

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2024-25](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2024-25](#).

WGDB_24-25 03 : Ymateb gan: Consortiwm Manwerthu Cymru (Saesneg yn unig) |
Response from: Welsh Retail Consortium (English only)



THE COST CRUNCH:

A BUDGET TO SUPPORT
CONSUMERS, COMMUNITIES
AND BUSINESS

Retail industry recommendations
for the 2024-25 Welsh Budget



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A SNAPSHOT OF RETAIL



NUMBER OF SHOPS

13,135 in 2022
 (↓1.4% from 2021's 13,315, with the UK overall falling by 0.2%)



VACANCY RATE

16.6%
 (in Q3 2023, slightly improved from 16.7% in Q2 and ↓ from 17.7% in Q3 2022)



EMPLOYEES

122,000 in 2021
 (↑ 7.0% from 114,000 in 2020)



RETAIL WAGE RISE

4.3% in 2022
 (with an average of £11.97 in Wales) – 11% increase



RETAIL CONTRIBUTES

£250m
 towards Welsh business rates – 25% of all NDR return

INTRODUCTION

Autumn 2023

Dear Deputy First Minister,

The WRC welcomes the opportunity to outline considerations on behalf of the industry ahead of your upcoming Welsh Budget. Retail is a vital part of Wales' socioeconomic fabric, with huge size and reach, employing over 120,000 people and having 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. Government should prioritise a 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 already happening but can be increased if the policy, regulatory and tax landscape enables 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 as outlined in the Economic Resilience and Reconstruction Mission. They would facilitate increased retail investment in communities, jobs and innovation, boost business support for people in need and accelerate the nation's transition to net zero.

Yours sincerely,

Sara Jones
Head of Policy & External Affairs, Welsh Retail Consortium



“Retail is a vital part of Wales' socioeconomic fabric, with huge size and reach, employing over 120,000 people and having a presence in every community.”



RETAIL TRADING CONDITIONS

With the number of empty shops standing at one in six premises, the vacancy rate remains a real concern for retail, and those that rely on the sector day in, day out. Shopper footfall continues to be lacklustre and remains 12 per cent down on pre pandemic figures.

With the number of empty shops standing at one in six premises, the vacancy rate remains a real concern for retail, and those that rely on the sector day in, day out. Shopper footfall continues to be lacklustre and remains 12 per cent down on pre pandemic figures.

The outlook remains uncertain given the pressures on household disposable incomes and supply chain and statutory cost pressures affecting retailers. Retailers are hopeful that consumer confidence will improve over the coming months as inflation eases, but this sits alongside a growing backdrop of costs and government-imposed regulation which will undoubtedly create pressure at every point of the retail pipeline.

Retailers are striving to keep down prices for shoppers, increase support to colleagues, and invest in meeting their net zero targets against a backdrop of elevated commodity and supply chain costs and increased statutory obligations. On a UK wide basis retailers have of late invested significantly to put in place the infrastructure required for DRS return points and meet obligations on extended producer responsibility and national living wage.

RECOMMENDATIONS FOR THE WELSH BUDGET

● HEADLINE RECOMMENDATIONS



Allocate more resources for the Retail Action Plan to ensure that its priorities are delivered and supported with investment, with budget decisions aligned to the Action Plan's objectives.



Prioritise a freeze to the non-domestic rates multiplier in 2024/25, which is currently higher in Wales than anywhere else in GB. Over time, the rates burden should be permanently lowered.



Accelerate the Local Government Finance Bill to deliver reforms to the non-domestic rates system, particularly ensuring more frequent revaluations and a consistent and lower NDR multiplier.



Consider a moratorium on new regulation which would burden retail businesses with additional costs until the economy has recovered and the inflationary environment eased.

● DELIVER ON THE RETAIL ACTION PLAN

The Retail Vision and Action Plan provides a foundation and opportunity for the industry to support the government in reaching its objectives and remaining a mainstay of the Welsh economy. The Plan clearly outlines the value of the sector, noting 'the Welsh Government's understanding of the importance of the retail sector to our economy and society is firmly embedded and will be reflected in future policy development'.

