



Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Rd
London
SW1A 2HQ

Horticulture House
Chilton
Didcot
Oxfordshire OX11 0RN

T 0333 003 3550
E services@hta.org.uk
W hta.org.uk

January 2024

Dear Chancellor,

Spring Statement 2024: HTA/UK Environmental Horticulture Submission

Headline asks:

- 1. Resourcing and delivering borders and trade changes – a smooth import process is critical to our industry**
- 2. Supported and sustainable transition to peat-free growing media for UK horticulture**
- 3. Reducing financial and regulatory burdens on SMEs**
- 4. Continued action on the escalating level and impact of retail crime**
- 5. Increase accessibility to apprenticeship levy funds and action on skills**

I write to you on behalf of the Horticultural Trades Association (HTA) and its members representing around 1400 businesses across the entire supply chain of the UK's environmental horticulture industry.

The horticulture and gardening industry is the original 'green industry' that effectively contributes to the development of communities throughout the country. This sector is responsible for generating employment opportunities, promoting health and well-being, improving the environment, and delivering net-zero and sustainability targets. The majority of this sector, approximately 95%, is comprised of SMEs. A significant number of these are family-owned enterprises that have been passed down to the next generations over the years. We appreciate the government's recognition of the importance of SMEs and the businesses that constitute the environmental horticulture industry in the UK who:

- Employ 674,200 people in the sector and wider supported jobs
- Contribute £28.8 billion in GDP
- Generate £6.3 billion in tax revenue
- Are vital to delivering 7 of the 10 aims of the Environmental Improvement Plan and critical to achieving net-zero
- Provide substantive physical and mental health benefits.

**The Horticultural
Trades Association**
Est. 1899

A company registered by guarantee.
Registered in London. No. 169606



Whilst November's inflation rates decreased slightly, we understand the difficulties associated with this Budget due to the sustained and challenging economic context. As a result, our submission highlights the need for practical and targeted investments and the reduction of unnecessary bureaucracy. This approach would help eliminate barriers to growth within the industry, ultimately leading to positive outcomes for the UK economy and environment.

We are one of few sectors where weather and climate impact our entire supply chain, including growers and retailers. Therefore, understanding and support to ensure a sustainable future in evermore volatile conditions is necessary. Last year delivered the wettest March in 30 years, the warmest June since records began and a July with very little sunshine. Already this year, in just a matter of days businesses have had to deal with storms, heavy rainfall and flooding. Additionally, uncertainty internationally, for example in the Red Sea will likely see an increase in costs.

For the upcoming Spring Statement, we seek your government's urgent action on:

Borders and Trade – a smooth import process is critical to our industry

The Border Target Operating Model (BTOM) and Windsor Framework published by the government have set out how we will trade in the near future. 96% of UK growers rely on imports of plant products for their operations. For example, young propagating material from the Netherlands and mature trees from Europe. Whilst we need the government to fully resource and pursue all avenues to deliver a Phytosanitary (SPS) agreement with the EU, we ask for a temporary easement, until at least the end of January 2025 or when readiness is achieved, of continued running Place of Destination (POD) checks for the trade in plants from April 2024. We also ask for use of that time, until such easement ends, to ensure full BCP readiness for plant trade, remove all barriers to CP access and other easements with full testing and certainty over costs and processes. Additionally, but also essentially, it is imperative that the technology involved works and is clear. IPAFFS and related border processes must be integrated, smooth the imports process and reduce administration from the existing processes.

This activity, alongside a full-scale transition support process, will increase business preparedness, and SME resilience and allow adequate time to improve the readiness of BCPs to handle the diverse range of imports received by the horticultural sector from the EU. Control Point designation processes must be streamlined with accurate cost comparison calculations between BCPs and CPs made available to businesses. **We, therefore, ask that readiness funding be provided to impacted horticultural businesses so that they are prepared for adaptation to border changes and accessing**



easements. April will be the start of peak season for our sector, and therefore heightened risk if we see delays resulting in damaged or lost goods.

Furthermore, we ask that you ensure all border systems, infrastructure and government agencies are **sufficiently resourced** so that no business activity suffers as a consequence. For example, the CITES permit processes have had a significant impact on our sector due to lack of investment and prioritisation, leading to lost goods and trade. We ask that investment of personnel and issue prioritisation is made into this area immediately to encourage UK businesses to increase their overseas trade and competitiveness.

