

WEATHERING THE STORM: SUPPORTING RETAILERS AND CONSUMERS TO KEEP COSTS DOWN

Retail industry recommendations
for the 2023-24 Welsh Budget



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114,000

retail workers



11,450

shops in Wales



8.4% RISE

in retail wages in 2021



16.7%

shop vacancy rate



Retail accounts for

25% OF

BUSINESS RATES



Retail contributes

6% GVA

to the Welsh economy
(5% UK wide)

£9 MILLION

towards good causes



INTRODUCTION

Autumn 2022

Dear Finance Minister

Few industries play such a crucial role as retail in keeping down costs for households, creating job opportunities for young people, and investing in our communities and net zero.

Retailers are responding to surging inflationary pressures and the squeeze on household budgets with keen prices on essential items, by expanding their value ranges, and discounts for more vulnerable customers, all of which helps keep down the cost of living.

Retailers are striving to do their best against a backdrop of sober forecasts for economic growth and their own cost of doing business crunch - driven by a spike in global energy and commodity prices, supply chain and freight bottlenecks, and compounded by higher taxes. Costs already in the pipeline include extended producer responsibility and next year new reporting requirements on net zero plus higher corporation tax.

The industry is working hard to sustain value for money for customers and build on its great record on community investment, whilst continuing to adapt to structural changes in the way people shop.

However, despite the industry's undoubted resilience, retail in Wales is feeling the effects of the cost-of-living crunch in dampened consumer spending and low footfall. This at a time when the sector is paying down pandemic-era loans, rent arrears and tax deferrals. Two turbulent years of pandemic has thwacked the industry, and further assistance is needed to help the sector support Welsh consumers weather the current economic storm and to ensure the sector's continued economic and social contribution.

The recent publication of the Welsh Government's Retail Vision is hugely encouraging for the longer term and the industry is playing its part in its implementation. Other welcome decisions in recent times include a commitment to more frequent NDR revaluations and extensive Covid fiscal support.

The upcoming Welsh Budget provides a great opportunity to assist. At its heart should be measures which protect living standards, help retailers to keep down the cost of living, and stimulate retail investment to make for healthier retail destinations. I commend the following recommendations to you.

Yours sincerely,

Sara Jones
Head of the Welsh Retail Consortium

KEY RECOMMENDATIONS

Deliver a clear and outcome focused action plan to accompany the Welsh Retail Vision, one which offers short, medium and long term actions which are deliverable and achievable.



Protect workers on modest earnings by ruling out increases in Welsh income tax rates, and ensure they benefit too from any acceleration to the proposed reduction in the headline rate of UK income tax.



Ministers should be open-minded about introducing a Wales-wide shopper stimulus along the lines of that seen in other parts of the UK.



Rule out any increase in the business rate next Spring and set out a timetable for returning the multiplier rate permanently to a lower and more sustainable level.

Speed up restoration of the level playing field with England and Scotland on three yearly revaluations.



The glut of regulation should be culled or put on pause, coupled with a focus on minimising regulatory divergence with other parts of the UK when policy goals are similar.



RECOMMENDATIONS IN DETAIL

DELIVERING ON THE VISION FOR RETAIL

The WRC remains a committed member of the Welsh Retail Forum and welcomed the introduction of the Vision for Retail published earlier this year. It is heartening to see the outlined support for the industry within this vision, and the value the Welsh Government places on our sector.

However, it is vital that we see a deliverable action plan, one which has genuinely achievable goals which can be implemented in the short, medium and long term to support businesses, colleagues and consumers. We need to see true innovation and partnership, which brings forward ideas which will be high impact and truly raise the profile and value of the industry.

Our high streets remain the cornerstone of our communities, and the Retail Vision is uniquely placed to support their future viability. Continued support through the Transforming Towns budget offers a real opportunity, but to truly realise the potential we need to think creatively and with innovation at the heart of future decision making. We continue to press for a town centre action plan from the Welsh Government, following the various advisory group meetings held earlier in the year.



KEEP DOWN THE COST OF LIVING

Consumer spending is being challenged by surging inflation and in particular soaring household energy costs. Tax and other measures including rises in employees' national insurance contributions and council tax have taken a bite out of household budgets. Further public policy increases to the cost of living are in the pipeline, including a deposit return scheme on drinks bottles, the introduction of single use plastics legislation, and the potential tourism visitor levy.

