NEW
WEST END
COMPANY

Autumn Budget 2024: A submission from New West End Company

About New West End Company

New West End Company (NWEC) represents over 600 property owner and occupier businesses across London's West End, making us the U.K.'s largest retail, leisure and hospitality Business Improvement District (BID). In total, we operate across 82 streets, anchored by Oxford Street, Regent Street and Bond Street. Our members operate across a wide range of sectors – including property, retail, leisure and hospitality – which, together, make the West End a vibrant and thriving location.

Many of the businesses we represent – from Selfridges to Primark, Burberry to Gymshark, and The Crown Estate and Grosvenor – view the West End as the flagship destination in their wider portfolio. As a BID, we are uniquely integrated with our members across every level, working with everyone from shop-floor staff to property managers to address daily issues and head offices to support wider business strategies.

The opportunity at this Budget

This Budget offers a crucial opportunity for the new Government to recognise the vital role that retail, hospitality, and leisure businesses play in driving the UK economy. By supporting high streets across the country, where these sectors thrive, the Government can stimulate sustained economic growth and ensure the success of the 'everywhere economy' that benefits communities nationwide.

London's West End is one of the U.K's premier retail, hospitality and leisure destinations, and a calling card the world over for the very best of Britain. It is also a perfect example of the multiplier effects that a district like this can have in its surrounding area. Last year, the estimated total turnover for the West End was £9.0bn, but its overall economic impact was much greater – the West End generates 3% of the UK's overall economic output, more than any other comparable part of the UK including the City of London.

As a globally significant retail, leisure and hospitality hub, the West End also plays a significant role in attracting visitors to the U.K., with data from VisitBritain showing that the kind of shopping, food and unique experiences on offer in the West End are drivers of tourism. The area therefore acts as a driver for economic activity across the capital and beyond.

In order to support the West End and similar, flagship, city centre destinations up and down the country, the Government should look to use this Budget to remove barriers to growth and unleash the potential of these areas to be meaningful catalysts for growth across their regions.

Removing fiscal barriers to growth

Retail, hospitality and leisure businesses operating on high streets across the U.K. must be fiercely competitive and committed to growing their businesses in order to thrive, and those in the West End are no different. But to compete effectively with their peers, and prosper in the longer-term, these businesses need a fiscal environment that incentivises continued investment in their physical storefronts. Yet, at present, there are notable fiscal barriers to investment and further growth in the sector.

The first is business rates. It is widely accepted that the business rates system is poorly adapted to the way our modern economy works. The West End contributes £17bn of taxes per annum, including 8% of all UK business rates. This high tax burden acts as a brake on growth by disincentivising businesses from investing in properties in high-value areas.

The Government has identified business rates as an area where change is needed. But any change cannot simply shift the burden of tax from physical businesses to online ones – often they are different lines on the same P&L. Instead, the Government must pursue a fairer system that reflects the reality of today's multi-channel retail, hospitality and leisure businesses.

The Government has promised a fundamental review of the business rates system. It must bring forward this review quickly, and this review must include meaningful business consultation which allows the Government to listen closely to the views of multi-channel retail, leisure and hospitality businesses on how the tax system can support and incentivise them to grow further.

Many retailers in the West End – particularly luxury retailers - compete for an international consumer base. These consumers are highly mobile and savvy and compare the fiscal incentives on offer in different jurisdictions before making decisions about where to make their purchases. The removal of tax-free shopping incentives for all travellers in 2021, when the U.K. left the EU, has acted as a powerful disincentive to tourists who might come to shop in the UK, and a drag on future investment in the U.K.; research from the Centre for Economics and Business Research suggests that, in 2023, visitor numbers could have been two million higher, with a GDP boost of £11.1 billion if the policy had been in place.

Although international visitors to London increased by 3% in the first half of 2024, spending in the West End has sharply declined, dropping nearly 12% compared to the same period in 2019, when tourists still benefited from VAT-free shopping. This disconnect between rising visitor numbers and falling spend has had a significant financial impact, costing West End retailers £220 million in the first half of 2024 alone and a total of £400 million in the previous year. An NWEC survey of businesses in the West End this time last year found that over half (54%) were reconsidering U.K. investment as a result of losing the perk.

The removal of tax-free shopping incentives is a key driver behind this trend. Luxury retailers, in particular, are losing out on sales as international shoppers—who are highly mobile and sensitive to fiscal incentives - opt to make their purchases in countries like France and Italy, where tax-free shopping offers savings of up to 20%. This has a knock-on effect on the wider tourism ecosystem, as the decline of the U.K. as a globally renowned shopping destination means fewer visitors to our restaurants, hotels and cultural attractions – all taxable experiences.

Already, we are seeing a significant change in visitor behaviour - tax-free refunds in Continental Europe have surged by 36% in the first half of 2024 compared to the same period in 2019, whilst U.K. businesses remain at a disadvantage. There is, therefore, a huge opportunity to re-level the playing field and unlock additional growth in the U.K.. Reinstating the policy would make us desirable, once again, to international shoppers who have pivoted to the Continent, whilst simultaneously giving us access to a net new market of 450 million EU residents who could shop in the U.K. tax-free for the first time.