Supported and sustainable transition to a peat-free

The UK horticulture industry has reduced its peat-use drastically and to record low levels. This has been based on a '2030' policy, and with huge time and financial investment from the sector. Despite us presenting independent evidence proving that an earlier peat ban will impact the production of up to 100 million UK plants and trees, up to 12,000 jobs and a £124 million decline in tax revenues, Defra continues to pursue this policy. **The HTA is calling for the ban on peat-use by professional growers to return to the agreed 2030 date** (we accept and are successfully on track for 2024 for bagged growing media at retail to consumers). We ask the government to urgently and comprehensively review the impact of the early ban and to also offer matched support funding for SMEs to trial and grow in new peat-free mixes. These smaller, independent growers will be hit hardest by the current lack of peat-free resources – developing supply chains is essential. We ask for the government to increase R&D support, and also deliver on transition grants and comprehensive advice and support for SMEs and consumers to deliver success.

Reduce the mounting regulatory and financial burdens on SMEs

As outlined by the government at the Conservative Party Conference 2023, we seek urgent delivery on the government commitment to action on regulatory and financial burdens on SMEs. We have several recommendations that, if acted upon, would significantly improve businesses' capacity to invest and expand:

- **Exemption from Biodiversity Net Gain regulations for Protected Horticulture** to ensure no businesses are unable to increase their growing capacity (to grow products that deliver on environmental ambitions) because of the need to add additional BNG requirements. We believe this is both a perverse and unintended consequence of the regulation.
- **Awareness and monitoring of the impact of April National Living Wage increases in a period of escalating costs – risking employment and investment levels.** Modelling from HTA's 2022 financial benchmarking survey shows that, assuming turnover stayed flat (which could be a challenge given the adverse

impact current weather is having and sales performance in recent months), should garden centres' wage bills increase by 5%, then their bottom line is reduced by 11%. Should the wage bill increase by 10%, profit declines by 23%. This is without any increase in the cost of energy/utilities and the cost of goods sold. Should growers' wage bills increase by 5%, their bottom line is reduced by 12%; and if their wage bill increases by 10% their net profit is slashed by 24%. Whilst we understand and support the need for fair wages, there is a real risk that these increments could lead to a reduction in the number of employees that a company can afford to hire.

- **Freeze the business rates multiplier for the life of the next Parliament, to allow for work to be done on fundamental reform.** The archaic requirement for rates to rise with inflation annually, and the way the rates system works, has seen the multiplier increase by 50% since 1990. As things stand, our businesses face an expected £400m rise in rates bills in April 2024, based on last September's CPI. Your previous actions on business rates have made a tangible difference to our members. We ask you to go further with this budget.
- Consistent efforts to promote action on **water** and industry investment in measures to increase water resilience and energy efficiency. Lowering the investment thresholds required to access grants for water capture technology would allow more businesses to reduce their reliance on the national water supply. Water capture is vital to allow businesses to take advantage of heavy rainfall ahead of the increasingly hot summer months. Smaller growers need the investment support – which will not only provide an economic return over relatively few years, but a priceless environmental return on investment.

Continued action on the escalating level and impacts of retail crime

We welcome the publication of the Retail Crime Action Plan and seek continued action. In 2022, the HTA estimated £16 million worth of garden centre turnover had been lost to retail crime over the last 12 months. Over 70% of garden centres reported crime as an issue. We seek action and government response to the joint call across retail – including by the HTA and BRC - to protect retail businesses and ensure that they can remain competitive. Specifically an extra provision for police responses, particularly in rural locations, to incidents of theft must be made available at your earliest opportunity as well as action on the severity of the crime of assault on retail staff.

Increase accessibility to apprenticeship levy funds and action on skills

We seek wider reform of the Apprenticeship Levy to ensure its funds can be accessed by a wider cohort of SMEs and make apprenticeships a viable training option for SMEs. We fully support and echo the calls of the wider business community for greater flexibility in how levy funds can be used, as well as encouraging larger businesses to transfer their funds to smaller businesses in the supply chain. This will help to ensure that SMEs can maximise



the value of the levy. As a sector where we have a majority of SMEs, removing any barriers to apprenticeship takeup is sought.

To achieve the goals outlined in the Environmental Improvement Plan, it is crucial to invest in the development of future skills in the environmental horticulture industry. The government and industry need to collaborate and identify the gaps in current and future skills and ensure that there is adequate skills provision to fill the diverse range of roles within the horticulture sector.

By investing in and supporting the environmental horticulture industry in this year's Spring Budget, the government will be directly helping to assist us to grow, nurture and supply the flora required to meet the government's legally binding environmental targets. This effort is not only essential for the environment but can also have significant economic benefits. Investing in and utilizing environmental horticulture can increase the sector's potential economic contributions to GVA and tax revenue. This, in turn, will boost market supply and job security, which is crucial for the treasury.

We would be happy to discuss this further with you and your officials and can also arrange a visit to one of our member businesses where we can highlight the key economic issues being faced.

Yours faithfully,

Fran Barnes
Chief Executive