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The Rt Hon Jeremy Hunt MP,
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Dear Chancellor

Submission from the British Retail Consortium (BRC) to HM Treasury Autumn Statement 2023

Retail is a vital part of the socioeconomic fabric of the UK, with huge size and reach, employing over three million people and with a presence in every community. The industry is highly competitive and relentlessly innovative, meaning consumers enjoy great value, choice and quality. The industry is going through a period of profound transformation, driven by new technology and changing consumer habits.

The last few years have been challenging for retail. High inflation and rising costs immediately followed the pandemic, with operating margins contracting as retailers absorbed as much additional cost as possible and invested in prices and support for consumers, colleagues and suppliers. Cost pressures continue to bear on retailers: in this context, we encourage government to alleviate those within its remit.

As a priority, Government should freeze to business rates in 2024/25 to remove an inflationary pressure which will otherwise, in part, filter through to shop prices.

Retail's scale means that the industry has huge potential to contribute to public policy goals and government targets, including decarbonisation of the economy, investment in communities and promoting social mobility, as retail jobs become higher-skilled, more productive and better paid. Investment is happening but can be increased if the policy, regulatory and tax landscape promotes investment. This should be underpinned by a more coordinated, pragmatic and proportionate approach to developing policy and regulation which impacts retail, to avoid unnecessary burdens.

Our recommendations support the government's objectives of tackling inflation and driving long-term economic growth. They would facilitate increased retail investment in communities, jobs and innovation, boost business support for people in need and accelerate the UK's transition to net zero.

Whilst retail may not be one of the government's targeted 'growth sectors', the industry's scale means that a policy, regulatory and tax landscape which encourages incremental growth in innovation and productivity will help shift the dial for the wider UK economy. This is also true of the retail's transition to net zero: as one-third of every UK citizen's carbon footprint comes from the goods we buy, the industry's decarbonisation will contribute significantly to UK emissions reductions.

Yours sincerely

Helen Dickinson

Helen Dickinson OBE
Chief Executive

RECOMMENDATIONS AT A GLANCE

Business taxes, retail property and card fees

Business rates:

- Help to cut inflation by freezing the business rates multiplier in 2024/25 and removing the requirement for rates to raise a fixed sum annually.
- Stimulate investment in communities by reducing the business rates for all retailers through a multiplier cut to 34.8p and implementing permanent improvement reliefs.

Retail property:

- Consider introduction of a fast-track planning approval system for low-key planning applications. There could be automatic approval if it met certain criteria.
- Introduce a statutory time limit on the time take for planning decisions, and improve the committee process, combined with a limit on information required and a mediated resolution process.
- Ensure that the principle of security of tenure is not undermined by the review of the Landlord and Tenant Act 1954.

Tax-free shopping:

- Encourage international visitor spend and restore the UK's competitive advantage against European countries by reinstating tax-free shopping for international visitors including EU citizens.

VAT relief on product donations to charities:

- Enable a significant increase in business support for people in need by extending the VAT relief on product donations to charities for onward sale to direct donations to individuals and households.

VAT on period pants:

- Reclassify period pants as 'menstrual products' and exempt them from VAT.

VAT on reuse, repair and recycling

- Accelerate the move to a circular economy for goods by lowering or removing the rate of VAT on reused, repaired and refurbished goods and services.

Card fees:

- Hold a full review to examine whether interchange fees are fit for purpose in the UK payments landscape to ensure that the PSR's ongoing market reviews result in meaningful action.

Incentivising investment in plant and machinery:

- Stimulate retail investment in plant and machinery by making capital allowances full expensing permanent.

Tax incentives to increase employee health and wellbeing:

- Incentivise further retail investment in occupational health and employee assistance services for colleagues by making both non-taxable benefits in kind.
- From a strategic perspective, focus workplace health policy and legislation on early interventions and addressing long-term absence due to sickness.

People and skills

Apprenticeship Levy:

- Stimulate greater investment in skills training, supporting the workforce of the future, by expanding the Levy into a wider Skills Levy.
- Develop a coordinated approach to accessing funds with the devolved governments.

National Minimum Wage and National Living Wage

- Adopt a cautious approach to setting the National Living Wage for 2024/5, with a sustainable forward trajectory which responds to wider economic conditions.

Net zero and sustainability

Clean energy:

- Encourage investment in renewable and efficiency energy projects by providing fiscal and financial incentives e.g. by extending capital allowances full expensing beyond March 2026.
- Further stimulate investment by ensuring that the renewable energy market gives a fair green energy price for households and businesses, underpinned by a review of the REGO scheme.

