DRAFT BUDGET 2015-16

SUBMISSION FROM THE SCOTTISH RETAIL CONSORTIUM

Scottish Retail: Creating Jobs, Investing In Communities, Boosting Growth: Recommendations to the Scottish Government for its 2015/16 Budget

Dear Finance Secretary,

June 2014

Few industries play such a crucial role as retail in keeping down costs for households, creating employment, and investing in our communities.

Retailers are responding to the squeeze on household budgets and strong industry-wide competition with keen prices, promotions and deals, helping to keep down the cost of living. Shop prices have fallen for 13 consecutive months\(^1\) and food inflation is at its lowest recorded level.

The industry’s 255,000 jobs\(^2\) make it Scotland’s largest private sector employer, some 14% of the total non-government workforce.

And as you will recall from our Annual Reception earlier this year, retailers make a massive social contribution through their community projects. Independent research shows that the public rate retailers as the top sector for getting involved in their local communities.

The industry will be working hard to sustain value for money and build on its great record on jobs and community investment, whilst at the same time adapting to the continuing profound structural changes it faces. The fact that a broader range of indicators crucial to the health of Scotland’s retail industry have begun to point in a favourable direction is promising\(^3\). However continued support from Government will be key to maintaining this trend. Your next Budget, to be unveiled this autumn, provides a fantastic opportunity to assist.

At the heart of the Scottish Government’s plans should be measures which help keep down the cost of doing business and cost of living, provide for a smarter regulatory environment, and give retailers the tools to grow. I commend the following recommendations to you.

Yours sincerely,

David Lonsdale
Director, Scottish Retail Consortium

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\(^1\) BRC-Nielsen Shop Price Index, May 2014
\(^2\) ‘Businesses in Scotland 2013’, Table 1, p49
\(^3\) ‘Brighter picture for retail sales – but sector still fragile’, Sunday Herald, 25/5/14
KEEPING DOWN THE COST OF DOING BUSINESS

Reforming business rates
The non-domestic rates system is no longer fit for purpose. It is a disincentive to invest in commercial premises, the tax seems to only ever rise, and retailers pay disproportionately more than other sectors.

This is because the retail industry is highly property-intensive. It contributes over a quarter of all revenues from business rates, and which is forecast to generate £2.9 billion in revenues in 2015/16. A comprehensive longer term overhaul of the business rates system is required, which would increase retailers’ confidence about investing in property, create more jobs and help revive high streets.

In the interim, there are improvements that can be made to support the retail industry. The small firms’ relief is a welcome acknowledgement of the need to keep down costs, and avoiding the repatriation of control over the poundage rate to local authorities is sensible. Retailers remain committed in principle to Business Improvement Districts, and await details of the Town Centre Action Plan’s proposed new local discretionary relief and the plans to consult on transitional relief ahead of the revaluation.

However the £95 million large retail levy was a significant departure from poundage rate parity. It has meant that for three years 240 retail outlets are paying 28% more than equivalent stores in Wales or England. The levy has been a conspicuous blot on the Scottish Government’s claims to have the most competitive rates regime in the UK. Indeed, the policy appears designed to push retail investment elsewhere in the UK, rather than attract it to Scotland, the very antithesis of the argument that the First Minister\(^4\) has been making recently in seeking to “rebalance the economic centre of gravity across these islands”. We welcome the pledge not to continue with the levy.

Recommendations:

- Ensure that the poundage rate rises no faster than that which applies in England.
- Implement the promise\(^5\) not to renew the £95 million large retailer levy or another variant of it in 2015/16.
- Rejuvenate the Business Rates Incentivisation Scheme, and ensure the revenues accruing to local government from it are transparently re-invested in aiding town centre regeneration.
- We share the Scottish Government’s desire to see a reduction in the number of appeals against commercial property valuations, however we are not convinced that allowing retailers to be charged fees for appeals undertaken by assessors is the solution.

