until the situation becomes clearer.

AMs will rightly and robustly scrutinise the tax and spending plans for the coming year. However, given the ongoing uncertainty at a UK level, we hope a collegiate approach amongst AMs will ensure that a Budget can be passed quickly.

The OBR's anaemic outlook for economic growth and household earnings are sobering - presenting a challenge for retailers let alone government revenues. Whilst Wales is insulated somewhat by the fiscal framework there are likely to be implications from both Welsh and UK policy.

Your upcoming Budget therefore provides a great opportunity to bolster growth by supporting consumer confidence, helping retailers keep down the cost of living, and delivering greater fiscal certainty. I commend the following recommendations to you as you determine your tax and spending plans.

Your sincerely,

SARA JONES
Welsh Retail Consortium

OUR CHIEF RECOMMENDATIONS:



DELIVER ON THE PREVIOUS WELCOME COMMITMENT TO DEVELOP A RETAIL INDUSTRY ENABLING PLAN



PUBLISH A TIMETABLED PLAN TO SUBSTANTIALLY REDUCE THE HEADLINE BUSINESS RATE MULTIPLIER AND MOVE TO THREE-YEARLY REVALUATIONS



BOLSTER CONSUMER CONFIDENCE BY MAINTAINING COMMITMENT TO RULE OUT INCREASES IN WELSH RATE OF INCOME TAX



IN LIGHT OF THE REPATRIATION OF POWERS TO THE ASSEMBLY FOLLOWING BREXIT, INTRODUCE A REGULATORY REVIEW GROUP

CUT THE COST OF DOING BUSINESS

We are looking for tangible headway to be made on recasting the rates system for the future, to ensure that Wales does not get left behind as developments take pace in the other UK nations. Indeed, Wales could be the lead on significant business rate reform – and all of the benefits that a modernised system would bring.

Retail accounts for over 25% of the business rates take in Wales, and the overall burden remains onerous with the multiplier rate now at a 20-year high. Retailers faced a further £8million uplift in their rates bills in April 2019. The multiplier rate has leapt from 0.409 to 0.526 since the start of this decade, with Wales having the highest NDR multiplier in Britain.

The previous budget announcement of a CPI-linked uplift has provided predictability for budgeting purposes, and we ask that this is maintained and made permanent. That said, our strong preference is for a freeze in the multiplier rate for the coming year, as a first step towards reducing the rates burden.

Returning to a substantially lower multiplier rate is unlikely to happen overnight. This is why we seek a timetabled plan to lower the rates burden, coupled with restoration of parity and the level playing field with England and Scotland on bringing rates revaluations forward to every three rather than five years. This would increase retailers' confidence about investing in refurbished and new shop premises.

Small Business Rates Relief and Transitional Rate Relief are welcome recognition of the need to keep down costs for firms, however three quarters of retail employment is with firms who do not qualify. Whilst we support such schemes, their very existence demonstrates that the current system is broken, complex and in desperate need of fundamental reform.

Greater effort should be made to encourage councils to use their powers to reduce business rates through schemes such as the discretionary rates relief and hardship relief. The WRC has supported local flexibilities such as the High Street and Retail Rates Relief scheme and Business Improvement Districts; however, we are firmly opposed to repatriating control over the multiplier rate to local authorities.

In addition to the burden felt by the business rates pressure our members have also highlighted concern over Land Transaction Tax, given that this is higher in Wales than over the border at 6% for commercial properties over £1million as opposed to 5% in England. This again impacts on investment decisions for our members and should be considered carefully as part of a future tax roadmap. We ask that such a roadmap be included in the enabling plan that has been committed for the industry.

NEW LEVIES AND REGULATORY COSTS

Retailers have strong environmental credentials and have taken a lead in reducing their carbon footprint. The industry is working constructively with the Welsh and UK governments following the recent consultation into Extended Producer Responsibility, which included the potential for a nation-wide deposit return scheme (DRS) for drinks containers. Such a scheme could require retailers and others to take back and store containers, in many instances this may involve store refits and the purchase of reverse vending machines, with a potential upfront cost of £1billion across the UK plus ongoing costs. If these mandated changes are classed as improvements they could affect the rateable value of the premises which host them, increasing rates bills and perhaps affecting the property's entitlement for reliefs.

Early clarity on this is required, as is whether the deposit will be liable for VAT on top. Welsh Ministers should recognise that any such proposal would be asking retailers to take on very significant capital expenditure and investment in order to deliver this scheme. Ministers should therefore work with the industry to provide the time necessary for the scheme to be properly established and consider what fiscal measures could be used to support retailers delivering the infrastructure necessary to make this scheme a success. It is essential that any DRS complements existing collections and recycling infrastructure given Wales is already a world leader when it comes to household recycling.

The industry has worked positively to introduce the carrier bag levy, and several of our members now either don't sell 5p bags or already charge 10p. We ask that any proposals to amend the levy as it stands are given careful consideration when the current review data is published later this autumn and includes ongoing and strenuous engagement with industry.

We are aware that the Welsh Government is considering the possibility of a 25p disposable drinks cup levy. Retailers are making great progress on increasing recycling and encouraging re-use of disposable drinks cups and we ask that any tax measures are carefully considered in consultation with the retail industry. Clarity is required in early course over how such a charge could be levied, how the charge will be applied equally to all businesses, and the timeline for implementation if the proposal develops further.

