

### **ACS Submission: Transitional Rate Relief**

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the Department for Levelling Up, Housing and Communities consultation on transitional rate relief. ACS represent 33,500 local shops across the UK including Spar UK, McColls, BP and thousands of independent retailers. More information about ACS is included in Annex A

ACS welcomes the government moving to a three yearly revaluation period. We believe the three yearly revaluations will better reflect changes in the property market and economy resulting in accurate billing for ratepayers. The last revaluation of business rates was six years ago and based on rental values from 2015 meaning that existing rateable values (RV) are misaligned with current rental values. The delay to the revaluation is largely down to a lack of action from government to shorten revaluation period which many in the industry have called for over a decade.

The upcoming revaluation of the non-domestic rates will be based on April 2021 property values. The new revaluation will reflect the significant change in the retail property market that has been disrupted by technological change, shifting shopping habits and a once in a generation pandemic. We believe that the government must ensure that businesses are supported with managing fluctuations in RVs given there has been such a long and disruptive period between revaluations.

ACS is a longstanding supporter of the government's transitional rate relief scheme. It has been an important relief for evening out increases in business rates over a revaluation period. However, given the unprecedented changes seen since the last revaluation it is difficult to design a transitional relief system before seeing the outcome of the revaluation. We acknowledge that many businesses will want to scrap downward transitional rate relief. We are sympathetic to this view as it will more quickly align rates bills with actual rental values, but this should not be at the expense of business seeing increases in their rateable values too. Not all businesses trading from premises with appreciation in value and thus higher RVs will necessarily be more successful or profitable, and transitional relief is a mechanism through which they receive proportionate support.

The impact of the pandemic has not been felt equally across the convenience sector. Many neighbourhood and village stores saw increases in sales during national lockdowns. However, convenience retailers trading from transport hubs, city centres or petrol forecourt sites (PFS) saw a huge reduction in footfall and sales during national lockdowns. Therefore, the transitional rate relief scheme needs to, as it has always done, balance support for businesses seeing increases with those see decreases in their rateable value.

#### Overview of ACS' Response

- Deliver faster downward transition to businesses that have seen a reduction in their business rates bills
- Retain upward transitional rate relief for business that have seen an increase in their business rates bills funded through central government
- Continue to recognise small businesses in the transitional rate relief caps

ACS has answered the relevant consultation question below.

**For more information on the submission please contact [Edward.woodall@acs.org.uk](mailto:Edward.woodall@acs.org.uk)**

**Question 1: how do you believe the government should strike the balance in the 2023 transitional arrangements between supporting ratepayers facing increases to their bills and allowing the effect of the revaluation to flow through into bills?**

We recognise that the extended time between revaluation periods and the impact of the pandemic means there is greater urgency to reduce bills for ratepayers through downward transition. We recommend that the government attempts to deliver downward transition more quickly than it has in previous transitional rate relief structures. However, we also want to see support for businesses experiencing increases in their bills by retaining upward transitional rate relief.

If the retention of upward transition cannot be delivered by offsetting against downward support, then the government should centrally fund upward transitional relief. Central funding of upward relief is justified because of the unprecedented impact of the pandemic during the revaluation period. The challenge of the current revaluation is down to successive governments failing to reduce the burden of business rates on businesses and move to more frequent revaluation periods.

Centrally funded upward transitional rate relief is needed to bridge the gap to the business rates system moving to more frequent revaluations. It is also needed to enable retail businesses to continue to invest in their businesses, employees and high streets at a time of significant economic uncertainty. Based on research from business rates relief issued during the pandemic we found that 61% of convenience retailers invest relief into improving their stores or delivering new services<sup>1</sup>.

**Question 2: what format of transitional relief do you think should be provided for the 2023 revaluation?**

**Question 3: do you think that we should continue to provide assurances through transitional relief that bills will not rise by more than a set percentage due to the revaluation?**

**Question 4: do you think we should provide different caps for different sizes of properties?**

We believe that upward transitional rate relief should be retained and that businesses should be provided with assurances that bills will not increase by more than a set percentage. This will help businesses seeing an increase in their business rates plan their response. As outlined in response to question one, we believe it is likely that retaining upward transitional relief will require central government funding if downward transition is to be scrapped or delivered more quickly.

We believe upward transitional rate relief is also important because it has helped businesses that are challenging incorrect rating assessments. We have seen examples where rateable values have been vastly miscalculated by the Valuation Office Agency (VOA). The upward transitional rate relief scheme has helped mitigate increases due to incorrect rating assessments that often take years to resolve.

Convenience stores are generally defined as trading from premises under 3,000sqft (280sqm). 71% of convenience retailers are operated by small independent business owners with majority of them trading from premises below the small property size £28,000 RV threshold<sup>2</sup>. Therefore, in the convenience sector, premises size is a generally a good

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<sup>1</sup> ACS Voice of Local Shops Polling May 2021

<sup>2</sup> ACS Local Shop Report 2021

mechanism for directing support to small businesses. We continue to support recognition of different caps for different sizes premises in the transitional rate relief scheme.

**Question 5: what are your views on how we should fund transitional relief within the requirement for the government to have regard to the object of securing (so far as practicable) that the scheme is revenue neutral over its life?**

For the next revaluation period it may not be possible for the government to deliver a revenue neutral transitional relief scheme. This revaluation period has been delayed and represents a significant disruption to retail sector and changes to the UK economy. We believe that if the government wants to deliver downward transition quicker or scrap it altogether then upward transition must be centrally funded by the government.

**Question 6: do you have any other views on the format of the transitional arrangements for the 2023 revaluation?**

No comments

## Annex A

### ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 47,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.

Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.



### WHO WE REPRESENT

#### INDEPENDENT RETAILERS



ACS represents almost 19,000 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions.

These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

#### SYMBOL GROUPS AND FRANCHISES



ACS represents over 14,000 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits.

Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

#### MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents over 13,000 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls and others.

Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

### THE CONVENIENCE SECTOR



#### WHAT WE SELL

In 2021, the total value of sales in the convenience sector was £43.2bn.

The average spend in a typical convenience store transaction is £10.82.



#### WHO WE ARE

There are 47,079 convenience stores in mainland UK. 71% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



#### OUR COLLEAGUES

The convenience sector provides flexible employment for around 392,000 people.

9% of independent/symbol stores employ family members only.



#### HOW WE OPERATE

10% of shop owners work more than 70 hours per week, while 49% take no holiday throughout the year.

72% of business owners are first time investors in the sector.



#### OUR COMMUNITIES

Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors.

80% of independent/symbol retailers have engaged in some form of community activity over the last year.



#### ECONOMIC CONTRIBUTION

Between August 2020 and May 2021, the convenience sector invested over £534m in stores.

The most popular form of investment in stores is refrigeration.

### OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

#### ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1,200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

#### ACS INVESTMENT TRACKER

Regular quarterly survey of over 1,200 independent and symbol retailers which is combined with responses from multiple businesses representing over 3,000 stores.

#### ACS LOCAL SHOP REPORT

Annual survey of around 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 6,700 stores. The Local Shop Report also draws on data from Lumina Intelligence, IGD, Nielsen and William Reed.

#### BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.

For more information and data sources, visit [www.acs.org.uk](http://www.acs.org.uk)