FINANCE COMMITTEE
INQUIRY INTO THE DEVOLUTION OF FURTHER FISCAL POWERS
SUBMISSION FROM SCOTTISH RETAIL CONSORTIUM

Submission to Lord Smith’s Commission on Further Devolution

Introduction

1. The Scottish Retail Consortium (SRC) is the not-for-profit trade association of Scotland’s retail sector, an industry which employs 255,0001 people across 23,115 outlets and which accounts for 5.5% of Scotland’s GVA. Established in 1999, the SRC represents the full range of retailers from well-known high street, out of town and online retailers, to grocers and a number of trade associations representing smaller retailers and sub-sectors. In addition to publishing leading indicators on retail sales, footfall and vacancies, the SRC seeks to champion and promote the best interests of the industry through policy informed by our members and determined by the SRC’s Board.

2. The Scottish Parliament has considerable scope and powers which can affect consumers and the health of the retail sector, and the SRC values its engagement on these matters with the devolved institutions. In addition to existing responsibilities for skills development, land use planning, building standards and the Scottish Variable Rate, business rates are determined by Scottish Ministers and are set to generate £2.8 billion2 in tax revenues next year, with retailers accounting for a quarter of that. The cost of operating in Scotland and the amount of money consumers have to spend is also influenced by devolved decisions over council tax, charges for water and sewerage, planning application fees, charges for carrier bags, and business regulation.

3. The 2012 Scotland Act is devolving important new powers to Holyrood that will affect consumer welfare and retailers, including the taxation of personal incomes, taxation on purchases of retail property, taxation of commercial waste disposal to landfill, and the ability to levy ‘specified’ new devolved taxes3 on individuals and firms. Good quality transport and digital infrastructure is crucial to the success of the retail industry, and the borrowing powers being devolved from next year provide an opportunity to enhance these areas further.

4. The SRC has, as a result, followed the recent constitutional debate closely. While the SRC remained neutral during the referendum, our Board did engage with and hear from leading protagonists from both sides and provided the wider membership with regular briefings. More recently our Board met with officials from the Smith Commission, and the SRC participated in a business roundtable held by Lord

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1 ‘Businesses in Scotland 2013’, Table 1, p49, Scottish Government
2 Scottish Government’s Draft Budget for 2015/16, October 2014
3 See SRC’s recommendations for the 2015/16 Scottish Budget
Smith. We therefore welcome this opportunity to contribute formally to the Smith Commission’s deliberations, note the principles underlying the cross party talks, and look forward to future engagement as the specific proposals emerge.

Key messages

5. The SRC noted on 19 September 2014, in its response to the referendum result, that the conclusive vote in favour of retaining the United Kingdom - and by implication the UK’s single market - also signals the start of a fresh chapter of devolution, with greater power and more economic responsibility for Holyrood and the Scottish Government.

6. While the refreshed devolution settlement should be durable and able to withstand both good and bad economic times, further devolution however should not be seen as an end in itself. Scotland is a good place to do business, however it could be even better. Our politicians will enhance our prospects even further by prioritising a competitive, open and attractive environment for retailers and others to invest and create jobs. This was the substantive message of our joint communique last month with 12 other business representative and sectoral trade associations, with a full debate needed about how any extra powers ought to be used to make Scotland’s business environment more conducive.

7. We welcome the ambitious timescales outlined for the Smith Commission to reach agreement with the political parties. This will help concentrate minds and provide retailers and others with early clarity and certainty over what further constitutional change will look like and when it will come into effect. This is particularly helpful as retailers make long-term investment decisions for the benefit of their customers, staff and company. The subsequent legislation should ensure sufficient and appropriate lead in times to allow retailers and other firms to implement the necessary changes to internal systems.

8. The retail industry is Scotland’s largest private sector employer, serving a quality retail experience to millions of customers each day. The SRC will work positively and constructively to ensure that the further powers to be devolved as a result of the Smith Commission and subsequent legislation are implemented in a sensible and cost effective manner.

9. It is right that the agreement on further devolution over and above the 2012 Scotland Act is undertaken on the basis of the widest possible consensus, here in Scotland and across the UK, and it is encouraging that all of the political parties represented at Holyrood are participating in the Smith Commission. That said, much of the public debate seems related only to political accountability, where power resides and to delivering on previous commitments, rather than about aiding the economy. We will be keen to understand how the proposals which emerge from the Smith Commission will affect retailers, jobs, customers and supply chain, and how they will help economic growth.

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4 Announced following the first meeting of the cross party talks on 22 October 2014
5 SRC’s public comment on the outcome of the referendum vote, 19 September 2014
6 The SRC, along with 13 other business representative and sectoral trade associations, issued a joint statement on further devolution on 23 September 2014.
10. The focus of much of the public debate thus far has been on opportunities to further devolve welfare and personal taxes on earned income, and assign tax revenues, rather than on areas like regulation, competition policy, consumer protection, industrial relations, employment and labour mobility which would be more likely to affect the operation of the UK’s single market. The SRC shares this perspective, and believes that the existing and largely unfettered UK single market is hugely valuable to Scotland and the wider UK. It allows retailers and other businesses to capitalise on the efficiencies derived from regulatory consistency and economies of scale which in turn reduces business costs, increases productivity, and ultimately lowers prices and provides more choice for customers. Indeed, we would like to see the operation of the single market strengthened, for example with improved transport infrastructure links to the south.

11. For other taxes on business we would wish to see a robust and convincing business case and cost benefit analysis made, mindful of the likely consequential effect on the block grant to the Scottish Parliament via the Barnett Formula and the need for the necessary tax collecting infrastructure to be in place. Retailers often find themselves collecting taxes on behalf of government (e.g. VAT or duties on sales of alcohol, tobacco or fuel), and we would be interested in learning how any disbenefits associated with navigating dual reporting, remittance and enforcement mechanisms – for firms which operate on a UK-wide basis - might be offset, given it might have implications for internal costs such as record keeping, ICT systems, pricing, labelling etc. We would add that retailers, and no doubt other firms, would be concerned if the expanding range of devolved taxes ended up being used in such a way as to make Scotland a more expensive and less attractive place to invest, live or visit, for example if it led to an upward pressure on employers’ total wage bill.

12. Many retailers operate stores and employ staff not just in Scotland but across other parts of the UK, and the SRC and its sister organisation the BRC are alive to further Scottish devolution – over and above the Scotland Act 2012 – having implications for decision making elsewhere in the UK. Indeed, the Wales Bill currently being considered by the UK Parliament contains similar proposals to those enshrined in the 2012 Scotland Act. While there is already a degree of asymmetric devolution within the UK, further devolution would lead to an even more diverse and complex public policy environment for retailers to work within, making compliance more of a challenge when having to deal with multiple regulators and enforcers, regulatory systems and approaches. As such any additional devolved powers should be implemented in a way that minimises the administration and compliance costs to business, with governments working collegiately when similar or aligned policy goals are being sought in order to minimise duplication and discrepancy for firms.

Scottish Retail Consortium
October 2014

7 Currently VAT returns need to be submitted to HMRC every 3 months, HMRC website
8 Recent examples of differing approaches to regulation affecting retail across the four countries of the UK include carrier bags, and current legislation aimed at creating a Scottish food standards agency.