Net zero logistics:

- Accelerate uptake of green fuelled vehicles by providing grants and tax incentives for investment in vehicles and infrastructure upgrades.
- Bring more green fuelled vehicles to market, stimulating industry investment, by providing R&D funding for engine and vehicle manufacturers.
- Further stimulate investment by removing the unnecessary additional training requirements for 4.25 tonne green fuelled vans and reclassify them as Light Commercial Vehicles.
- Give businesses confidence to invest by developing consistent long-term approach to EV road taxation.
- Incentivise private sector investment in electric vehicle charging infrastructure by applying the 5% VAT rate on domestic charging to commercial charging.

Resource and waste strategy:

- Increase in recycling rates by ringfencing packaging EPR and Plastic Packaging Tax funds for new recycling infrastructure investment.
- Ensure that resource and waste policy proposals are coherent, represent value for money and do not add to inflationary pressures on retail by working with industry and Defra to support cost-efficient EPR schemes.
- Business rates relief for reverse vending machines (DRS).

SNAPSHOT OF THE INDUSTRY

Economic and fiscal contribution

- Integral to the socioeconomic fabric of the UK
- £99.5bn GVA pa
- £1 in GVA creates further £2.10 in wider economy[1]
- Pays 44% of profits in tax or £1.27 for every £1 invested[2]

Retail employment

- Largest private sector employer: 3 million jobs[3]
- 5.7m jobs (21.5% of UK jobs) rely on retail and its supply chain[4]
- In 1 in 5 constituencies, retail and its supply chains more than 1/3 of employment and 21% of local GVA[5]
- Spends £106bn pa on wages, equivalent to 63% of GVA[6]
- Pay growth outstrips national average: 2022 5.6% v 4.7%[7]
- 10% of all UK spend on training: £4bn – equivalent to 2x UK Apprenticeship Levy receipts[8]
- 40% of businesses investing in management training and 60% in new tech and digital skills, boosting productivity[9]
- Created 22,000 apprenticeships in England in 2021/22 1/4 in the 20% most deprived areas[10]

Investment in productivity, innovation and economic growth

- Invests more than £17bn pa, similar to cost of Crossrail[11].
- Technology is changing how people shop, creating opportunities for new business models and investment in automation, cybersecurity and robotics
- Invested significantly in digital: online sales now 25% of UK sales v 9% ten years ago[12]
- Spends £1bn pa on R&D (8.3% of UK investment or 10.6% of retail GVA).[13].
- Productivity 4.8% Q2 2022 v Q4 2019: in the same period, UK productivity grew 1.9%[14]
- 40-50% of the workforce requires upskilling for new roles and digital skills[15]

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[1] *Making a positive impact: The contribution of retail and wholesale to communities and the economy*, CBI
[2] *Ibid*
[3] *BRC Retail Jobs Report, December 2022*
[4] *Making a positive impact: The contribution of retail and wholesale to communities and the economy,* CBI
[5] *Ibid*
[6] *Ibid*
[7] *BRC Retail Jobs Report, December 2022*
[8] *Ibid*
[9] *Ibid*
[10] *Department for Education, Apprenticeships in England by industry characteristics, academic year 2020-21*
[11] *Business Investment by Industry, ONS, June 2022*
[12] *Retail sales: Great Britain, March 2023, ONS*
[13] *Business Investment by Industry, ONS, June 2022*
[14] *BRC Retail Jobs Report, December 2022*
[15] *Transforming the EU retail and wholesale sector, McKinsey*

RECOMMENDATIONS IN DETAIL

Business taxes, retail property and card fees

Business rates

Business rates disproportionately impact retailers, undermining the viability of shops, the jobs they provide and the socioeconomic fabric of our communities. The UK has lost 6,000 storefronts in the last five years[16]: BRC research has found that in two-thirds of shop closures, business rates had a material impact in the decision-making process[17].

As things stand, retailers will face an expected £400m hike to rates bills next April as the multiplier increases based on this September's CPI. This would place a huge inflationary pressure on the industry, with at least some feed through to shop prices inevitable. As government focuses on driving down inflation, it should therefore prioritise a freeze to the multiplier in 2024/25. In the longer term, the requirement for rates to raise a fixed sum – which sees annual inflationary increases to the multiplier regardless of underling economic conditions or business performance – should be scrapped, and the burden reduced for all by cutting the multiplier to its original rate of 34.8p.