Retailers are striving to keep down the cost of living for households. It remains the case that Welsh Ministers exert significant influence over take-home earnings and the amount of money in people's pockets. Our suggestions:

- Continue to protect workers on low or modest earnings from rises in the Welsh rate of income tax
- The Welsh Government should consider the potential of a shopper stimulus scheme, such as the recent scheme adopted by Glasgow Council which introduced a £105 voucher to aid 85,000 less-well off households. Ministers should be open-minded about adopting something similar at scale if there is likely to be little uptick in the economy in the run up to Christmas or early in the new year, when household finances are often most stretched. Northern Ireland's footfall benefited enormously from its recent high street voucher scheme

- Consider a temporary extension to the eligibility criteria for the Healthy Start prepaid card scheme - or the amount available or products which can be purchased - to aid low-income households
- Policy-makers should be wary about adding further pressure on to household finances over the coming year, over and above those already planned
- Local authorities should be mindful of the impact on household discretionary spending from any further uplift to council tax
- With the forthcoming coming Bill on Local Government Finance we would urge consideration on the impact on consumer spending and any administrative implications for employers
- We would like to see additional investment and creative thinking in regard to accessibility for the consumer to the store, and into our town centres. Public transport infrastructure needs to see continued investment and communicated effectively to local residents in partnership with local authorities. Funding should be provided to local authorities to allow them to offer subsidised or free car parking.

CONSUMER SPENDING IS BEING CHALLENGED BY SURGING INFLATION AND IN PARTICULAR SOARING HOUSEHOLD ENERGY COSTS.

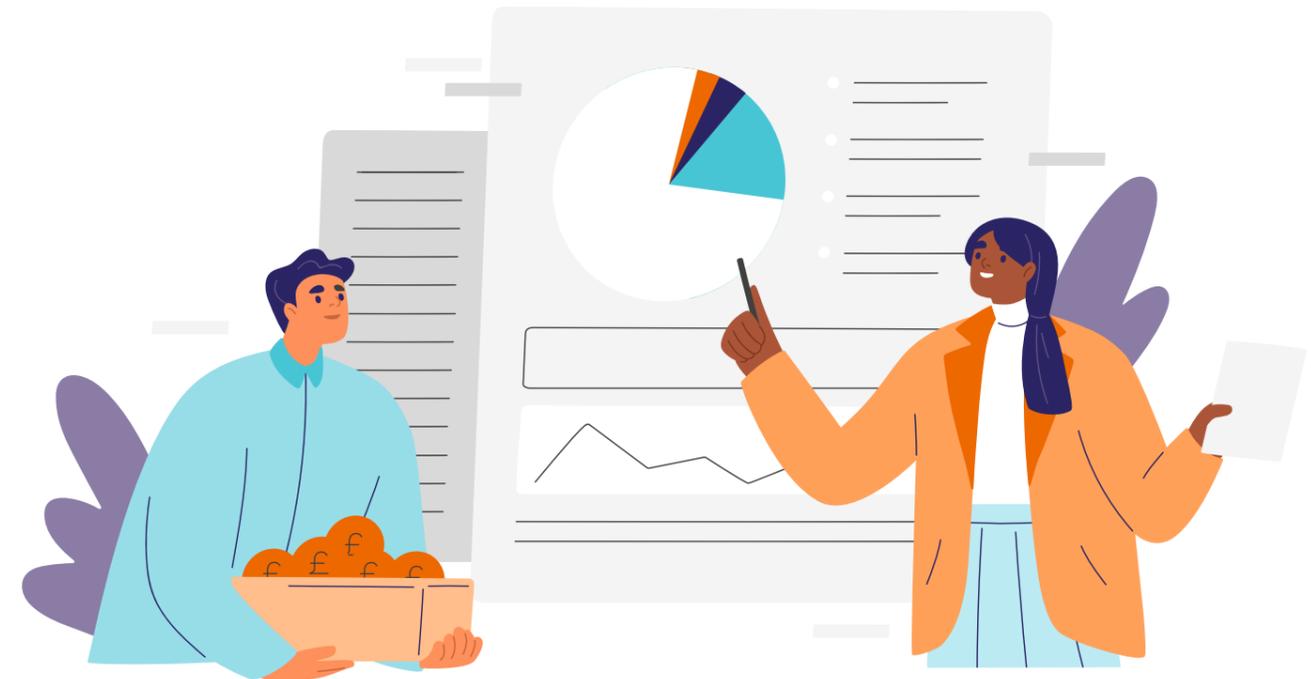
KEEPING A LID ON THE COST OF DOING BUSINESS

The size and scale of the retail industry means there is huge potential for our businesses to contribute to public policy objectives. However, the cost burden on retail – from business rates to the Apprenticeship Levy and a Deposit Return Scheme – has built significantly and is hampering the industry's ability to invest in shops, communities and the retail jobs of the future.

Retailers support the government's goals but there must be a recognition of the cumulative pressure placed on the industry and a more joined-up approach to policymaking which impacts on retail across government departments to ensure interventions are pragmatic and workable. The aim must be to avoid placing additional burden on retailers which restricts their ability to deliver for consumers.

