

SHAPING RETAIL REINVENTION

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



A SNAPSHOT



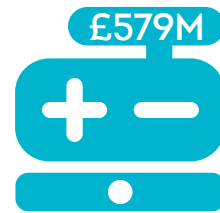
THE APPRENTICESHIP
LEVY COSTS SCOTS
RETAILERS **£12M**



JUST 3 OF OUR
32 COUNCILS
HAVE CUT BUSINESS RATES



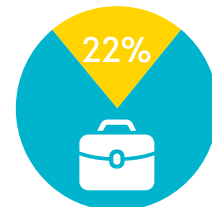
£10.26M AMOUNT
COUNCILS HAVE RETAINED
FROM BRIS OVER 3 YEARS



£579M = TOTAL
ANNUAL TAX BILL OF
SCOTLAND'S RETAILERS



5,128 SHOPS PAY THE
LARGE BUSINESS RATES
SUPPLEMENT, **COSTING**
£14.1M



RETAIL ACCOUNT FOR
22% OF THE LARGE
BUSINESS RATES
SUPPLEMENT

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FOREWORD

AUTUMN 2018



Dear Finance Secretary,

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

The industry – Scotland's largest private sector employer - is in the midst of a hugely challenging period and retailers are trying to adapt and reinvent themselves for the future. What is clear is that the retail industry will look very different in the future, with implications for jobs, for our communities and government revenues.

That transition can be helped or hindered by public policy. A number of positive moves are already on the cards including the proposed joint industry/government retail strategy, more frequent business rate revaluations, and the commitment to restore the level playing field on the large firms' rates supplement.

Retailers make a massive economic and social contribution but could do so much more with a bold and ambitious Budget which keeps down business taxes, supports consumers, enhances skills and delivers the right approach on post-Brexit devolved powers. We recognise this is not just a question for you as Finance Secretary but for all MSPs. After all, with half of VAT receipts being assigned to Holyrood from next April, our MSPs have an even bigger stake in ensuring a flourishing retail industry.

We want Scotland to be the best place in the UK to do business, and so I commend our recommendations to you as you consider your Budget options.

Your sincerely,

DAVID LONSDALE

Director, Scottish Retail Consortium

RECOMMENDATIONS AT A GLANCE

Our chief recommendations:

- Freeze the headline business rate poundage
- Accelerate the timetable for restoring the level playing field on the large firms' rates supplement
- Scrap the proposed new business rates levy on out of town and online businesses
- Rule out increases in income tax and speed up the introduction of the planned zero-rate income tax band
- Increase the Flexible Workforce Development Fund and the amount firms can access
- Engage business when examining the newly devolved post-Brexit powers, so that they are implemented or flexed in a sensible and cost-effective manner

KEEPING DOWN BUSINESS TAXATION

Retailers can contribute more to our economy and society if business taxation is competitive. Positive steps are in train to modernise the business rates system, particularly more frequent revaluations, reducing by half the time taken between valuations and them coming into force, and greater standardisation of bills.

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

Existing plans to restore parity with England on the large business rates supplement is the correct approach, but the timetable for delivering the level playing field should be accelerated (as advocated by Barclay).

Ministers should discard the proposed new levy on out of town and online businesses. It is unlikely to stimulate commercial investment or innovation or increase the attractiveness of Scotland as a place to do business. It will add complexity and cost. Instead there ought to be a moratorium on new or additional rates levies during the remainder of the current parliamentary term.

The small business bonus is a welcome acknowledgement of the need to keep down the cost of doing business. Councils should be encouraged to bring a similar energy to using their existing powers to reduce business rates to aid high street firms. Councils should be encouraged to deploy receipts from the Business Rates Incentivisation Scheme on town centres.

In addition, the planned deposit return scheme for drinks containers should be implemented in an efficient and cost-effective way, ideally aligned across the UK, given the substantial implementation and ongoing costs expected for retailers as well as the cost to consumers.

SUPPORTING CONSUMERS

This is an unsettling time for consumers. Household finances continue to be under strain and are set to be tested further in the months ahead with a further rise in statutory minimum employee pension contributions, and with other cost of living increases in the pipeline including the new charge on drinks bottles. Almost a quarter of a million Scots rely on retail for their employment and with retail sales less than stellar and consumer spending squeezed, policy makers ought to be wary about heaping further pressure onto family finances over and above those already planned.

The decisions taken thus far on income tax to protect workers on low and modest earnings is the right approach. The emphasis now should be on bolstering consumer confidence, by ruling out increases in income tax bands and thresholds and by bringing forward the manifesto commitment for a £250 zero-rate income tax band.

Future council tax rises ought to take into account the impact on consumer spending.

ENHANCING SKILLS


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

As such the Scottish Government's recent decision to increase the cap for the Flexible Workforce Development Fund to £15,000 is a positive step. However Ministers should go further, especially for levy-payers with a large workforce for whom the cap is too restrictive. Lifting the cap further, and tying the Fund's future funding growth to the projected overall increase in devolved receipts from the Apprenticeship Levy, would better ensure the skills fund is fit for purpose.

INVOLVING BUSINESS POST-BREXIT

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

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



ABOUT THE SRC

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

In addition to publishing leading indicators on Scottish retail sales, footfall and shop vacancies in town centres, our policy positions are informed by our 200-strong membership and determined by the SRC's Board.

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