This would improve a complex and regressive tax and create a more fertile environment for retail investment in communities, from improvements to existing premises to the opening of new shops, warehouses and distribution centres. That investment can be further incentivised by implementing permanent improvement reliefs, for example for measures which improve energy efficiency and reduce emissions.

Recommendations:

- **Help to cut inflation by freezing the business rates multiplier in 2024/25 and removing the requirement for rates to raise a fixed sum annually.**
- **Stimulate investment in communities by reducing the business rates burden for all retailers through a multiplier cut to 34.8p and implementing permanent improvement reliefs.**

Retail property

We recognise that landlord-tenant relations and planning policy sits within the remit of DLUHC. However, we wish to highlight several recommendations in this area as we understand Treasury has an interest.

The retail industry is going through a period of profound transformation, driven by new technology and changing consumer habits. As a result, retail is no longer solely about physical shops, although these remain a crucial part of retailing in the future. These trends have accelerated in recent years and there is a closer connection between physical and digital retailing for many retail categories.

Retail will remain an important part of the commercial life of towns and cities across the UK and in the future, it will be supplemented, rather than supplanted, by a wider mix of uses.

An effective, clear and consistent planning system is needed to support retail transformation. Recent measures announced in the Levelling Up and Regeneration Bill have the potential to make a positive contribution to achieving this outcome.

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[16] *BRC-LDC Vacancy Monitor, Q2 2023* https://brc.org.uk/news/corporate-affairs/britain-loses-6-000-storefronts-in-five-years/

[17] *Retail, Rates and Recovery: How business rates reform can maximise retail's role in levelling up, BRC* https://brc.org.uk/media/678328/retail-rates-and-recovery.pdf

However, retailers report that they are experiencing considerable delays in processing their planning applications and that, coupled with new requirements, is acting to inhibit new development from moving forward. Action is needed to address this reality.

Similarly, the Law Commission's review of Part 2 of the Landlord and Tenant Act 1954 is welcome. It is essential that revisions do not undermine the principle of security of tenure, which our research shows is a very important feature of the vast majority of retail leases. Without this safeguard, the commercial viability of investing in many retail properties would be materially adversely affected.

Recommendations:

Stimulate investment in communities and support retail transformation by:
- **Considering the introduction of a fast-track planning approval system for low-key planning applications. There could be automatic approval if it met certain criteria.**
- **Introducing a statutory time limit on the time take for planning decisions, and improve the committee process, combined with a limit on information required and a mediated resolution process.**
- **Ensuring that the principle of security of tenure is not undermined by the review of the Landlord and Tenant Act 1954.**

Tax-free shopping

The UK is now the only major European economy which does not have a tax-free shopping initiative for international visitors, after the scrapping of the VAT Retail Export Scheme (VAT RES) in 2020. Since then, tourist spend has shifted to cities like Paris, Milan and Barcelona, eroding London's position as a global shopping destination.

Research by the Centre for Economics and Business Research has found that the UK is missing out on £10.7bn in GDP and two million additional foreign visitors a year due to the lack of tax-free shopping. If VAT RES were restored, for every pound refunded to visitors, the Treasury would gain £1.56 in other taxes: tens of thousands of existing and new jobs would be supported, all across the country and not just in London[18].

With tourist numbers almost back to pre-pandemic levels, government should capitalise and reinstate tax-free shopping for international visitors and ensure that EU citizens are covered. This would address the competitive disadvantage the UK now has compared to other European countries, signal to the globe that Britain is open for business and stimulate tourist spend throughout the economy.

Recommendation:

- **Encourage international visitor spend and restore the UK's competitive advantage against European countries by reinstating tax-free shopping for international visitors including EU citizens.**

VAT relief on product donations to charities

Retailers donate millions of products to charitable causes annually. VAT rules provide a relief on goods donated to charitable and voluntary organisations for onward sale, but not for direct donations (when

[18] *Removal of tax-free shopping cost £10.7bn in lost GDP and deterring two million tourists a year, report concludes* https://cebr.com/reports/removal-of-tax-free-shopping-costing-10-7bn-in-lost-gdp-and-deterring-two-million-tourists-a-year-report-concludes/#:~:text=The%20Cebr%20report%20concludes%20that,%C2%A37.7%20billion%20in%202023.

goods are donated directly to people in need, free of charge). This anomaly is holding back donations of vital goods to people who need them most.