The Government must reinstate the Retail Export Scheme to bring back tax-free shopping for overseas visitors to the UK and ensure that British retailers and other businesses in shopping districts remain competitive on the international stage. As a first step, we are calling for a holistic review of the policy, taking into account the net new EU market and impact on the entire tourism ecosystem.

Beyond the immediate fiscal challenges, the retail, hospitality, and leisure sectors face broader structural barriers to sustained growth. One of the most pressing of these is a shortage of adequately skilled labour. Businesses across these sectors consistently report difficulties in attracting and retaining employees with the necessary skills to meet customer expectations and drive growth.

These chronic skills shortages impact both business performance and the overall customer experience, leading to operational inefficiencies and missed opportunities. Addressing this skills gap is crucial for the long-term success of the sector, as it will enable businesses to adapt to evolving market demands and provide the high-quality service that consumers expect. Without adequate action to improve the availability of skilled workers, the potential for growth in these vital sectors will remain constrained.

The Government must address chronic skills shortages across the retail, hospitality and leisure industries through a comprehensive approach underpinned by a Skills Strategy. The budget for adult skills must be increased to allow for training people to undertake higher-skilled and better-paid jobs.

Funding effective, collaborative policing to prevent crime

Retail, hospitality and leisure businesses on high streets across the U.K. have seen a steady increase in the instances of crimes in recent years, committed both inside the store and on the high street itself – impacting consumer confidence. Our members face daily experiences of shoplifting, violence and anti-social behaviour. These crimes have a significant impact on the businesses against which they are perpetrated as well as these businesses' workers who face intimidation and occasionally violence from thieves. These crimes also have a negative impact on the reputation of the U.K. as an investment destination, with international business leaders highlighting the issue as a concern.

Our members have been clear with us that crime and safety is their top priority, and it represents the biggest single investment for us as a BID. We have invested heavily in joint initiatives with the Metropolitan Police Service (MPS) and Home Office to tackle organised crime and anti-social behaviour within the district. We support a robust response to criminal networks exploiting the situation and have partnered with the Home Office Immigration Department and MPS on ten operations to combat this problem, with the most recent taking place in July and more planned this year. These operations are an example of successful public-private cooperation on crime reduction, and we have seen a year-on-year reduction of rough sleepers by 91%, as of the start of September.

However, despite our best efforts, Westminster has the unfortunate accolade of being the most dangerous Borough in London; in 2023 it topped the list for every criminal offence and accounting for 20% of total theft. This looks likely to continue; in the last twelve months, New West End Company's Security Team has recorded over 3,100 serious security incidents across the district.[1] In our last BID year (from 1 April 2023 – 31 Marh 2024) our team made 76,669 visits to member businesses, dealing with concerns or issues.

The success of our joint operation with the Home Office and the Metropolitan Police demonstrates what can be achieved when public institutions work collaboratively with the private sector to minimise the harmful social impacts of acquisitive and exploitative crime. But such programmes require proper funding to ensure that they provide a sustainable deterrent to would-be criminals.

The Government must invest in street-level policing and collaborative partnerships between the private and public sectors in order to tackle the harmful social and economic impact of rising crime.

The National and International Capital Cities grant paid to the Metropolitan Police reflects the complexity of challenges that the service faces in policing our capital. But the level of funding disbursed through the grant has not kept pace with the ever-evolving tactics used by criminals on our streets. The Mottram Panel on Metropolitan Police National Tasking in 2017 recommended a significant uplift in the level of this funding to meet London's evolving policing needs, but successive Governments have refused to raised funding for the MPS to the level recommended by this report.

London is a city of international significance, and hosts some of the biggest sporting moment, musicians, and cultural events in the world. In order to keep visitors to the capital safe and protect London's reputation as a global city, the Metropolitan Police must be adequately funded to reflect the specific policing challenges that come along with this global status.

The Government must review the NICC funding model for policing a capital city to reflect the size of crowds, scale of major events and millions of people that pass through the capital each year.

[1] New West End Company data, 31 July 2023 – 31 July 2024.

Reforming the planning system to incentivise investment

High streets are communal spaces where people come together to shop, eat, and spend quality time together. The private sector invests considerable capital in making these spaces welcoming for people, often in collaboration with public authorities.

In built-up areas, there are specific challenges that business face when investing in their real estate footprint and undertaking development to improve the experience for the people that visit them and benefit from their services. The current planning system is excessively rigid, creating unnecessary barriers to development and inward investment.

A prime example is the system's restrictive approach to sustainable development. For economic growth to flourish, sustainability must be viewed holistically, balancing environmental considerations with economic viability. While retrofitting existing structures should remain a priority, there are instances where new development is more sustainable—both economically and environmentally—in the long term. The planning system needs to reflect this balance, enabling projects that best serve the community and the economy.

The Government's commitment to reform and rebalancing of the planning system is welcome and must be pursued rapidly.

Through reform to the planning system, the Government must implement a reformed system, flexible enough to deal with the nuances of modern development projects and which situates a retrofit-first approach to sustainable development within the broader context of economic and social sustainability. A greater emphasis must also be placed on ensuring crucial hospitality and retail areas are accessible for all, with continued investment into essential transport infrastructure.

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