SUPPORTING CONSUMERS

Household finances continue to be under strain, with rises over recent months in council tax and a 2% uplift in the statutory minimum that employees must contribute to their pensions. Other rises to the cost of living are in the public policy pipeline, including new charges on drinks bottles and disposable drinks cups, and minimum unit pricing on alcohol. Policymakers should be wary about heaping further pressure onto family finances over and above those already planned.

The approach taken thus far on income tax – namely to maintain the current Welsh rates of income tax without any rise – is the right one. The emphasis now should be on bolstering household disposable incomes and consumer confidence, maintaining the commitment to not increase the Welsh rate of income tax rate.

We welcome the current research being undertaken into local taxation, including council tax. However, any recommendation should take into account the impact on consumer spending, any administrative implications for employers, and any implications for business rates.



SKILLS AND THE APPRENTICESHIP LEVY

of apprenticeships in areas such as logistics, warehousing and food preparation alongside other accredited or job-related qualifications. Through Rethink Retail we are positioning the industry as a career of choice, improving the retail specific leadership, management and apprenticeship training on offer. Retail is an industry of opportunity, with many careers which start in the stockroom ending up in the boardroom.

Retailers in Wales are estimated to contribute over £6million a year towards the Apprenticeship Levy, for which it remains somewhat unclear what they get in return, with many viewing it as simply another cumulative cost burden. We maintain that a clearly ringfenced fund for levy payers is made available to enable them to spend the funding on their areas of skills priority.

We ask that the Welsh Government look again at the number of all age level 2 apprenticeships for the retail industry to ensure that these are not capped or reduced. These apprenticeships are vital gateway opportunities into a career which offers real prospect for progression, with strong reward.

We look to the the Welsh Government to engage more closely with the industry on the Flexible Skills Programme, encouraging take up by the industry. We also ask that the level of the funding available under this programme is publicly outlined and would welcome greater certainty on in its longer-term availability.

This is increasingly acute at a time when retailers are devoting more of their budgets towards training staff to implement public policy, e.g. minimum unit pricing of alcohol. Ministers should publish transparent data which show how the Welsh revenues from the Apprenticeship Levy have been spent.

In terms of the apprenticeships on offer we would ask for greater flexibility; both in terms of the time taken for 'off the job training', which substantially increases costs due to the need to backfill roles, and in terms of preparing colleagues for future jobs, providing an opportunity to move to a position of helping colleagues onto their next role or a role that might exist in a few years.

TOWN CENTRES FUND

Our town centres have a great deal to offer but many need a more compelling reason for people to visit, spend time and money. We welcome the money being made available by the Welsh Government through schemes such as the Targeted Regeneration Investment programme and the Town Centre Loans fund.

In August the UK Government announced that the Future High Streets Fund would be increased to £1billion. We believe the consequential of this fund should be utilised in a similar manner in Wales, enabling town centres to draw down funding to improve their offer and to better understand and deliver on future demands and trends. Where BIDs or others have good ideas, they should be eligible to access the cash, and councils should be allowed to use this fund to cut business rates.

A FIT FOR PURPOSE REGULATORY FRAMEWORK

Regulation is important to protect consumers, the environment and businesses. The WRC will continue to work closely with Government to deliver a regulatory environment which is effective, and which supports investment and innovation. With further devolution on the cards, given the repatriation of powers to the Assembly following Brexit, we seek the introduction of a Regulatory Review Group which could be tasked with ensuring all processes are fit for purpose; such a group should be a joint government/industry body. This would need to be supported by a statement of intent by the Welsh Government in relation to its ambition for better regulation which should include an estimate of the cost of regulation in Wales to Welsh businesses.

INFRASTRUCTURE FOR GROWTH

Transport is vital to the success of the retail industry. With outlets located in most cities and towns, retailers rely on access to good quality and reliable transport for the daily operation of their businesses – for ease of access for customers, to deliver goods, and to enable employees to reach the workplace. With the recent decision not to progress the proposed M4 black route we call on the new commission to provide recommendations around the alternative solutions to the problems faced at the M4 corridor around Newport at the earliest opportunity.

Given that consumers continue to benefit from omni-channel retailing and internet shopping continues to rise, with 7.6 percent of purchases of food and 27.1 percent of non food purchases made online, we call for continued investment in digital infrastructure to enable both the consumer and retailer to meet demand.

WINDFALL CONSEQUENTIALS

Any windfall ‘consequential’ which emerge from UK Budgets ought to be used to keep down business taxes and for town centre regeneration and GDP-enhancing infrastructure, which benefit the business environment.



ABOUT THE WRC

The WRC's purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future.

Retail is an exciting, dynamic and diverse industry which is going through a period of profound change. Technology is transforming how people shop; costs are increasing; and growth in consumer spending is slow.

The WRC is committed to ensuring the industry thrives through this period of transformation. We tell the story of retail, work with our members to drive positive change and use our expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit. Our membership here in Wales and across the UK comprises businesses delivering £180bn of retail sales and employing over one and half million employees.

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