There is appetite for this change from the supply and demand sides. Retailers want to scale up their donation programmes and increase their support for struggling families and individuals. BRC surveyed retailers of varying sizes in summer 2023: almost three-quarters said that if the existing relief was extended to include direct donations, the volume of goods they donate would 'significantly' or 'somewhat' increase. This would not only see a rise in support for the most vulnerable, but support the move to a circular economy, with goods which would have otherwise sat in warehouses instead creating value in the community.

Many charities report seeing an increase in demand: stats from Neighbourly show that 86% of charities had seen increased demand for their services in the three months to this March. The next government can facilitate greater business support for people in need through a simple expansion of the scope of the VAT relief for donations of goods to include direct donations.

Recommendation:

- **Enable a significant increase in business support for people in need by extending the VAT relief on product donations to charities for onward sale to direct product donations to individuals and households.**

<u>VAT on period pants</u>

From 1 January 2021, VAT women's menstrual products have been zero-rated for VAT. However, this failed to acknowledge reusable period pants as menstrual products (instead classing them as garments), meaning that they continue to attract 20% VAT. This creates an unfair playing field for women who want to use more sustainable menstrual products like period pants, which can be reused and help reduce waste.

Recommendation:

- **Reclassify period pants as 'menstrual products' and exempt them from VAT**

<u>VAT on reuse, repair and recycling</u>

The retail industry is working hard to promote ways of working which support a circular economy. For clothing, homeware textiles, and other fashion items, as well as electronics and white goods, this means promoting resell markets and platforms, hire and rental subscriptions, upcycling, swapping, and repairing instead of throwing away the item.

VAT is currently charged at the standard rate on items which have been repaired or returned for resale. We believe this is a missed opportunity to incentivise reuse, repair, and recycling.

Some European countries are attempting to incentivise repair through other forms of tax reductions, such as Sweden where 50% of labour costs in repair are tax deductible and Austria where labour costs of repair are reimbursable. In the UK, VAT reduction on repair services, including the sale of refurbished products, is yet to be considered despite the EAC's recommendations to government to encourage repairability through reduced VAT on the repair of electrical and electronic products.

If VAT was zero-rated or reduced in all these cases (repaired, re-used or refurbished products and repair services), it would incentivise consumers to uptake these products and services, supporting the move to a circular economy, increasing the longevity of products and reducing waste. Moreover, with the cost-of-living still impacting consumers, zero-rating repaired products and repair services would offer a more affordable alternative than buying a new product.

Recommendation:

- **Accelerate the move to a circular economy for goods by lowering or removing the rate of VAT on reused, repaired and refurbished goods and services.**

Card fees

Card fees have been increasing significantly for several years. Cards account for almost 90% of retail sales, with the 2022 BRC Payments Survey finding the value of card payments in 2021 to be £377.9bn. We are concerned that this must-take status of the card schemes is being exploited, with fees being introduced without justification, valuation or consultation and representing an additional cost burden on the industry.

Following the UK's departure from the EU there have been new opportunities for anti-competitive behaviour with cross-border interchange fees increasing fivefold. Further, scheme and processing fees have continually increased in the years following the introduction of the Interchange Fee Regulation, proving that capping some fees has only resulted in fee rises elsewhere.

The Treasury should conduct a full review into interchange fees, including the scope, cap and whether they are appropriate in a mature card market like the UK. Moreover, the PSR's market reviews should result in bold action and intervention into a fiercely anti-competitive environment.

Recommendations:

- **Hold a full review to examine whether interchange fees are fit for purpose in the UK payments landscape to ensure that the PSR's ongoing market reviews result in meaningful action.**

Incentivising investment in plant and machinery

The retail industry welcomed the announcement of capital allowances full expensing at Spring Budget 2023, with the measure helping to aid short-term capital investment planning. However, the three-year period for which full expensing is due to run does not support longer-term planning.

Government can generate business investment through certainty, making capital full expensing permanent. This would help to stimulate further retail investment in assets such as new lighting and heating systems which can improve building efficiency and help the industry accelerate its transition to net zero.

Recommendations:

- **Stimulate retail investment in plant and machinery by making capital allowances full expensing permanent.**

Tax incentives to increase employee health and wellbeing

Many retailers already invest in and provide a number of occupational health services for colleagues, including Employee Assistance Programmes, Virtual GPs (which help reduce pressure on the NHS) and diagnoses of neurodiverse issues.

We are currently consulting members as we develop our submission to the consultation on tax incentives for occupational health and will share our full views with Treasury and HMRC in due course. However, we have included some initial thoughts below.

