

REINVENTING RETAIL

RETAIL INDUSTRY RECOMMENDATIONS
FOR THE WELSH GOVERNMENT'S 2019-20
BUDGET





11,865
Welsh Shops



131,500
Welsh
Retail Workers



Grocery Retailers
buy around
£2 BILLION
PER YEAR
from Welsh Suppliers



£365 BILLION
in UK Retail Sales



Last year retailers
raised
£6 MILLION for
Welsh Good Causes



18 PER CENT
of new Welsh
Businesses are
Retailers



Welsh Retail
wages rose by
7 PER CENT
last year



Retail invests
£1,100 in training
each employee
every year

CONTENTS

FOREWORD	4
RECOMMENDATIONS AT A GLANCE	5
Keeping down business taxation	5
Enabling the Industry	5
Supporting consumers	6
Enhancing skills	6
Considering new tax powers	7
Involving business post-Brexit	7



FOREWORD

AUTUMN 2018

Dear Finance Secretary,

The WRC welcomes the opportunity to engage in discussion on the forthcoming Welsh budget given the privileged position that retail occupies at the heart of our local communities. As the nation's largest private sector employer and a driving force in the Welsh economy we understand how budgetary decisions can have wide ranging implications on both retailers and our consumers.

Wales's retail industry is dynamic and innovative. That stands the industry in good stead as it continues to encounter a period of profound transformation driven by changes in shopping habits, squeezed family finances, fierce competition, and rising costs. The rapid pace of this change is upending many retail business models, has led to fewer shops and retail jobs, and can be painful for the firms and staff involved.

However, we are all aware that the industry is in the midst of a hugely challenging period and retailers are trying to adapt and reinvent themselves for the future. What is clear is that the retail industry will look very different in the future. That transition can be helped by public policy. A number of positive moves are already on the cards, particularly given the status afforded to the industry as part of your Government's Economic Action Plan.

That is why we look towards your forthcoming Budget to reduce the cost of doing business, incentivise innovation and support the industry in creating quality jobs, providing quality products at competitive prices, and future-proofing retail to ensure the best is made of the opportunities and challenges thrown up by transformation.

For retailers the budget provides a great opportunity to assist the industry to be more productive, stimulate investment and bolster consumer sentiment. We welcome the opportunity to maintain engagement across all Government departments to ensure we take a partnership approach to building a sustainable industry which continues to support communities across Wales.

Your sincerely,

SARA JONES

Head of Welsh Retail Consortium

RECOMMENDATIONS AT A GLANCE

Our chief recommendations:

- Bring forward an enabling plan for the retail industry which builds upon the commitment in the Economic Action Plan.
- Freeze the business rates multiplier for two years to the 2021 revaluation.
- Maintain the commitment to not increase the rate of income tax during the course of this assembly (post 2019).
- Review the implementation of the Apprenticeship Levy in Wales and consider taking forward a large employer guarantee scheme which encompasses a Flexible Skills Fund as has been introduced in Scotland.
- Engage business when examining the newly devolved post-Brexit powers, so that they are implemented or flexed in a sensible and cost-effective manner.

ENABLING THE INDUSTRY

Retail's inclusion in the Welsh Economic Action Plan, launched by the Economy Secretary in December 2017, demonstrated much needed recognition for an industry which has typically been overlooked in public policy right across the UK. The approach taken commits to the development of an enabling plan for the retail industry and we ask that this is taken forward to ensure that we can work collaboratively to address and build on the issues and opportunities currently facing the retail industry.

An enabling plan would address many of the recommendations made in this paper. It could identify ways in which the sector could support innovation, help build on skills gaps and strengthen the routes to management through better use of skills funding and address the barriers to future investment by the industry in locations right across the nation.

KEEPING DOWN BUSINESS TAXATION

Retailers can contribute more to our economy and society if business taxation is competitive and yet the burden of business rates remain onerous. Retail's share of overall rateable value in Wales has increased despite a smaller overall number of rateable properties.

Switching the indexation of rates from RPI to CPI, and the introduction of the Small Business Rate Relief scheme, has been a welcome acknowledgement that change is needed. We know that the business taxation system has not kept pace with the economy and is no longer fit for the 21st Century. With the multiplier currently above the 50% threshold, standing at 0.514, Wales has a higher rate than anywhere else in mainland UK. If the multiplier were to rise again in the 19/20 budget this would have a detrimental impact on communities and retailers' ability to respond to the rapid pace of transformation.

Whilst we would ultimately like to see a medium-term plan to substantially lower the rates burden, in the short term we look for concrete action to freeze the headline multiplier rate for two years. This would provide welcome relief for the industry at a time when it is under significant cost pressures and going through a period of profound transformation driven by changing shopping habits and technology.

We welcomed the news that the Welsh Government would be bringing the next rates revaluation forward by a year from 2022, this will mean the rateable values on which non-domestic rates bills are based will reflect up-to-date market conditions and enable ratepayers in Wales to plan ahead. This decision provides certainty for ratepayers and we ask that a commitment is made to adopting a three-yearly revaluation cycle after 2021 dependent on the outcome of a review into fundamental rate reform.

SUPPORTING CONSUMERS

This is an unsettling time for consumers. Household finances continue to be under strain and are set to be tested further in the months ahead with a further rise in statutory minimum employee pension contributions, and with other cost of living increases in the pipeline.

