



RETAIL RECOVERY: ENABLING THE CORNERSTONE OF THE WELSH ECONOMY TO THRIVE POST PANDEMIC

RETAIL INDUSTRY RECOMMENDATIONS
FOR THE 2022-23 WELSH BUDGET



A SNAPSHOT

RETAIL: WALES LARGEST PRIVATE SECTOR EMPLOYER

11,350
SHOPS



19.5%
VACANCY RATE



120,000
EMPLOYEES



348M
WELSH VAT
COLLECTED



RISE IN RETAIL WAGES
4.3% COMPARED TO

3.9% IN UK
RETAIL ON AVERAGE



Economic Overview

The past eighteen months of the Covid pandemic have been the most challenging and tumultuous period for the Welsh retail industry in decades, with sharp consequences for large swathes of the industry many of whom continue to face an uncertain future. Shopper footfall remains 17% below pre-pandemic levels, shop vacancies have spiked with one in five premises now vacant and retail sales in Wales, while recovering, have yet to claw their way back to pre-pandemic levels and remain lacklustre. This places a question mark over the viability of some stores; and comes after Welsh shops have spent many millions on physical distancing and hygiene measures and PPE.

The industry has publicly praised the substantial and swift support that has been on offer from government for the sector during the crisis, especially the business rates waiver, furlough scheme, grants and loans. As the guardrails of State support for the economy are withdrawn, some support will likely be required in the transition. Given continued turbulent trading conditions it is likely that it will take time for retailers to pay back the Covid loans and tax deferrals and other debts (e.g. unpaid rents accrued whilst shops were shuttered), more so as they grapple with various upcoming policy challenges which are being introduced (e.g. deposit return scheme for drinks bottles, extended producer responsibility, packaging tax etc).



CHIEF RECOMMENDATIONS

WELSH BUDGET 2022-23 – WRC PRIORITIES

DELIVER ON THE COMMITMENT TO A RETAIL STRATEGY FOR WALES

Following representations from the WRC, we were delighted that the Welsh Government has committed to a retail strategy for Wales. The strategy with the ambition of helping the industry to flourish, and to release its potential as a core driver of the Welsh economy, has never been so critical. We would expect that the approach will ensure retailers have early and ongoing dialogue, both in terms of the strategy's actions but also in relation to wider policy making. It is vital that we have coherent decisions which reflect the challenges and opportunities that the sector currently experiences, and takes on board the experiences and insight of those that will be tasked with delivering its ambitions.

It is conceivable the strategy's recommendations may have a fiscal implication. As such, it would be sensible for the Budget to include funding for the delivery of these recommendations.



DELIVER ON THE
COMMITMENT TO
A RETAIL STRATEGY
FOR WALES



AVOID THE CLIFF
EDGE RETURN TO
FULL BUSINESS
RATES IN 2022-23



ACTION TO STIMULATE
CONSUMER SPENDING
AND ENTICE PEOPLE
BACK TO CITY CENTRES



INCREASE THE
FREQUENCY OF THE
BUSINESS RATES
REVALUATION CYCLE
TO MIRROR ENGLAND
AND SCOTLAND
AT THE VERY LEAST.



NO INCREASE IN INCOME
TAX RATES FOR LOW
AND MODEST EARNERS

STIMULATE CONSUMER SPENDING AND REVITALISE HIGH STREETS

Consumer spending is the mainstay of the Welsh economy, yet eighteen months on from the onset of the pandemic and retail spending has yet to recover to pre-pandemic levels. WRC estimates stores have missed out on billions of pounds worth of revenue during this period. The problems are especially acute in city centres where shopper footfall is weakest, and where we've yet to see a return of the likes of office workers, students and tourists. Our shopping centres have been particularly hard hit during the pandemic, and even now footfall is down almost 60 per cent on 2019 figures.

Retailers are playing their part in trying to tempt shoppers back, however policy makers could do more to help reignite consumer confidence and entice people back, especially during our crucial 'golden quarter' of pre-Christmas shopping (Oct-Dec). This is traditionally when retailers generate the funds required to tide them through the leaner period in the early months of the new year.

The Transforming Towns funding is a promising move to enhance the viability of our town centres, and one which should be continued in the next financial year – but policy makers need to think more creatively and at greater scale about enticing shoppers back e.g. through temporary free parking, and/or a government advertising campaign to encourage people back to city centres, and/or a high street voucher scheme as the Northern Ireland Executive is introducing. A voucher scheme could trigger additional spending by shoppers beyond the value of the voucher transaction and create an even larger economic multiplier.

Policymakers exert significant influence over the amount of money in people's pockets and discretionary spending, and should be wary about adding further pressure on to family finances over and above those already planned including the upcoming rises in employees national insurance contributions. As such, Ministers ought to continue to protect workers on low or modest earnings from rises in income tax rates.

We note the plans in the Welsh Government's intention to review council tax and are open to reform or replacement of it. However, any changes should take into account the impact on consumer spending or any administrative implications for employers.