Members have noted that the provision of occupational health and employee assistance services which are related to mental wellbeing are tax-free, whilst those related to physical wellbeing are taxable. Government should make both non-taxable to ensure that the system is equitable and to incentivise further retail investment in colleagues' physical wellbeing, including early intervention measures to prevent ill health. Focusing Government strategy on early interventions, and absence from the workforce due to long-term sickness, would bring the greatest benefit, helping to address health and wellbeing concerns at an early stage.

Recommendations:

- **Incentivise further retail investment in occupational health and employee assistance services for colleagues by making both non-taxable benefits in kind.**
- **From a strategic perspective, focus workplace health policy and legislation on early interventions and addressing long-term absence due to sickness.**

People and skills

Apprenticeship Levy

The Apprenticeship Levy is an important part of retailer's training and upskilling programmes but is too inflexible to meet their current and future needs. With greater flexibility on the types of training and associated costs funds can be spent on, government can unlock increased retail spend on training - supporting the workforce of tomorrow – and enable the industry to create thousands more apprenticeships.

BRC undertook a survey in 2022 to understand retailers' views of the Apprenticeship Levy, how much of their funds they utilise and how it could better support the skills and training needs of employers. In total, 95% of BRC members support an Apprenticeship Levy reform. Retailers find the current approach too restrictive and counterproductive for upskilling their workforce: almost two-thirds of retailers (65%) say more than 40% of their Levy funds go unspent. One retailer said that with reform, they could create 8,000 new apprenticeships across the UK.

The main barriers identified by retailers include off-the-job training time; additional costs of hiring an apprentice; length of programmes; lack of functional skills in applicants; funding differences in devolved nations; complexity of the system and suitability of courses[19]. The makeup of the retail industry also makes it difficult to access levy funds – only about a third of retail workers are employed full-time, with the majority working shorter contracts.

Recommendations:
Government can stimulate greater investment in skills and training, supporting the workforce of the future, by expanding the Apprenticeship Levy into a wider Skills Levy, allowing businesses to spend funds on a wider range of high quality, accredited courses, including:

- **Pre-employment courses necessary to help potential apprentices reach the required level to begin a full apprenticeship.**
- **Short courses including functional and digital skills, so that existing employees can upskill or transition to new roles, where a full apprenticeship is not necessary.**
- **Covering some currently ineligible costs associated with hiring an apprentice, such as the cost of backfilling roles while apprentices are on off-the-job training.**

[19] *Apprenticeship Levy Fifth Anniversary survey, BRC* https://brc.org.uk/media/679880/apprentice-levy-5th-anniversary-survey_final.pdf

In addition, high-level courses need to reflect employer needs– unless employers invest additional funds into 'bolt-on' modules for apprenticeships, apprenticeship curricula can rapidly become irrelevant.

Government should also work with the devolved administrations to develop a coordinated approach which allows businesses to directly access the funds they are compelled to pay. Otherwise, the Levy is effectively another employment tax, penalising businesses for employing people with no benefit.

National Living Wage and National Minimum Wage

Retailers have been making conscious efforts to raise pay since before the introduction of the National Living Wage (NLW). The rate of retail pay growth has outstripped the national average in seven of the last eight years, and in the year to 2022/23, stood at 11.2% (compared to 7.6%).

The majority of retailers pay all colleagues the NLW or above, regardless of age. Retailers take the view that colleagues doing the same work, should be paid the same amount, with few examples of the use of youth or apprenticeship rates, usually for new joiners in their probation periods. As of March 2023, 94% of retail colleagues earned above the 2022/23 NLW.

In the context of the current challenging trading environment, retailers would welcome a cautious approach to setting the NLW increase for next year from the Low Pay Commission, which should also consider labour market conditions and the rising cost of employment.

Recommendation:

- **Adopt a cautious approach to setting the National Living Wage for 2024/5, with a sustainable forward trajectory which responds to wider economic conditions.**

Net zero and sustainability

Guided by the BRC Climate Action Roadmap, retail has an ambition to reach net zero by 2040. The industry is investing to decarbonise its buildings and logistics fleets, increasing sustainable sourcing and help customers and colleagues live greener lives.

There are two key upcoming milestones for retailers: using 100% renewable electricity by 2030 (five years ahead of the government's target) and moving to zero-carbon logistics by 2035 (mirroring the government's plan to end the sale of non-net zero Heavy Goods Vehicles (HGVs)).

Because of its unique position and scale, retail has massive potential to contribute to the government's net zero aims, especially for decarbonising energy and reducing road emissions, whilst supporting customers, colleagues and suppliers to reduce their environmental impacts.