NON-DOMESTIC RATES

- Retailers are facing into their own cost of doing business crunch after two challenging and turbulent years of pandemic. A key issue remains the business rate which is at a 23-year high. Tangible and positive headway has been made in recent years on rates, including a commitment to further reform and more frequent revaluations, however this shouldn't be the limit of our ambition as the overall burden remains high and rates rises impact cash flow. There needs to be a shift in mindset from squeezing tax revenues from business rates towards using it to encourage commercial investment in town centres and other retail destinations. Our suggestions:
 - Rule out any uplift in the multiplier rate next Spring
 - Set out a timetabled route map towards lowering the multiplier permanently to a more financially sustainable level
 - Provide clarity on the move to more frequent revaluations, as confirmed by the Minister earlier this year.
- Ensure firms which are likely to be installing DRS reverse vending machines in the future are able to access business rates relief for the commercial space which is being taken up.
- Small firms' rates relief recognises the need to keep down costs for firms. We would be concerned should any conditions be placed on businesses who are eligible to apply for future rates relief
- We oppose re-localisation and fragmentation of business rates and support the uniform business rate and the consistency and predictability it provides
- UK Ministers recently undertook a consultation on introducing an online sales tax (OST), to which we submitted members' collective views. While there are a number of different views across the industry on the concept, if UK Ministers do decide to introduce an OST our understanding is that any tax receipts would flow to Welsh Ministers via the Barnett Formula. In that scenario it would be imperative that the receipts be used fully to cut business rates for all retail businesses



OTHER TAXES AND OUTLAYS

Retailers are subject to a wide range of cost rises at the present time. Introducing existing public policy measures such as a deposit return scheme has significant capital expenditure and cash flow implications for the industry. Against this backdrop, our suggestions are:

- With retail transforming and industry jobs becoming higher-paid and -skilled, there should be targeted reforms to the apprenticeship funding system to allow retailers to deliver a wider range of training to colleagues at all stages of their careers
- The Welsh Government should press the UK Government in relation to the review of the apprenticeship levy. In the interim we need greater transparency on how the consequential received is being delivered for skills support. The Welsh Government is urged to introduce some form of a flexible workforce development fund for payers of the apprenticeship levy. This is increasingly acute at a time when retailers are devoting more of their training budgets towards implementing public policy, as has happened in recent times with Covid rules, alcohol minimum unit pricing etc
- The Welsh Government and local authorities determine or influences various fees, charges and levies applicable to retailers e.g. planning application fees, business improvement district levies, charges for alcohol licenses, water and sewerage charges, fees for building warrants, the carrier bag charge. Any variations in the amount charged must be based on dialogue with industry, underpinned by a clear rationale, with commensurate improvements in service
- Land transaction tax applying to purchases of commercial property must remain competitive

THE SIZE AND SCALE OF THE RETAIL INDUSTRY MEANS THERE IS HUGE POTENTIAL FOR OUR BUSINESSES TO CONTRIBUTE TO PUBLIC POLICY OBJECTIVES. .

REDUCING THE COST OF GOVERNMENT

The devolved administration has a substantial annual budget of £21billion. Clearly there is a need for the Welsh Government to cut costs and think differently about how services are provided, which is exactly what retailers do day in and out. It matters profoundly that Ministers succeed in reducing the cost of government, otherwise taxes might rise, and the recovery and economic growth be held back. Our suggestions:

The swathe of devolved regulatory interventions being implemented or considered should be reviewed, with some trimmed or put on pause. The legislative pipeline should focus on the more important, bigger impact measures.

There is a veritable gamut of initiatives in the pipeline, such as the introduction of a deposit return scheme, HFSS restrictions on in-store food promotions and bans on single use plastics. Easing the cumulative impact would give retailers much needed breathing space and allow them to focus on the mission critical tasks, while allowing Ministers to do likewise.

Minimise regulatory divergence with other parts of the UK when policy objectives are similar. Divergence can create additional costs and administrative burdens when the focus should be on helping retailers support customers with the cost of living.

WINDFALL CONSEQUENTIALS

Any windfall consequentials received from UK Budgets and spending decisions should be used to support consumers, keep down business costs, or fund the revival of our town centres and high streets.

THE WRC IS COMMITTED TO ENSURING THE INDUSTRY THRIVES THROUGH THIS PERIOD OF TRANSFORMATION.

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 which has been accelerated by the Covid pandemic. The trends are clear - 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 £200bn of retail sales and employing over one and half million employees. In addition to publishing leading indicators on shopper footfall and store vacancies, our policy positions are informed by our membership and determined by the WRC's Contact Group.

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