Over 130,000 people in Wales rely on retail for their employment and with retail sales less than stellar and consumer spending squeezed, policy makers ought to be wary about heaping further pressure onto family finances over and above those already planned.

With the Welsh Rate of Income Tax due to be set for the first time in the 18/19 budget we would urge the Welsh Government to maintain its previous pledge that it will not increase the rate of income tax during the course of this assembly. Any moves which would lead to those working in Wales having to pay higher taxes than elsewhere in the UK could affect the ability of retailers to retain or attract talent - either on a permanent or temporary basis - especially when compared to other parts of the UK.

The retail industry has a good story to tell in supporting its employees with wages growing faster than anywhere else in the UK last year, up 7%. Supporting workers on low and modest earnings must also be at the forefront of decision makers' minds when setting a budget which would impact on consumer confidence.

ENHANCING SKILLS

Retail is Wales' largest private sector employer and retailers have a good record on training and career progression. However the number of retail apprenticeships has been falling at the very same time as training budgets have been increasingly skewed towards implementing public policy, for example alcohol minimum unit pricing, and as firms have had to start paying the apprenticeship levy.

Our members in Wales are estimated to contribute circa £5million a year towards the Levy, for which it remains somewhat unclear what they get in return, with many viewing it as simply another cumulative cost burden.

The WRC welcomed the decision by the Welsh Government to increase its investment during the current financial year in Level 2 apprenticeships, following initial proposals to reduce the number of places available. We ask that this funding is maintained and that the Welsh Government reviews the potential for a large employer guarantee scheme which will provide a flexible fund to draw down the funding that levy payers contribute. We also request better engagement from the Regional Skills Partnerships, both in terms of supporting the direction of future policy decisions and also to support retailers to access the funds that are devolved back to Wales.

CONSIDERING NEW TAX POWERS

We understand that the Government of Wales Act 2014 provides Welsh decision makers with the opportunity to develop a more strategic, transparent and inclusive approach to tax policy, built on evidence and expertise, which supports Welsh Government objectives. It is welcome to see the way in which the engagement and consultation over this process is being undertaken and we ask that this engagement continues at an early stage in the development of new taxes.

Whilst we are supportive of examining how the new levers can be used to change behaviours and deliver improvements for our communities, we would urge caution in adding undue burden and financial penalty on a sector that is undergoing such transformational change and which is likely to see a contraction of jobs and shops within the industry over the forthcoming period. We would also suggest that, if the driving force is changing behaviour, how we can use existing tools rather than taxation as a means to change.

It is welcome to see the Welsh Government working with the UK Government on its call for evidence about single use plastics. Whilst remaining mindful of the need for policy making within a devolved context we feel a UK wide approach to the challenge of plastic waste would be have the most potential success.

Specifically on the proposal for a Latte levy, which could potentially see a minimum 25p levy on disposable cups to be paid by the consumer on top of the price of their coffee for example, we would suggest greater consideration needs to be given to PRN reform and improvements to on the go recycling infrastructure.

While a latte levy in itself may change producer and consumer behaviour, it will not help with recycling collections and infrastructure unless money raised is ringfenced for that purpose. Recycling collections and infrastructure are best funded through the existing PRN regime which is currently being reviewed.

Wales is one of the global leaders in recycling and any additional taxes or charges on retailers will need to take into account other potential costs and their impact, such as reforms to the PRN regime for packaging, a deposit return scheme for drinks containers and investment in product development if certain plastic products or polymers are banned. The outcomes of some of these policies may overlap with those of any charge or tax on single use plastics. The combination of all these policies will impact on retail margins and the costs of goods.

INVOLVING BUSINESS POST-BREXIT

We are keen to see the Brexit negotiations between the UK and the EU lead to a lasting tariff-free and friction-free trade deal, one which includes agri-food. That would help retailers keep down shop prices and ensure consumers continue to have the widest possible choice on shop shelves.

However, we recognise Brexit will mean change. For example, it is set to herald a fresh chapter of devolution in the UK, with substantial additional responsibilities for devolved administrations. This will lead to a more diverse and complex public policy environment for retailers to operate in. We are keen to engage positively so that those newly devolved powers which affect the industry are implemented and subsequently flexed in a sensible and cost effective manner. Our favoured outcome is one which minimises administrative complexity, compliance and cost and which maintains the widest possible choice on shop shelves for consumers. Timely and effective engagement with business will be key.

ABOUT THE WRC

Retail is an exciting, diverse and dynamic industry undergoing transformational change. The WRC is at the forefront – enhancing, assisting, informing and shaping. Our mission is to make a positive difference to the retail industry and to the customers it serves, today and in the future. Our broad range of stakeholders demonstrates how retailing touches almost every aspect of our culture. The WRC leads the industry and works with our members to shape debates and influence issues and opportunities that will help make that positive difference.

In addition to publishing leading indicators on footfall and shop vacancies in town centres, our policy positions are informed by our 200-strong membership and determined by the Welsh Retail Consortium Group.

CONTACT DETAILS

SARA JONES
Welsh Retail Consortium
Sara.Jones@brc.org.uk
07785 619333



WELSH RETAIL CONSORTIUM

Suite 103, 209 City Road, Cardiff, CF24 3JD
07785 619333 | info@brc.org.uk | brc.org.uk/wrc

Welsh Retail Consortium - a company limited by guarantee
Registered in England and Wales No. 405720