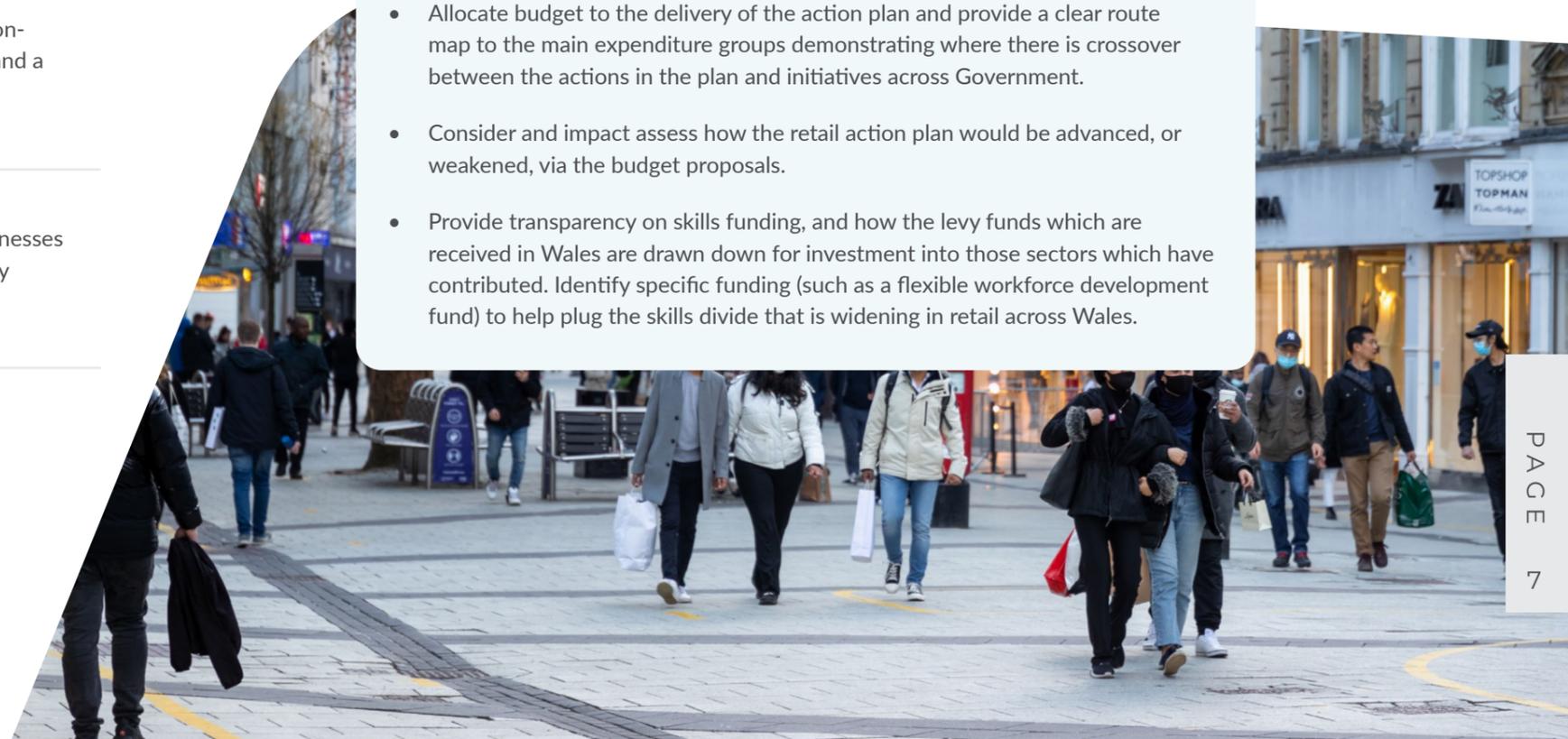
Any budgetary decisions should be cognisant of the impact they may have on the deliverability of the Action Plan, ensuring that it complements rather than detracts from its aims.

Likewise, for the Action Plan to have purpose, it requires budgetary support. The forthcoming budget provides the opportunity to allocate resource to support the plan's objectives.

With a strong focus on skills within the plan and given the Welsh Government's own current review of the vocational skills system in Wales, we would urge a review of the apprenticeship levy, and how it is implemented in Wales. Better use of Levy money which is delivered to Wales through the Barnett formula could help ensure that retailers are able to invest appropriately in supporting our colleagues to develop their careers and knowledge, removing the emerging skills gap in Wales.

Our suggestions:

- Allocate budget to the delivery of the action plan and provide a clear route map to the main expenditure groups demonstrating where there is crossover between the actions in the plan and initiatives across Government.
- Consider and impact assess how the retail action plan would be advanced, or weakened, via the budget proposals.
- Provide transparency on skills funding, and how the levy funds which are received in Wales are drawn down for investment into those sectors which have contributed. Identify specific funding (such as a flexible workforce development fund) to help plug the skills divide that is widening in retail across Wales.



● HELP RETAILERS KEEP DOWN PRICES AND INVEST IN RETAIL DESTINATIONS

Retailers are striving to keep down prices for shoppers, increase support to colleagues, and invest in meeting their net zero targets against a backdrop of elevated commodity and supply chain costs, increased statutory obligations, and greater outlays simply to run their businesses and service debts.

Retailers in Wales are facing an eye watering £108m annual cost to implementation of the proposed deposit return scheme, whilst already having invested significantly to meet obligations on extended producer responsibility and the national living wage. Further devolved statutory obligations are in the pipeline: including restrictions on the promotion in store of products high in fat and sugar; the business recycling regulations and single use plastics legislation.

Ministers have made headway on business rates policy having consulted and published a report earlier this year on reform of non-domestic rates and local government finance and has recognised the burden of business rates by allocated various reliefs and exemptions.

