



# HOLYROOD 2021: RETAIL'S AGENDA FOR REFORM AND RECOVERY

THE SCOTTISH RETAIL CONSORTIUM

HOLYROOD MANIFESTO 2021



# SCOTLAND'S RETAIL INDUSTRY IS AT THE APEX OF RADICAL REVOLUTION



Scotland's retail industry is at the apex of a process of radical evolution. Over the last five years the forces pressing on the industry have created the conditions where transformation was inevitable. Covid-19 has accelerated that process in 2020, but the underlying conditions shaped that adaptation.

The cumulative impact of new and disruptive technology, the adaptation of digital channels by consumers and businesses, the increased costs associated with traditional retail, and a struggling economy have required retailers to adapt or go out of business. That is evidenced by the consistent fall in shop numbers, in retail employees, and indeed the numerous retailers large and small who no longer exist.

Retailers are innovating constantly – there is no constant and those businesses who are dynamic and adaptive will be most successful.

The one reality is there is no perpetuation of the status quo in retail. Covid-19 broke apart the last threads holding together the old model. The future industry will have fewer shops and fewer workers in shops. Yet there will be other jobs as digital retail continues to expand. In many cases the jobs lost from stores will be the least productive, being replaced with better, more engaging, and higher skilled and technological roles. Retail change is not necessarily negative if the right conditions are in place to support it.

The consequence is Scotland's retail industry is already very different from 2016. However, the process of retail change is not complete. Indeed, it is right now at the crucial moment of evolution. The decisions retailers are taking now are about the shape of their businesses - where and how to invest, what are the priorities, and the importance of town and city centres are live issues.

That sensitivity provides both an opportunity and a challenge to policymakers. To a greater degree than in recent memory politicians and stakeholders can significantly influence the industry's actions through the policy choices they make. That provides opportunities to protect jobs, to drive investment in productivity, but also risks where retailers choose to invest. The industry has the potential to drive economic growth across the whole of Scotland - but it will need the right political leadership to enable that. Doing so could be worth over £1.8 billion in growth to the Scottish Economy over the next decade. As Scotland's largest private sector employer, the benefits to workers across Scotland would also be significant.

This Manifesto is therefore a model of how to create the conditions to incentivize the decisions retailers will take. We believe there are immense opportunities to encourage a better more agile and productive industry which can help to lead Scotland's economy out of the difficulties of the last year and capitalise on the growth opportunities of the future. The Scottish Retail Consortium will continue to lead the debate on creating the conditions to help the Scottish retail industry deliver for its customers for the future.

**John Brodie MBE**

Chair, Scottish Retail Consortium

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# KEY RECOMMENDATIONS



## TOP RECOMMENDATIONS - THE NEXT SCOTTISH GOVERNMENT SHOULD:



Implement a Scottish Retail Strategy and fully engage government on consistent and clear policymaking based on evidence and proportionate to the desired outcomes.



Extend the policy moratorium for one year after the suppression of the Covid-19 virus and through the post-election Programme for Government to allow businesses to recover.



Aim for the most competitive business tax system in the UK, deliver a renewed push and firm timetable to substantially lower the headline business rates poundage and put it on a sustainable footing.



Ensure any changes to council tax do not increase the cost of living for ordinary consumers and keep down income tax for ordinary workers.



Make Retail Modern Apprenticeship Frameworks more flexible and reform the Flexible Workplace Development Fund



Ensure there is enough funding and support to ensure the Protection of Workers legislation can be effectively enforced



Work with the retail industry to build on its ground-breaking Climate Action Plan and ensure sustainability is built into government policy

# INTRODUCTION



THE SCOTTISH RETAIL INDUSTRY IS A VITAL COMPONENT OF THE SCOTTISH ECONOMY. IT IS THE FULCRUM WHERE PRODUCTS MEET CONSUMERS IN EVERY COMMUNITY ACROSS THE COUNTRY.

Pre-Covid there were 230,000 retail workers in Scotland, the largest private sector employer, working in 22,000 shops<sup>1</sup>. Scotland has many indigenous retailers of scale headquartered here, contributed nearly £60 million in charitable donations since 2016, pays 22 percent of Scottish business rates<sup>2</sup>, and contributed £23 billion a year in turnover to the economy<sup>3</sup>.

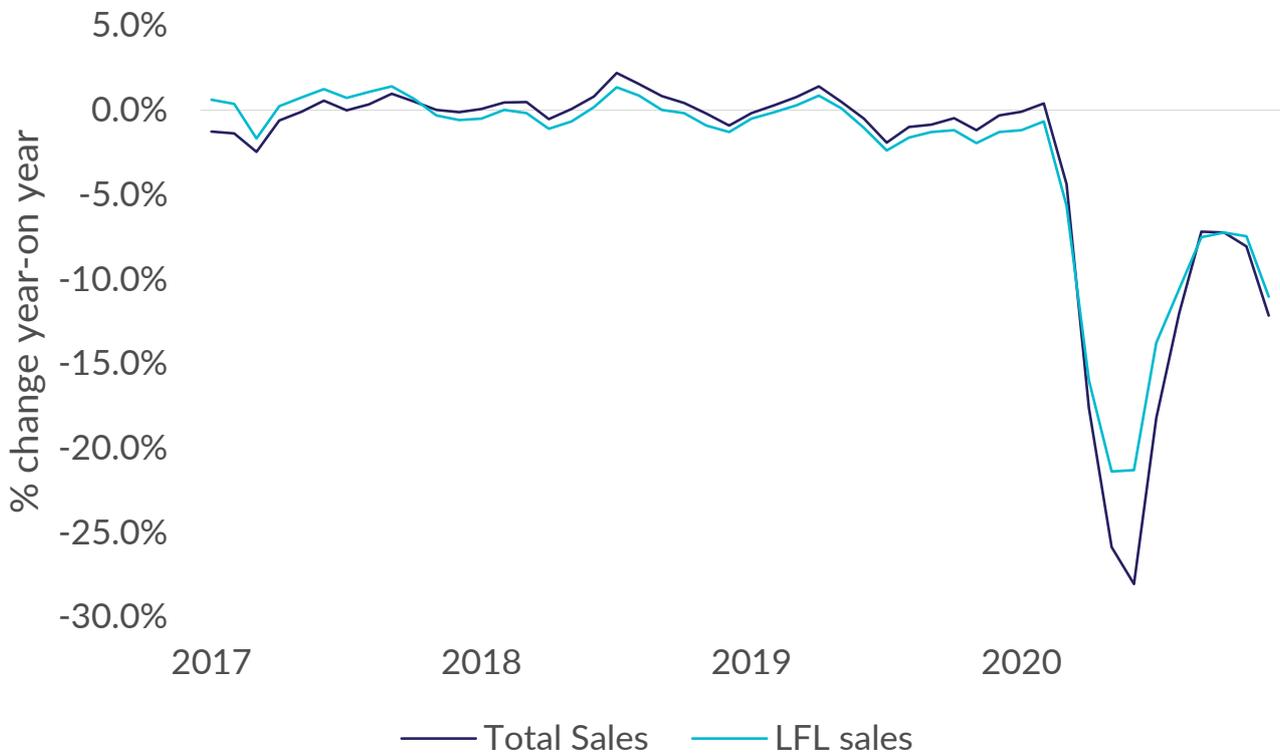
Those facts indicate why supporting the industry is vital for the whole of Scotland's economy. Retail uniquely operates in every community and provides an enormous range of economic opportunities. Retail jobs are amongst the most