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\(^4\) ‘Independent Scotland would be good for whole of UK, especially northern England – says Alex Salmond’, The Independent, 5 March 2014

\(^5\) Finance Secretary John Swinney MSP announced at the SRC Reception on 8 January 2014 that the large retail levy would not continue past the 2014/15 financial year
Keeping taxes down
It is increasingly understood that the retail industry can contribute more to Scotland’s economy and society if the tax system is competitive. Keeping taxes down and predictable helps retailers fund their investment plans, particularly as retained profits become a more important source of financing future investment intentions. It also enables retailers to fund their extensive programmes of community projects.\(^6\)

Decisions on personal levels of taxation affect the cost of living and the amount of money in people’s pockets.

Recommendations:
- The Scottish Parliament has new powers\(^7\) to levy ‘specified’ devolved taxes. We would caution against introducing any new taxes or levies which might make Scotland a more expensive place to invest or live, for example: workplace parking levy, congestion charging, tourist tax, sales tax.
- The 10p Scottish Rate of Income Tax is to be applied in 2016/17, and Scottish Ministers will be developing their thinking over the coming months about the rates to be applied. We would caution against any move which would mean people in Scotland paying more than elsewhere in the UK.
- The Council Tax freeze has contributed to keeping down the cost of living. It has also reduced demands for wholesale changes to the tax which might place the administrative burden for collecting any replacement tax on employers, e.g. through a local income tax. If a rise is considered for 2015/16 then it ought to be predictable and kept to a minimum, for example in line with inflation.
- Many retailers have a choice over where to buy and invest in property in the UK. The rates, bands and thresholds for the new Land & Buildings Transaction Tax which comes into effect in 2015/16 must therefore ensure Scotland’s taxes on commercial purchases of property remain competitive.
- Ensure the rates applicable under the new Scottish Landfill Tax are no higher than in the rest of the UK, with any rises remaining in line with inflation only.

Sensible approach to charges and levies
Retailers appreciate that to fund certain government services specific charges and levies have been introduced. While some decisions rest with local authorities, the Scottish Government remains influential in the setting of a range of charges and levies applicable to retailers. Total sales, rents, fees and charges collected by local authorities generated\(^8\) £2.3 billion in 2012-13.

Recommendations:
- The Scottish Government’s carrier bag levy comes into effect in October, and the retail industry has engaged positively and constructively on its implementation. This spirit of co-operation and engagement must continue particularly around any future Ministerial decisions on the amount to be levied and scope of the charge.
- Town and city centres have a great deal to offer, however restrictive and costly parking and poor accessibility can hold them back. We recognise the

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\(^6\) See ‘Scottish Retail at the Heart of our Communities’, SRC publication, January 2014
\(^7\) Emanating from the Scotland Act 2012
\(^8\) Scottish local government financial statistics 2012/13.
tension that exists as parking is a revenue generator\(^9\) for authorities, however if shopper footfalls are to be maintained and enhanced then a more rounded view of the local trading environment is required with more affordable and accessible parking.

- The fees charged for commercial planning applications leapt by 20% in 2013/14. Any further increase in fees will not be supported until retailers are convinced that there has been a commensurate and demonstrable improvement in service.
- We support the principle of cost recovery and believe that local authorities should be able to demonstrate more transparently how licensing fees are used. Applications should be consistent and done online throughout Scotland, thereby reducing the administrative cost to retailers.
- We understand the Scottish Government has plans to allow water and sewerage charges to be levied on empty retail premises from Spring 2015, and we await further details on the rationale, level of charges and the amount that is expected to be raised.

A SMARTER REGULATORY ENVIRONMENT

Proportionate regulation
Retailers recognise that regulation is important to protect individuals, consumers, the environment and businesses. However there is more that can be done on regulation – particularly given the glut of government-inspired ‘self-regulation’ - to help achieve the Scottish Government’s goals for encouraging growth, jobs and investment, particularly in town centres.

The introduction of primary authorities is a positive move, and we look forward to working with the government to ensure it is implemented effectively. It will encourage more specialised regulatory support to retailers and other firms, and also reduce local authority costs\(^10\). It will encourage a risk based, evidence-led and proportionate approach to regulation, benefiting responsible businesses and ensuring that regulators can take a more targeted and efficient approach to enforcement.

At the same time the Scottish Government has to continue to show itself alive to the need to reshape devolved spending, following the structural reform to the police and fire services.