Clean energy

In the first instance, government should prioritise clearing the backlog of renewable energy projects waiting to connect to the National Grid. This would rapidly accelerate the decarbonisation of our energy and support UK energy security.

Private sector investment will be crucial to reaching net zero. Retailers have started to invest in renewable generation, such as solar panels on warehouse roofs, but there are a number of barriers. We will not cover these in their entirety here. Our recommendations are those within the Treasury's remit and would improve the business case for investing in clean energy by removing unnecessary costs, and ensuring a fair market for clean energy. This should feature a review of the Renewable Energy Guarantee of Origin (REGO) scheme, which is failing in its aim of telling businesses how much of their energy comes from renewable sources, as REGO certificates aren't necessarily sold alongside the energy itself, undermining the purpose of the scheme.

Recommendations:

- **Encourage retail investment in renewable energy projects and energy efficiency by providing fiscal and financial incentives for businesses investing in assets which reduce emissions and improve efficiency, e.g. by extending capital allowances full expensing beyond March 2026.**
- **Further stimulate investment by ensuring that the renewable energy market gives a fair green energy price for households and businesses, underpinned by a review of the REGO scheme.**

Net zero logistics

Retailers have already started investing in low-carbon, and where possible zero-carbon, logistics. Electric vans and cargo bikes are commonplace: 88% of retailers operating their own fleets now have at least one type of green fuelled vehicle[20].

Battery electric is the proven net zero fuel solution for lighter vehicles, but clarity is still needed on what technology will power green HGVs. To ensure that more vehicles come to market quicker – thus accelerating the transition away from fossil fuelled alternatives – government should continue to support the UK's automotive industry as it develops new models. This has the added benefit of positioning the UK as a global leader in green vehicles and an exporter of new technology.

Upfront and operational costs of green vehicles and supporting infrastructure are higher than existing models, which acts as a significant barrier to retail investment. Government should consider introducing financial and fiscal incentives such as grants or tax credits to stimulate investment and ensure that the UK does not miss its net zero targets.

Recommendations:

- **Accelerate the uptake of green fuelled vehicles (i.e. those powered by battery electric, hydrogen, biomethane, etc.) by providing grants and tax incentives for investment in vehicles and infrastructure upgrades.**
- **Help bring more green fuelled vehicles to market, stimulating industry investment, by providing R&D funding for engine and vehicle manufacturers.**
- **Further stimulate investment by removing the unnecessary additional training requirements for 4.25 tonne green fuelled vans and reclassify them as Light Commercial Vehicles.**
- **Give businesses confidence to invest by developing a consistent and long-term approach to EV road taxation.**
- **Incentivise private sector investment in electric vehicle charging infrastructure by applying the 5% VAT rate on domestic charging to commercial charging.**

Resources and waste strategy

Policies included in the government's resources and waste strategy are within the remit of Defra. However, there are some recommendations which are relevant to the Treasury, which we outline below.

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[20] *Getting UK retail to net zero vehicle logistics by 2035, DP World and BRC* https://brc.org.uk/media/677719/net-zero-logistics-report-final-18-may-21.pdf

The UK will need new recycling infrastructure to increase the range of materials which can be recycled, if the government is to achieve its target of recycling 65% of municipal waste by 2035. Funds raised by Extended Producer Responsibility for packaging (EPR) and the plastic Packaging Tax should be ringfenced for investment in this infrastructure, otherwise retailers and their customers will be paying more, without any improvement in recycling rates.

EPR and deposit return schemes for drinks containers (DRS) will together cost around £4bn a year under current proposals. There is a role for the Treasury in assessing whether this represents value for money, and if current proposals could be improved to ensure greater cost-efficiency.

For example, under current proposals, EPR will be administered by a public body with no remit to control costs, whereas an industry-led administrator – as is best practice in leading global EPR schemes – would have incentive to minimise costs and ensure better value for money for consumers. There should also be business rates relief for parts of properties used for reverse vending machines and related infrastructure under DRS, as applies in Scotland, to ensure consistency across the UK.

Recommendations:

- **Ensure an increase in UK recycling rates by ringfencing EPR and Plastic Packaging Tax funds for investment in new recycling infrastructure.**
- **Ensure that resource and waste policy proposals represent value for money and do not add to inflationary pressures on retail by working with industry and Defra to support cost-efficiency.**
- **Provide business rates relief on parts of properties used to house reverse vending machines and related infrastructure.**