meritocratic and encompass everything from shop floor roles to marketeers, IT developers, accountants, managers, and a gamut of others. As the industry changes those roles become ever more diverse, and generally more productive as tedious tasks are automated.

Despite this the last five years have been challenging for the industry. Retail sales growth have struggled to break into positive territory during the last parliament – reflecting the sluggish performance of the Scottish Economy a whole<sup>4</sup>.



SCOTLANDS 3M ROLLING AVERAGE  
GROWTH OVER FIVE YEARS

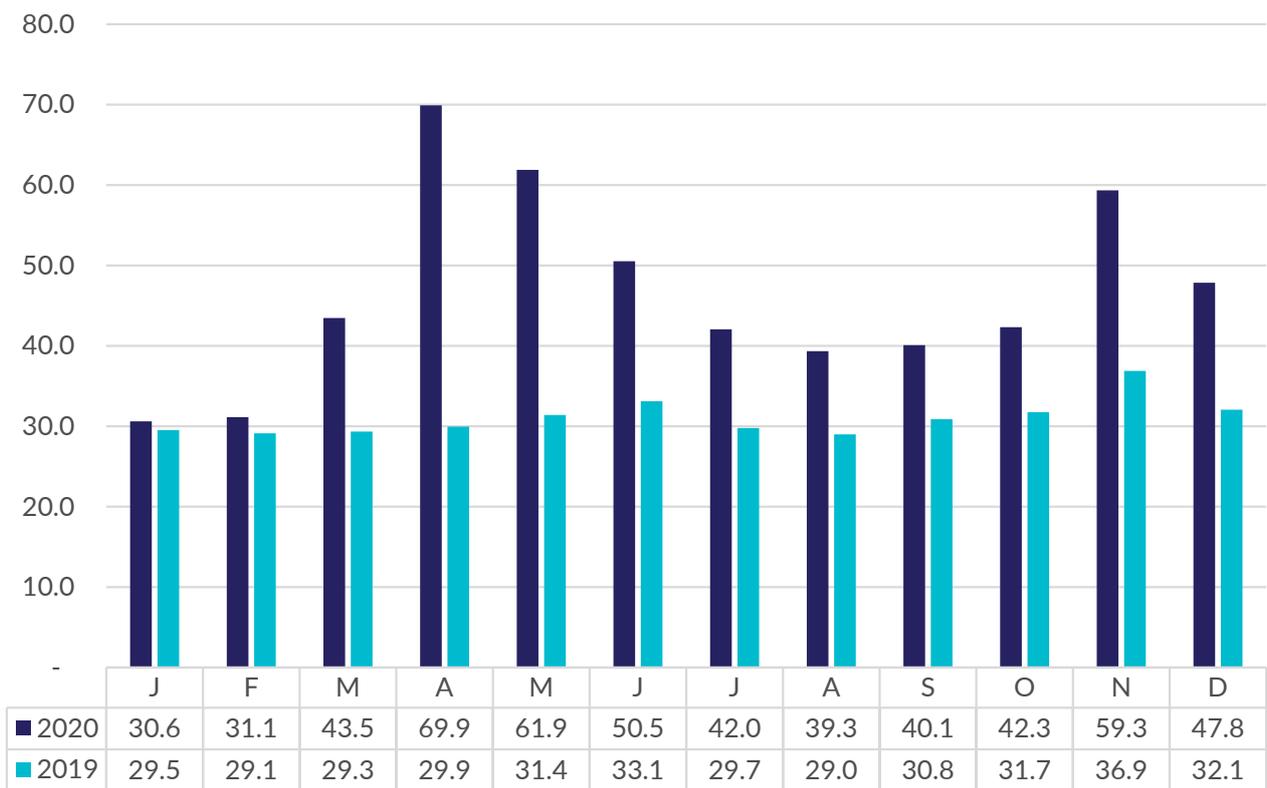


Across that time the costs for the industry have grown. Business rates have reached an all-time high in the poundage<sup>5</sup>, whilst retailers have had to deal with rising costs of employment through increases in the national living wage, employer pension contributions and the apprenticeship levy. For an industry which employs lots of workers from lots of places the costs have consistently risen.

At the same time, we have seen consumers shift their buying habits over the last few years. Online sales have grown year on year, with that process accelerated by the coronavirus lockdown.

Furthermore, retailers have been early adopters of the value of digital technology to improve operations. Using tablets for stock control or data analysis for staff allocation allows retailers to optimize their stores and logistics systems to improve productivity.