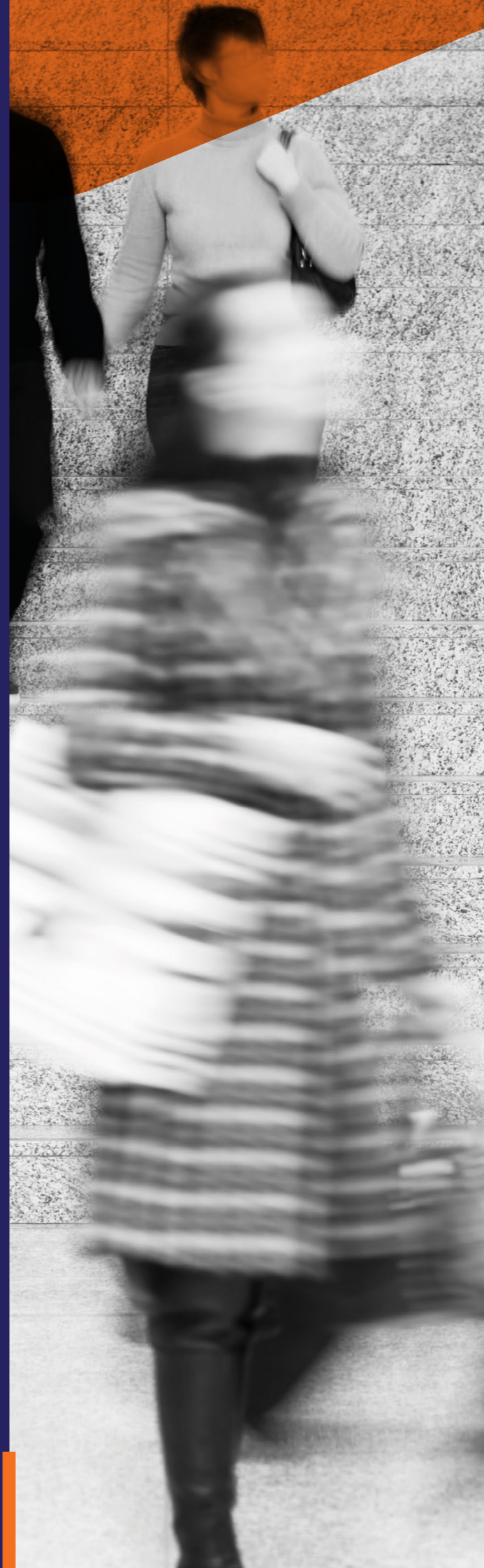
With the Welsh Government advising on working from home where possible, the protracted absence of office workers continues to have a commensurate impact on commercial and economic activity in our cities. In addition, we need to address these challenges in light of the commitment by the Welsh Government to 30% home working post pandemic. Any failure to re-start the economy in our larger towns and cities will have tax revenue implications for councils, such as fewer receipts from business rates.

COMPETITIVE NON-DOMESTIC RATES

Retail traditionally contributes a fifth of business rates. The rates relief on offer during the pandemic has been absolutely critical for the industry, much of which ceased to trade at least twice. It provided timely cashflow assistance, and helped firms fund Covid safety expenditure and changes to their business models. However, we are several months through the current financial year (and eighteen months on from the onset of Covid) and retail sales remain sluggish despite the efforts of retailers to encourage consumers back into store.

Instead of a rigid re-instatement of 100% business rates next April, which were at a 21-year high prior to the crisis, Ministers should consider a modest further discount to business rates in 2022-23 to reflect the significant fall in retail market rents since the last valuation – and particularly since the start of the pandemic - especially if retail sales don't pick up on a sustained basis. An early decision would be most helpful, as would a timetabled route map towards lowering the multiplier to a permanently more sustainable level. The small firms' rates relief has historically recognised the need to keep down costs for firms, albeit three quarters of retail employment is with firms who do not qualify.

Additionally, it is vital that the Welsh Government commits to reviewing the revaluation cycle, and brings this in line with Scotland and England with a move to a three yearly approach. This should be the first step towards making the business rates system fairer and more reflective of current economic conditions through fundamental reform. As retail emerges from the pandemic, a return to 'business rates-as-usual' could derail the industry's recovery, with unnecessary shop closures and job losses the result.



A MORATORIUM ON NEW LEVIES AND RED TAPE

During the pandemic Ministers shrewdly postponed new regulations in order to lessen the workload on firms. Government should continue with this pause for now, to allow retailers the breathing space to recover. A one-year pause on new public policy measures which are not related to protecting customers and retail workers from Covid19 should be maintained. Thereafter, new regulations should be stress-tested for proportionality through the developing retail strategy for Wales.



SKILLS AND THE FLEXIBLE WORKFORCE FUND

A more highly skilled workforce will be key as the industry transforms itself for the future. As such the Welsh Government should allow flexible and simple access to apprenticeship levy payments to ensure the dramatically changing skills' needs of the industry are met and to ensure efficient use of the £7 million contribution made into the Apprenticeship Levy by Welsh retailers. Level 2 and 3 apprenticeships should be encouraged and increased through Government support to enable a pathway of development. This is increasingly acute at a time when retailers are devoting more of their budgets towards training staff to implement public policy e.g. minimum unit pricing of alcohol and Covid restrictions.

In terms of the apprenticeships on offer we would ask for greater flexibility; both in terms of the time taken for 'off the job training', which substantially increases costs due to the need to backfill roles, and in terms of preparing colleagues for future jobs, providing an opportunity to move to a position of helping colleagues onto their next role or a role that might exist in a few years.

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.

Contact details:





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Our membership comprises of businesses delivering £200bn of retail sales and employing over one and half million employees.



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