Shops in Wales account for 25% of business rates and the current multiplier rate (which is just shy of 54% and the highest in GB) is at an onerous 24-year high which is over a fifth higher than since the start of the previous decade. Many stores are liable for an improvement district levy on top. An approach to tax is needed which helps retailers keep down prices for shoppers and which helps retail destinations and economic growth rebound.



Our suggestions:

- Rule out any uplift in the business rate. A hike next Spring would add £18 million to retailers' rates bills and would be at odds with the Welsh Government's plans to support the sector as outlined in the Retail Action Plan.
- Set out a timetabled plan to lower the business rate permanently over the medium term to a more financially sustainable level for firms; this would offer a meaningful competitive advantage for all Welsh firms.
- In the short term rule out any split in the NDR multiplier, and ensure that a move to more frequent revaluations, on a three yearly basis as is the case in England and Scotland, is introduced as soon as is possible.
- Shops and hospitality businesses here in Wales have benefitted from the 75% Retail Hospitality & Leisure rates discount which was available in 2023/24. If there are to be devolved 'Barnett Consequentials' emanating from a continuation of RHL relief by the UK Government in 2024-25 then the discount/relief should apply equally in Wales.
- Workplace parking levies are a charter for extra cost and would mean firms are taxed twice as they already pay business rates on parking places provided for colleagues. Any consideration of such levies, or suggestion that Councils will seek to implement, should be undertaken with caution.
- Should the Tax Engagement Group be considering any new taxes on business or households then we would wish to see the earliest possible dialogue with our industry and a clear understanding of the impact on firms or consumers. We would be concerned at any new taxes or levies which might make Wales a more expensive place to invest or live.
- Emerging Regional Transport Plans should consider how accessibility, whether that be active travel, public transport or by car, can be improved to support footfall into our high streets and retail destinations. Those responsible for developing these plans should engage with retailers and other business owners to ensure they reflect the current challenges and opportunities.
- Continue to invest in Transforming Towns and seek to ensure that it has the voice of business when it comes to fund allocation. The Welsh Government should consider widening the scope of the funding to support the actions outlined in the Retail Action Plan.

● SUPPORT CONSUMERS THROUGH THE COSTS CRUNCH

Shopper spending has been somewhat resilient over the past year, despite the cost-of-living crunch and elevated levels of inflation. However, retail spend across Wales and the UK has dipped of late. That resilience in consumer spending will be tested further by rising mortgage rates as well as the various additional levies and charges in the pipeline e.g., powers for local authorities to charge council tax premiums and increasing taxes on second homes and the introduction of a tourism visitor levy which will presumably apply to staycations as well as visitors from out-with Wales with charges drinks bottles and cans also in the pipeline.

As retailers continue to strive to keep down prices for shoppers our suggestions are:

- Workers on low or modest earnings should continue to be protected from rises in Welsh income tax.
- The Welsh Government should urge local government to be mindful of the impact on household discretionary spending from any further uplift to council tax. With council tax reform due to be delivered from April 2025, we would urge the Welsh Government to maintain the approach of this being a cost neutral change given that they are not designed to raise any more revenue overall than is raised currently.
- Policy makers should be wary about adding further pressure on to household finances over the coming year, over and above those already planned.
- Alcohol minimum unit pricing (MUP) is to be reviewed in 2025. The review should be mindful of the deposit return scheme levy which may apply from late 2025 to products subject to MUP.

● REDUCE THE COST OF GOVERNMENT.

The £900m gap in the devolved government's finances is forecast to widen in subsequent years and is due to factors including elevated inflation, weak economic growth, as well as greater outlays on health, and public sector pay.

It matters profoundly that Ministers succeed in eliminating the gap and putting government finances on a sustainable path, as this would help militate against the need for tax rises on individuals and firms which could stymie economic recovery.

Business recognises there are few palatable options for our politicians. However, retailers know all about having to cut their cloth in the face of spiralling costs, having dealt with a tsunami of hikes in commodity and supply chain prices over the past couple of years with various statutory burdens sprinkled on top.

Our suggestions:

- Inject certainty into fiscal decisions with a multi-year plan to eliminate the gap in devolved government finances and put them on a sustainable path. Spending restraint, not tax rises, should form the bulk of the budgetary action to plug the gap.
- The number of public bodies including local authorities and rates assessors could be reviewed and potentially reduced. Government premises surplus to requirements should be disposed of.
- The NHS could further expand the use of community pharmacy and opticians to reduce pressure on GPs and ensure healthcare provision is more accessible.
- Fewer regulatory initiatives should be progressed which impact on business whilst the economy is recovering. Easing the cumulative impact of regulation would give retailers much needed breathing space and allow them to focus on mission critical tasks, while allowing government to do likewise.

ABOUT THE WRC

The Welsh Retail Consortium'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 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 £180bn of retail sales and employing over one and half million employees.

In addition to publishing leading indicators on Welsh footfall and shop vacancies, our policy positions are informed by our membership and determined by the WRC Member Group.

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