■ TOTAL NON-FOOD SALES  
■ WEIGHTED ONLINE PENETRATION



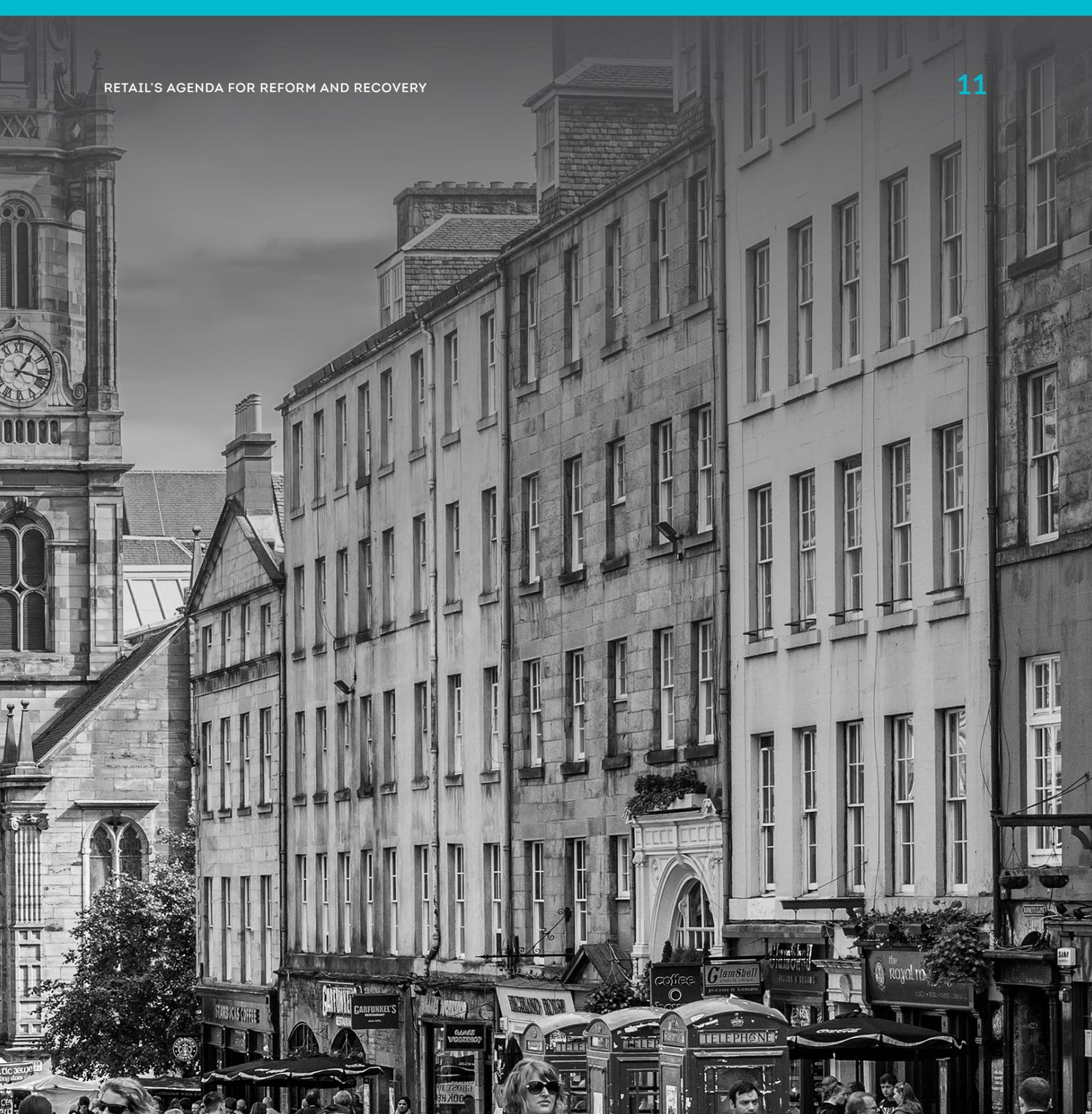
We have also seen the other impacts of the combination of policy, technology, and changing consumer approaches. According to Scottish Government figures, 320 shops closed between 2016-2019, and 13,000 jobs were lost. Retail Industry turnover fell by £3.48 billion between 2014-18 reflecting weak economic performance<sup>6</sup>. However, this also provides a tremendous opportunity. Even if it simply matched the performance of the past decade, the retail industry in Scotland could expand by £1.8 billion by 2030 – generating growth which would lead to more jobs and higher revenue for government.

RETAIL CHANGE  
2008-2018



# RECOMMENDATIONS FOR THE NEXT SCOTTISH GOVERNMENT





The retail industry has a crucial role to play in rebuilding Scotland's economy. Our Members are key economic agents in every community across Scotland. We would argue that measures which encourage consumer spending and support retail will consequently positively impact on the wider economy and indigenous suppliers – and of course a thriving economy will generate higher tax revenues for the government. Conversely, one that is struggling will lead to higher costs and lower revenue. Its axiomatic economic growth is desirable for businesses as well as government. We therefore propose measures which aim to increase Scotland's economic performance over the next Parliament.

## COVID POLICYMAKING

We would hope the Covid-19 pandemic would have been suppressed by the time a new Scottish Government is formed. Should that not be the case, we would hope to see the Scottish Government continue to support the retail industry through rates relief, incentives to encourage consumer spending, and a moratorium on fresh policy burdens on the industry. We would also hope retailers would be able to continue to trade if at all possible.



# STRATEGIC POLICYMAKING



THE DISTINCTION BETWEEN RETAIL AND MOST OTHER INDUSTRIES IS THE BREADTH OF TOUCH POINTS AND INVOLVEMENT ACROSS GOVERNMENT POLICY.

Almost all government departments have direct or indirect interaction with retailers – from economic development through safer communities to supporting public health. That is reflective of the industry's key role in Scottish society, but also leads to an immense challenge. The inevitable consequence of so many touchpoints with government is there is an immense cumulative burden on the industry.

Practically this means retailers face rising costs, constantly shifting priorities, and competing demands from government. When combined with the wider stresses on the industry this makes it very hard for retailers to focus on investing in making their businesses more productive and sustainable.

The Covid-19 crisis has stretched retailer's business models to breaking point. The Scottish Government has rightly had a moratorium on new policymaking burdens in 2020-2021. We would urge that approach should continue until a year after the virus has been eliminated to give the industry an opportunity to recover.

There is a clear requirement for good evidence in order to determine government policy. Economic metrics such as GDP should still be the appropriate measure of economic performance. We also recommend the Scottish Government should maintain its retail industry metrics and explore how to provide data on the industry which is more up to date than the current metrics and explore how to measure retail change at a more granular or local level.

## THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Implement a Scottish Retail Strategy and fully engage government on consistent and clear policymaking based on evidence and proportionate to the desired outcome.
- 2 Enhance and make permanent the business consultation frameworks used in the Covid-19 crisis to improve stakeholder engagement.
- 3 Extend the policy moratorium for one year after the suppression of the Covid-19 virus to allow businesses to recover.
- 4 Continue to use traditional economic metrics such as GDP rather than focusing on less tangible metrics such as wellbeing.
- 5 Provide more granular and local retail industry data to enhance policymaking.