Recommendations:
- Review, in line with the work of the SRC and the Regulatory Review Group, the proliferation and use of government-sponsored self-regulation, voluntary agreements and codes of practice. Ensure that the same robust principles of better regulation are applied to these regulatory tools as is the case for legislative measures.
- Enable retailers, and others, to choose from a range of licensed building standards verifiers when building warrants are being applied for, in order to speed up the service and get establishments trading promptly.

\(^9\) Parking charges generate £39 million a year for local councils, up 9.1% on the previous year – Scotland on Sunday, 6 April 2014
\(^10\) SPICe briefing on the Regulatory Reform Scotland Bill (Stage 3), published 13 January 2014
• A more flexible and less time-consuming approach to planning and building standards issues - such as consenting limited seating in ‘food to go’ retail premises without toilets - would spur additional private investment by retailers.

• Review opportunities to improve consistency, declutter, and maintain levels of service across the range of diverse public authorities that retailers are required to deal with, for example: the numerous different rates assessors, licensing boards, and planning authorities.

TOOLS TO GROW

Improving infrastructure and skills

Transport is vital to the success of the retail industry. With 23,000 outlets\textsuperscript{11} in Scotland, located in every town and village, retailers rely on access to good quality and reliable transport for the daily operation of their businesses – for ease of access for customers, to deliver goods, and to enable employees to reach the workplace.

We fully support the Scottish Government’s plans to dual the A9 between Perth and Inverness, and the A96 between Inverness and Aberdeen, but would urge a more ambitious timescale for delivery rather than the two decades currently envisaged. Improved connectivity to the North and North East will help unlock the economic potential of these two regions, help get goods swiftly to retail outlets as well as, as is increasingly the case, direct to customers.

Rail is increasingly used to distribute freight for retailers around the country, and changes in customer demand and how people shop is putting a premium on having effective high speed broadband.

Retail offers a diverse range of good career paths, with excellent progression and fantastic opportunities particularly as the digital economy continues to evolve. While just over half of retail jobs are in customer facing roles, large numbers of high quality careers are also available buying, marketing, or working in areas such as web design, e-commerce, product development, food technology, and logistics. The employment and training opportunities that the industry has to offer range from on the job training and mentoring, right through to apprenticeships and formal qualifications.

Recommendations:

• The use of grants to help with the capital costs or operating costs of shifting freight from road to rail is beneficial for congestion and the environment and should be retained.

• Keeping transport infrastructure links open in poor weather, where safe to do so, should remain a priority.

• We support the public sector’s efforts to improve and stimulate the use of superfast broadband and improve mobile telephone reception, especially in light of the profound changes in customers shopping habits.

• Should Scottish Ministers receive any windfall ‘consequentials’ as a result of UK Budget decisions then this should be used to invest in infrastructure

\textsuperscript{11} 12\% of all business outlets in Scotland.
projects or high streets which directly benefit the business environment e.g. a more ambitious timescale for the delivery of the A9 and A96.

- A focus on basic skills of numeracy and literacy must remain a priority for the Scottish Government, particularly if our young people are to leave school and further and higher education well equipped for the world of work, which for many will be in retail.
- The skills support on offer to retail employers should remain uncluttered. The SRC is willing to work with government to help raise the profile of the support on offer from Skills Development Scotland to retailers, for example the assistance for firms seeking to recruit apprentices, and ensure careers advisers are kept abreast of the evolving retail jobs market.

THE SCOTTISH RETAIL CONSORTIUM – WHO WE ARE
The Scottish Retail Consortium (SRC) is the trade association of Scotland’s retail sector and is the authoritative voice of the industry to policy makers, opinion formers and to the media.

The SRC was launched in April 1999 to represent the full range of retailers in Scotland, from well-known high street and online retailers, to supermarkets and a number of trade associations representing smaller retailers.

The SRC works with its members and stakeholders to maintain the political and industry profile of the retail sector in Scotland, through information sharing, policy & research activity and developing links with key sector partners, including the Scottish Government and Holyrood Parliament. We publish leading indicators on retails sales, footfall and vacancies.

The SRC seeks to champion and advance the best interests of the industry and enhance the sector’s significant economic and social contribution even further. Our position statements on public policy matters are determined by our 16-strong SRC Board, after consultation with our wider membership.