# TAXATION



THE SCOTTISH RETAIL INDUSTRY PROVIDES VERY SIGNIFICANT TAXATION REVENUES TO THE SCOTTISH GOVERNMENT, DIRECTLY THROUGH BUSINESS RATES, INCOME TAX, AND EVENTUALLY THROUGH VAT ASSIGNMENT.

We also indirectly generate revenue through our supply chains and those other businesses who benefit from proximity to businesses. Measures which grow the industry tend to lead to higher revenues from the Government.

Over the last five years retail spending has been heavily constrained by weak economic performance. GDP growth has been anaemic, making the conditions for trading much more challenging. Consumer spending has been squeezed by inflation and rising public policy costs. All of this has been exacerbated by the extensive economic damage caused by Covid-19.

The next five years will be vital to rebuild the economy. The retail industry will have a crucial role to play in that, as the largest private sector employer in Scotland, a route to market, but also as a key economic actor, especially if a resumption in wage and population growth resumes

The reality is the combination of retail transformation and public policy mean there is little room for retailers to absorb further cost increases.

We would like to see the principles of good taxation adopted by the Scottish Government<sup>7</sup>. Taxation should be designed to work as part of a coherent wider system. Any changes to the tax system should be applicable as widely as possible; should aim to be efficient, and only targeted where there are specific justifiable reasons. Such an approach would encourage enterprise, provide a fair and level playing field, and deliver a progressive taxation system.

## BUSINESS TAXATION

In the current climate business taxation increases are likely to be passed onto consumers through higher prices or changes in availability or services. In the current economic crisis even maintaining current taxation levels is likely to incentivise retailers to assess their current operations and models.

The Scottish Government should reconsider its strategic approach to business taxation in the next Parliament. It should aim for simpler and lower taxes which aim to reduce rather than increase exemptions.

We would resist calls for further conditionality to be entered into the business taxation system. We do not believe adding criteria for, for example rates relief eligibility, is in the principles of efficient taxation. The extra complexity of making reliefs conditional is not in line with the original reasons for the relief itself. If the Government wishes to change the incentives governing businesses decisions it should do so in a transparent and specific manner.

## THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Deliver a renewed push and firm timetable to substantially lower the headline business rates poundage and make it more sustainable. The current commitment to remain below CPI is a good start, but rates are a key factor driving retailers out of physical premises – without changes ultimately government revenues will fall, and high streets will be left empty.
- 2 Deliver on the Barclay Review recommendations and end the rates differential between larger premises in Scotland and England; simplify the non-domestic rates system to remove any unnecessary and expensive reliefs and exemptions.
- 3 Commit to transparent analysis of any difference in tax levels for businesses between Scotland and the rest of the UK. By definition, retail operational models operate at scale – the Scottish Government should aim for the most competitive business tax environment in the UK to attract investment and protect jobs.

## LOCAL TAXATION

Retailers tend to operate from multiple sites as a good retail business is able to scale up by expanding to new locations, in doing so they create jobs in new areas and of course attract more customers. This has been enhanced as digital technology has opened up online markets.

This means the industry is more affected by measures which lead to different approaches across Scotland. Localism, and moves to empower local communities, can therefore be a challenge rather than an asset to the industry. This is not always true, business improvement districts work well for many retailers, but local approaches to taxation have tended to lead to higher business taxation.

When policy is set and managed differently across the country it risks significant disruption – hence our passionate defence of the Uniform Business Rate in 2020, as our concern is that devolving the rate would lead to different, and overall higher, business rate bills. Similarly, different enforcement approaches to regulation lead to operational disruption, higher costs, and lower productivity.

Nonetheless, the next few years are likely to see government finances stretched as the nation recovers from the impact of Covid-19, it is essential any reforms of local authorities engage with what is needed in modern Scotland, rather than being tied to the past. Indeed, the crisis provides an opportunity to re-appraise the best framework for local authorities.

## THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Review the current plethora of local authority and other local institutions (such as licensing boards) to determine if the current provision is still appropriate. The 2011 Independent Budget Review<sup>8</sup> provides a useful starting point for this work.
- 2 Ensure any replacement or changes to council tax consider the impact on consumer spending and do not increase the cost of living for ordinary consumers.
- 3 Oppose the further devolution of levies or other taxes to local authorities

## BUSINESS SUPPORT

We recognise the next Scottish Government will have little fiscal headroom; especially whilst the economy remains sluggish. In our view, the current system of business support is ripe for reform.

We believe there should be simplification of the business support structures, and an emphasis on creating the best trading conditions over providing direct fiscal support. Similarly, with the ongoing debate over local taxation to the fore we believe that any new funding or tax settlement needs to be accompanied by a review of local government to determine if the current provision best suits the needs of 21st century post-Covid Scottish Economy.

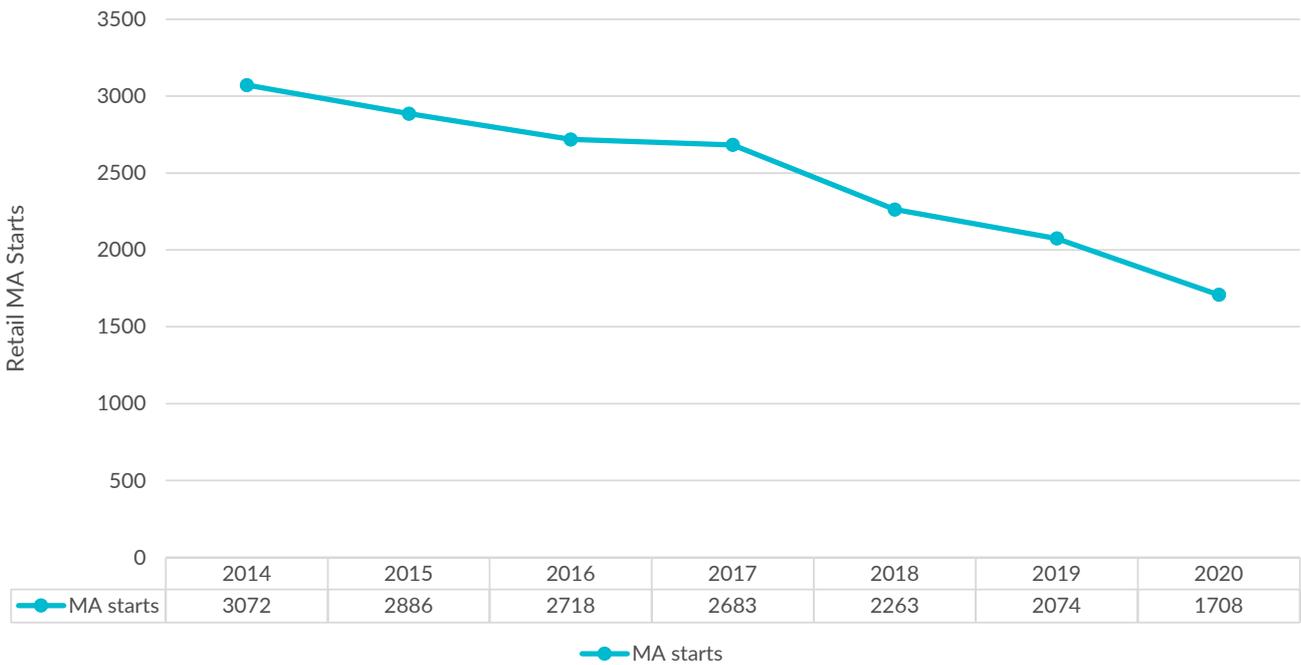
## THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Review the current business support system in full to determine how it can be simplified and reviewed to ensure it efficiently supports economic growth.

## SKILLS

Retail is Scotland's largest private sector employer, and the industry has a strong record on improving skills. Retail invests £1,100 in training each employee every year, and developing our workforce is a vital part of the industry's evolution. Current policy is hindering rather than facilitating that essential investment. Scottish retailers paid over £48 million into the UK Government's Apprenticeship Levy in the last Parliament but have received little tangible support in return.

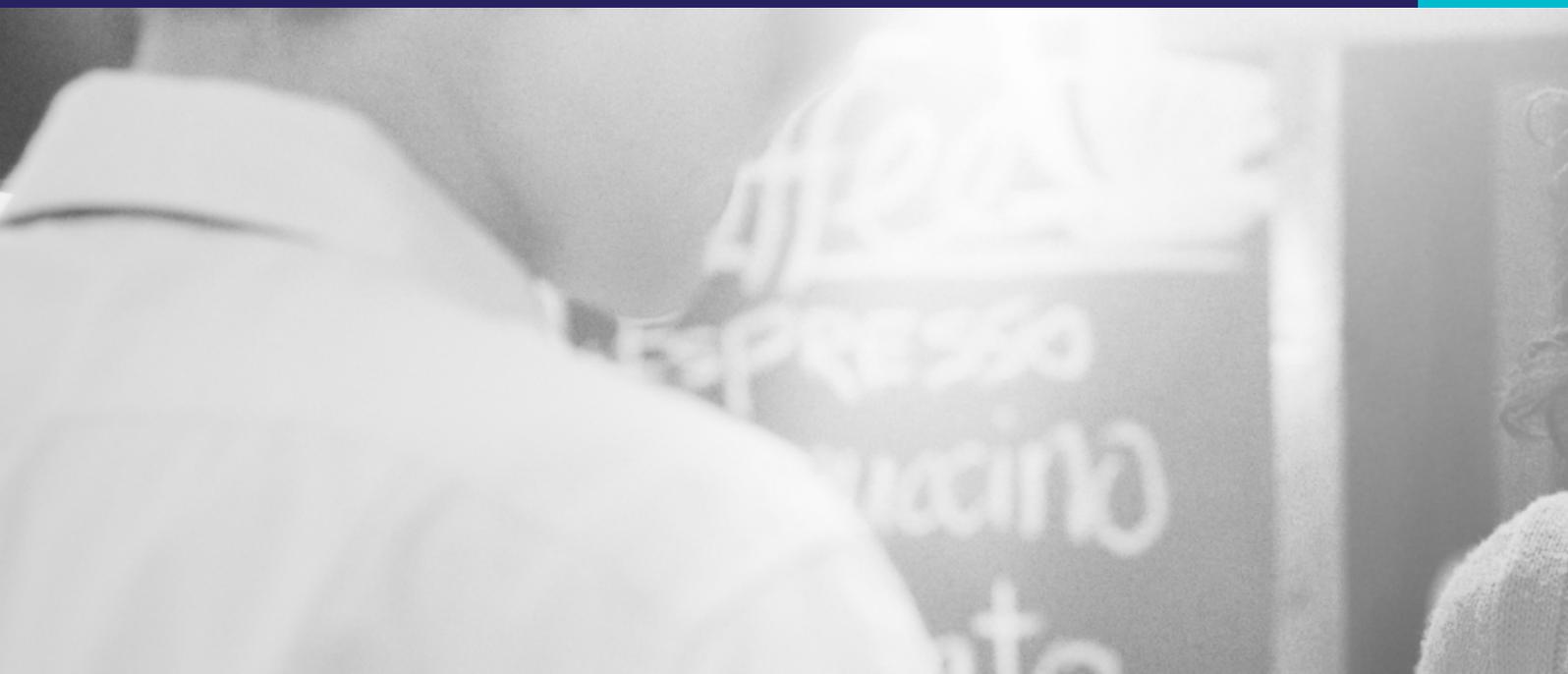
### RETAIL & CUSTOMER MODERN APPRENTICESHIP STARTS BY OCCUPATIONAL GROUPING AND YEAR



The last five years have seen a 44% fall in retail modern apprenticeships<sup>9</sup>. Few retailers have been able to access the Flexible Workforce Development Fund due to the restrictions put in place by the Scottish Government. Furthermore, retailers are required to devote more of their budgets towards training staff to implement public policy, most recently with the covid-19 regulations. Therefore, the next Scottish Government should:

## THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Publish transparent figures each year at the Budget which show how the Scottish revenues of the Apprenticeship Levy have been spent.
- 2 Make Retail Modern Apprenticeship Frameworks more flexible. Funding should be available for older workers who would benefit from Apprenticeship Training.
- 3 Consider whether a specific retail management Modern Apprenticeship is necessary.
- 4 Provide practical support to encourage greater digital skills in the economy
  - This should include engaging retailers and suppliers with specialised skills such as data science, but also look to increase the overall digital literacy across the workforce as the economy evolves.
- 5 Reform the Flexible Workplace Development Fund so businesses are able to access a much higher portion of their Apprenticeship Levy contributions through the fund.
  - Businesses should be able to access support through the fund for multiple sites rather than the current single site restriction.
  - Ministers should consider using the fund to subsidise training for retailers who are implementing Scottish Government public policy initiatives



## INFRASTRUCTURE

The retail industry relies on infrastructure for our operations and consumers. Investment in transport infrastructure can reduce the cost of business, helping drive productivity. Similarly, measures which make it easier for consumers to visit retail establishments, whether by private or public transport, can help drive footfall and positively impact on sales – helping city and town centres to thrive.

With more and more consumers moving online there is also a strong case for further digital investment to support consumers and businesses as the economy digitises. That needs to be done in a manner which is inclusive to consumers, both those with limited digital literacy alongside those who live in more remote parts of Scotland.

### SPECIFICALLY, WE WOULD LIKE TO SEE THE SCOTTISH GOVERNMENT PRIORITISE:

- Investment in transport infrastructure to support the industry. This should include investment in cross-border road and rail links on both the East and West Coasts.
- Investment in transport links and facilities in ports to ensure the correct systems are in place to ensure links with Northern Ireland and Europe.
- Investment in transport links for town and city centres – for public and private transport
- Investment in digital education to ensure vulnerable consumers are able to fully access and engage with digital services and retail
- Further investment to ensure all consumers are able to access broadband, and where possible fibre broadband
- Investment to ensure 4G & 5G is available across rural Scotland



# REGULATION



## RETAILERS SUPPORT WELL DESIGNED REGULATORY FRAMEWORKS WHICH EMPOWER CONSUMERS AND ALLOW BUSINESSES TO COMPETE ON A LEVEL PLAYING FIELD.

We support the concept of ethical regulation and believe the principles espoused through the Better Regulation agenda of proportionate regulatory intervention should be adhered to. Where there is a case for voluntary regulation that should be done in line with the current Scottish Government framework<sup>10</sup>.

We would note there is a need for greater resourcing of enforcement. Appropriately resourced targeted enforcement is a key condition for effective regulation which rewards progressive businesses for taking the right approach.

We would note this will become even more necessary as new initiatives on environmental and food issues progress. We also believe the commitment enshrined in the 2014 Regulatory Review Act to deliver a Primary Authority system for devolved legislation should be delivered in the next five years.

Progress is still required to ensure policy measures are properly assessed ahead of being brought onto the statute book. Recent years have seen amendments to legislation which are very significant but do not go through the usual regulatory assessment, for example the workplace parking levy. This is particularly true as there is no revising chamber for Scottish legislation.

### THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Continue to promote the Better Regulation agenda
- 2 Use the existing voluntary regulation framework
- 3 Provide the necessary funding for enforcement to ensure a level playing field
- 4 Fulfil the commitment from the 2014 Regulatory Review Act to deliver a Primary Authority system for devolved regulation to maintain equal standards across Scotland.
- 5 Explore how Holyrood can properly scrutinise policy initiatives which are not primary legislation
- 6 Explore whether there is a need for post-Stage 3 Legislative Scrutiny at Holyrood

# CONSUMERS

Over the last five years retail spending has been heavily constrained by weak economic performance. GDP growth has been anaemic, making the conditions for trading much more challenging. Consumer spending has been squeezed by inflation and rising public policy costs. All of this has been exacerbated by the extensive economic damage caused by Covid-19

The next five years will be vital to rebuild the economy. The retail industry will have a vital role to play in that, as an employer, a route to market, but also as a key economic actor.

The reality is the combination of retail transformation and public policy mean there is little room for retailers to absorb further cost increases. Increases in input inflation for retailers translate into higher prices for essential goods. With GDP, and consumer incomes broadly flat,

that means essential spending takes up a greater portion of consumers disposable income – and leads to a reduction in discretionary spending. Those changes are regressive and also inhibit economic growth.

We would note this also provides an opportunity for government. With spending directly correlated to cost that means targeted and specific externality charges are likely to be effective in changing behaviour. However, as such measures are by definition regressive, we would only believe this appropriate where there was clear evidence the societal benefit of the policy outweighed the fiscal impact. Environmental policy is perhaps the most likely area this would emerge. To manage this consumer interests should be considered as part of the Impact assessments conducted by government on proposed policy initiatives.

## THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Ensure Consumer Scotland is focused on the regulatory challenges of the future
- 2 Ensure consumer interests are considered across all public policy
- 3 Keep down income tax rates for ordinary workers
- 4 Consider how best to use public policy to influence consumer behaviour:
  - Only use externality charges when the consumer interest outweighs the costs

# HOUSING



A VIBRANT HOUSING MARKET, IN WHICH CONSUMERS REGULARLY MOVE, TENDS TO GENERATE REVENUE OPPORTUNITIES FOR RETAILERS.

Technology, Furniture, and DIY sales are all partly dependent on households moving or improving their homes. Consequently, a static market impacts on those categories. Housing costs are often a household's single largest monthly expense.

With workers seeing limited wage growth in recent years, increases in housing costs (through rising rents or interest-rates) tend to mean a consequent reduction in disposable income which translates into lower consumer spending, and consequently impacts on retail sales.

Future or new residential developments can be beneficial for retailers, either those with existing stores or by providing new opportunities for new developments. We therefore believe there is merit in further considering how to get the planning and consenting system right to speed up the delivery of more new and affordable homes, helping the construction industry as well as retailers; as well as the additional benefits to aiding social mobility.

## THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Consider post-Covid how best to balance the need for residential housing with the importance of maintaining economic activity, and whether a strong presumption in favour of housing development is required
- 2 Continue to use Land and Business Transactions Tax to aid first-time buyers and less affluent consumers

## CRIME AND JUSTICE

Our most recent Crime Survey found a worrying growth in severe violent incidents against staff. Across the UK industry, ten colleagues were attacked every day. This level of violence is despite record spending by retailers on crime prevention: with an annual UK wide figure for the industry of £1 billion. Retailers will take every step necessary to protect their workers, but this is spending which would be far more effectively deployed improving productivity in their operations and responding to customer needs. The passage of the Protection of Workers (Retail and Age-restricted Goods and Services) (Scotland) Bill will make a substantial difference by recognising the role retail workers play in enacting and enforcing government policy, we believe more will be needed.

### THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Ensure there is enough funding and support to ensure the Protection of Workers (Retail and Age-restricted Goods and Services) (Scotland) Bill can be effectively enforced
- 2 Direct, and appropriately fund, Police Scotland to investigate and prosecute retail crimes more effectively
- 3 Invest in supporting businesses with greater cyber-security protection

# CLIMATE CHANGE, CIRCULAR ECONOMY, AND THE ENVIRONMENT



THE SCOTTISH RETAIL INDUSTRY IS COMMITTED TO ENVIRONMENTAL SUSTAINABILITY.

Retail is amongst the most climate-conscious industries and a leader in reducing the environmental impacts of its own direct operations, but just as crucially driving environmental improvements across the globe through the supply chain. Retailers have already significantly reduced carbon emissions, water usage, and the portion of waste which goes to landfill<sup>11</sup>.

We are taking steps to go further. The Better Retail Better World programme uses the UK Sustainable Development Goals to mobilise the retail industry to meet some of the biggest global challenges of the coming decades, including modern slavery and decent work, sustainable economic growth, inequalities, climate change and responsible consumption and production.

In 2020 we launched our Climate Action Roadmap<sup>12</sup> which aims to bring the retail industry and its supply chains to Net Zero by 2040. With support from Government, the retail industry can decarbonise stores by 2030, deliveries by 2035 and products by 2040.

The Industry is also heavily involved in delivering the Scottish Deposit Return System. That scheme, which is currently scheduled for July 2022, is incredibly ambitious, but also incredibly complex and costly. The design decisions made in this Parliament mean the scheme will cost retailers over £250 million to set up, costs which must either be reimbursed by producers or paid by consumers.

The operational challenges of reformatting every Scottish shop to accept waste containers will be an immense task – made harder by the further challenges brought on by Covid-19. We believe the Scottish Government will need to provide further support to the industry, either through more time or fiscal support.

With regards to the use of externality charges to change consumer behaviour – something the Circular Economy Bill sought to bring into legislation. Specific levies have been mooted on single use disposable cups, but other products are also being considered. Where there is evidence the social benefit significantly outweighs the regressive impact then it is sensible to make individuals responsible – but that threshold should be passed.

In the next Scottish Parliament, it is likely there will be a new Extended Producer Responsibility Scheme (EPR). The current EPR model operates across the UK, something we would strongly want to continue for both economic and sustainability reasons.

We share the Scottish, and UK, Government's objectives of increasing recycling, recycled content and tackling packaging litter. We believe revisions to Extended Producer Responsibility (EPR) should be implemented first, under reforms of the UK packaging producer responsibility system. This will provide additional funds to promote recycling and ensure consistent collections by Local Authorities. Once these changes are in place, we should review levels of recycling through local authority collection.

In Scotland we accept this will be challenging. Despite the introduction of the Household Recycling Charter in 2015 there has been glacial progress in harmonising collections. Without harmonised collections it will be hard to use consistent messaging to drive consumer behaviour. This should be an early priority for the next Government, at the very least ahead of the introduction of EPR.

The retail industry is fully committed to tackling food waste, albeit only 2 percent of food waste results from retail operations. Many retailers already report food waste figures on a UK basis, and we continue to act in store, through our supply chains, and with our customers, to continue that reduction. With that in mind, we would like to see policy focus on those areas where more work is required, particularly with consumers, rather than adding unnecessary and burdensome reporting requirements

on retailers. We would also note our opposition to ill-considered and ineffective proposals to mandate supermarkets to donate food waste – donations already take place under the status quo and the main barrier to donations is a lack of capacity to take unused food products.

Green policymaking is an area which requires greater coordination, both on environmental issues, but also within the wider Scottish retail strategy to ensure government policy is consistent and proportionate. In the next Parliament retailers will be taking on significantly higher costs through Extended Producer Responsibility and the Deposit Return Scheme, and policymakers need to consider that in the context -of other decisions.

## THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Use the UN Sustainable Development Goals as a key tool of policymaking to ensure sustainability is built into government policy
- 2 Work with retailers to deliver our Net Zero ambitions on carbon reduction
- 3 Review the Deposit Return Proposals in light of Covid-19 to assess whether greater financial support, or time, or both, should be given to retailers
- 4 Work on a four-nations basis to deliver a UK-wide Extended Producer Responsibility Scheme
- 5 Bring forward a clear framework on environmental externality charges to ensure consumer and environmental interests are balanced
- 6 Deliver harmonised household collection system – ideally in line with proposals across the UK, but at a minimum across Scotland
- 7 Oppose calls for mandatory food waste donations, and support a UK-wide approach to food waste reporting

# INTERNAL MARKET AND THE CONSTITUTION

One of the foundations of the retail industry's ability to deliver an enormous range of products to consumers at great prices in the most convenient manner is the ability to operate on scale. The UK Internal Market provides a cohesive single market in goods and services which retailers can use to scale up their operating models. Scottish headquartered retailers have used this to good effect. We would be concerned at proposals which could fragment that market and those models.

It is essential there is a legal basis for market access for goods and services now the EU transition period has ended. We would prefer to see a mutually agreed approach between the UK and devolved governments; but legal powers will be necessary to ensure open market access just as they are currently in the EU Single Market. Ultimately the priority for retailers is maintaining the open and largely unfettered market across the UK which delivers for businesses and crucially Scottish consumers.

## THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Work on a four nations basis to ensure consumers continue to benefit from an open and efficient UK internal market.



# VAT

The SRC has been supportive of the proposals to assign a portion of VAT to the Scottish Parliament. We believe doing so creates a direct relationship between retail sales and Scottish Government revenues, further incentivising the government to support the industry. However, we are not persuaded of the merits of the devolution in full of VAT. We believe a single system covering the whole UK is likely to provide clarity, consistency, and simplicity for consumers and industry and is therefore best left reserved. Devolving control would presumably have administrative and cost implications for tills in shops, cafes, restaurants, pubs, cinemas and other establishments to accommodate Scotland-specific VAT rates.

## THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Seek a more rounded assessment of the potential benefits and risks and costs before necessarily seeking the devolution of VAT to the Scottish Parliament



## EMPLOYMENT LAW

We recognise EU exit means there will be further devolution. Where we perceive devolution is in the interest of the industry, we are supportive. However, as the largest private sector employer we would have significant reservations about the notion of devolution of employment law. We assume devolution of employment law would be to allow significant changes to legislation on areas such as wages and conditions. If this led to increased labour costs that would be very onerous to retailers.

If those employment costs only rise in one part of the UK, that will have an impact on the profitability of specific stores, and conceivably would need to be reflected in shop prices. We would also note that driving up employment costs without a cohesive and detailed plan to increase economic growth will lead to falling productivity.

Retail workers, especially as they progress in the industry, will often work in different sites and locations across the UK. Currently retailers can offer broadly similar pay and performance packages to those workers (with pay scaling for certain expensive places to work – i.e., London weighting).

That becomes significantly more complex if there are different legislative frameworks to negotiate. Furthermore, many retailers set bonus' based on the profitability of individual stores – so if Scottish stores have a different cost base that could impact on those workers income – inadvertently leading to a perverse unintended consequence.

### THE NEXT SCOTTISH GOVERNMENT SHOULD:

1

Seek a more rounded assessment of the pros and cons before necessarily seeking the devolution of Employment Law to the Scottish Parliament



# FOOD AND DRINK & THE GOOD FOOD NATION

The Scottish Retail Industry has a vital role to play in supporting Scotland's rural economy. Retail, uniquely, operates in every town and village across the whole of Scotland. Just as crucially many products from the rural economy find a route to market through the industry. Grocery retailers spend over £5 billion per year on Scottish products – a significant quantity of those come from the Food and Drink Industry.

It is vital Government takes a strategic holistic approach to policy measures which impact on the food and drink industry. Measures which may have beneficial intentions, on for example the environment or public health, may have significant unintended consequences when considered in isolation

Our starting point is the current food system is delivering for consumers. In recent decades, the proportion of household spending on food has fallen from 30 per cent to 16 per cent. That fall in the cost of food, most notably in fresh food and household staples, has to a large degree been a consequence of the efficiencies introduced by retailers into the market. Strong competition has raised standards and kept prices down. Conversely, food inflation is pernicious. Those on the lowest incomes are least able to change their buying habits when prices rise.

The SRC does not oppose focused and evidence-based policy measures which would encourage healthy eating. However, for many consumers it is about more than price. Customer sentiment on the environment, plastics, and responsible and sustainable food production are why our Members compete both on price and quality. On issues such as plastic or food waste we do not just improve our own businesses, we are driving changes across the supply chain to improve environmental standards.

Therefore, policy makers should focus on outcomes rather than overly focusing on process. That is why we believe the current Scottish Government was correct to take the approach they have on the Good Food Nation Bill – and we would be supportive of legislation similar to that which was postponed by the Covid-19 crisis being brought forwards in the next parliament.

## THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Bring forward new legislation on the Good Food Nation which focuses on proportional interventions, including collaboration with industry and ensuring a level playing field for all businesses and the public sector.

# DIET AND OBESITY



THE RETAIL INDUSTRY IS COMMITTED TO A RESPONSIBLE APPROACH TO PROMOTING, MARKETING, AND RETAILING PRODUCTS WHICH ARE HIGH IN FAT, SALT, OR SUGAR.

We have already taken significant and positive action to make products healthier, to promote healthy alternatives, and to provide clear customer information. If the Government of the day believes further action is required, that must be done in a manner which ensures all food businesses, including retailers, cafes, hotels, caterers, and restaurants, operate on a level playing field, and that any measures are proportionate and based on specific evidence.

The retail industry is committed to helping consumers make healthier choices. We have taken steps to drive that agenda. Fresh fruit and vegetables are heavily price promoted and due to store placement, are often the first thing shoppers see when entering stores. Increased availability of healthy snack alternatives has risen considerably. The quantity of fruit and vegetables in products such as sandwiches and ready meals has also increased. Retailers led the way on reformulating products to reduce salt, sugar, and fat from products. Retailers pioneered the traffic light labelling system and clear energy information to help consumers understand products and so they can make informed choices.

We would argue bringing the rest of the food industry up to the level of the retail industry would make a very significant difference in raising customer awareness and encouraging healthier lifestyles. However, we understand there is a desire by Government to go further than this to look at promotional activity. They should do so with caution. Measures which are not carefully considered, which increase the price of goods, will be inherently regressive, hurting the most vulnerable Scots.

However, we accept there is often a correlation between those from less affluent backgrounds and obesity. Therefore, where there is evidence that specific activity on specific categories is leading to obesity, we believe Government is right to intervene.

A good example would be bringing forward mandatory restrictions on multi-buy promotions of unhealthy food categories. There is evidence these promotions can encourage over-consumption and as retailers are prevented by competition law from agreeing any joint activity on promotions, we believe the Government should take focused action. However, these interventions need to be based on clear and specific evidence and be proportional interventions.

## THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Continue to work on a four nations basis where appropriate on interventions, such as supporting the strong work on product reformulation, and on UK-wide approaches to reducing salt, sugar, and calories.
- 2 Work collaboratively on a four nations basis to bring forward proportionate evidence-based restrictions on the sale of unhealthy products.
- 3 Products should be identified on a category basis, with nutrient profiling models only used to differentiate on marginal cases
- 4 We do not oppose moves to prohibit multi-buy sales of unhealthy categories of products, but the categories must be evidence based and the measures must apply to all businesses
- 5 Work with the out-of-home sector to bring forward reasonable proposals which apply to all out-of-home businesses. These could include mandatory calorie labelling, ending all-you-can-eat deals, and the provision of healthy alternatives.



# ALCOHOL

The Retail Industry recognises that misuse of alcohol has very serious consequences, and furthermore are playing our part as responsible retailers and supporting proportionate evidence-based policy measures. Our Members use the updated CMO guidance on labelling, support charities such as Drinkaware, and comply fully with Challenge 25 along with engaging in community activity to prevent under-age drinking.

In the last Parliament the industry worked closely with Government to successfully implement Minimum Unit of Alcohol pricing in our Scottish stores. Now MUP has been brought in there is an obligation on all those, including retailers, who supported the measures to provide time to accurately assess the impact of MUP. We have supported the government's evaluation work and believe there is a need to avoid further legislation on alcohol policy until at least 2023 to allow five years to fully understand the impact of the policy. MUP is only one of several legislative interventions in this area, with the Air Weapons and Licensing Act also only recently coming into force and there is a real concern of creating immense complexity without any clear public health benefit.

We would also note there is no evidence MUP has delivered any overall boost to the retail industry (indeed it involved significant investment in technology and training in advance) and therefore we continue to oppose any further or additional fiscal levies or taxes on retailers who retail alcohol. Scottish alcohol licensing is already much more restrictive than elsewhere in the UK.

## THE NEXT SCOTTISH GOVERNMENT SHOULD:

- 1 Continue to support the evaluation work to determine the efficacy of MUP
- 2 Refrain from further policy interventions until 2023 to determine if MUP has been effective



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The SRC'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 SRC 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 comprises businesses delivering £180bn of retail sales and employing over one and half million employees.

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