ACS | the voice of local shops

ACS Budget Submission 2018

Overview

ACS (the Association of Convenience Stores) welcomes the opportunity to provide evidence in advance of the Autumn Budget 2018. ACS represents 33,500 local shops across the UK including the Co-op, Spar UK, One Stop, McColls Retail, MFG, BP and thousands of independent retailers. The convenience sector is worth £39 billion and by the end of 2018 sales are projected to reach £40 billion. For more information about ACS, please see annex A.

The convenience sector, like the rest of the retail sector, is experiencing great change in terms of consumer expectations, competition from new trading formats and increased operating costs. These changes are driving retailers to invest significantly in their stores and service offer so that they remain relevant to consumers. In the last year retailers' have invested over £814 million in improving their stores, notably on reducing running costs through energy efficient refrigeration or lighting, improving store formats to meet consumer needs or investment in technology to increase productivity.

The number one concern facing retailers is increasing employment costs, largely from the National Living Wage. As the National Living Wage has increased, 75% of convenience retailers have cut back staff hours, and 45% of employees in the sector now work less than 16 hours per week. Other responses by retailers include increasing the hours they work (60%), reducing investment (51%)[1]. The jobs provided in convenience stores are flexible and highly valued by local staff most of whom can walk to work and juggle their work with other commitments including childcare and looking after elderly relatives. Most people working in convenience stores are satisfied with their jobs and envisage themselves continuing to work and progress in this sector.

Business rates is also a concern for our members and are often a barrier to investment. We believe that reforms to rates system to incentivise investment are fundamental. We hope the Treasury will consider introducing a business growth accelerator, similar to what the Scottish Government has introduced, allowing businesses to delay increases in their rates bills when they invest in their businesses. We do not support blunt changes to the business rates system such as moving to a turnover based tax or sales tax, which would be particularly harmful to low margin businesses. We think that extending the established principle of adopting a sector specific[2] rating scheme to online businesses is worthy of consideration and could be brought about without changing the whole business rates system.

Convenience store operators remain positive about the future because they are well-placed to respond to changes in consumer habits towards shopping little, often and locally. Convenience stores are not only located in more communities than any other business, but they are consistently rated, along with Post Offices, as being the service that has the most positive impact on those communities. Supporting a thriving convenience store sector to continue to invest, provide good jobs and training, and to reach into every type of community should be an important part of this government's economic strategy.

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[1] ACS Low Pay Commission Submission 2018

Executive Summary and Recommendations

Business Rates

- *Reform the business rates system to incentivise investment by introducing a business growth accelerator allowing businesses to delay increased rates for at least one year.*
- *Account for online businesses in the rating system by introducing a new rating methodology for online distribution warehouses that deliver to consumers.*
- *Review turnover-based rating schemes used for ATMs and petrol forecourt sites.*
- *Maintain central administration of small business rate relief and reinstate the retail rate relief scheme offering a £1,500 reduction in business rates for business with a rateable value under £50,000 RV, to help high streets transform to compete with the digital economy.*
- *Funds raised from taxes levied against online businesses should be used to subsidised rate reliefs to support the transformation of high streets.*

Business Crime Investment Allowance

- *Introduce tax reliefs on crime prevention equipment to increase business investment, leading to reduced crime and save policing and criminal justice system resources.*

Employment

- *Reinstate the independence of the Low Pay Commission to set wage rates based on economic analysis and consultation, without reference to political targets.*
- *Do not introduce a premium-wage rate for non-guaranteed hours or working hours offered at short notice.*

Duty Rates

- *Freeze duty levels on alcohol and tobacco products. Increased duty rates drive consumers to the illicit trade and cause increased revenue gaps for the Exchequer.*
- *No duties on e-cigarettes or vaping products. E-cigarettes are an important category for convenience retailers and are supported by Public Health England as a smoking cessation aid.*

Tackling the Illicit Trade

- *Convenience sector collects almost £2 billion of tobacco and alcohol duties in the UK, but more needs to be done to tackle the total UK illicit alcohol and tobacco market that is worth £3.8billion.*
- *Refocus enforcement action against retailers selling illicit goods by removing alcohol licences instead of issuing verbal or written warnings or pursuing criminal prosecution. More powers should be transferred to Trading Standards officers to tackle the illicit trade at a local level.*
- *At the earliest opportunity, appoint a tobacco track and trace ID issuer in order to allow retailers to apply for their Economic Operator Identifier Codes and Facility Identifier Codes as directed by the Tobacco Products Directive II article 15 and 16.*

Fuel Duty and Ultra Low Emission Vehicle Infrastructure

- *Freeze Fuel Duty.*
- *Create guidance and a dedicated point of contact in the Office for Low Emission Vehicles to enable fuel retailers to access funding for installing electric vehicle charging points.*

Plastics Tax

- *No double taxation from the introduction of Deposit Return Scheme or reform of the Packaging Recovery Notices system.*

- *No reduction in the de minimis threshold for the Packaging Recovery Notes (PRN) system. Reducing the de minimis would load costs and significant administrative burdens onto independent convenience retailers.*

ATMs

- *Closely monitor the impact of LINK's decision to cut the ATM interchange fee on the free to use ATM network and consumer access to cash especially in rural communities.*

Post Office

- *The future of the Post Office network will be determined by relationships with the businesses that host them. We welcome that the Post Office has recognised[3] that the network must continue to be an attractive proposition for retailers in future*

[3] Post Office Annual Report 2016/17 Operational and Financial Risks pg 34

Business Rates

- *Reform the business rates system to incentivise investment by introducing a business growth accelerator*

The Treasury should consider introducing a Business Growth Accelerator, similar to the Scottish Government's[4] business growth accelerator, enabling businesses to delay increases in business rates bills for a time limited period so that business have time to realise a return on their investment(s). The accelerator would instil more confidence in businesses to invest in their properties as they will have more time to recoup some of the cost before paying the increased business rates bill.

The principle of delaying bill payments is a common feature of the rating system through the existing transitional rate relief system. The accelerator mechanism also only delays the collection of rates revenue which means that the Treasury will not have to make significant new investment to introduce the policy. The British Chambers of Commerce[5] suggest that the introduction of a business growth accelerator in England would cost the Treasury £533 million.

- *Account for online businesses in the rating system by introducing a new rating methodology for online distribution warehouse that deliver to consumers*

The business rates system has failed to respond to the changing structure of the retail market and rise of ecommerce, causing an imbalance in the rates burden on traditional 'bricks and mortar' retailers. The Government should explore how the business rates system could recognise businesses which predominately trade online by applying a different rating methodology to the property they use, for example distribution centres delivering directly to consumers would be subject to a sector specific scheme. The use of different rating methodologies to establish market rental value is common in other important sectors where the economic value of the business is not reflected in property values as traditionally determined in the rating system, such as pubs, restaurants and petrol forecourts, which are based on the receipts and expenditure model.

There are many other proposals being pitched to replace the business rates system, but we believe that the rating system should remain a property-based tax. We do not support blunt changes to the business rates system such as moving to a turnover based tax or sales tax. Turnover or sales taxes would be particularly harmful to low margin convenience stores businesses and a high proportion of other high street businesses. The current rating liability for the convenience sector is £340m after rate reliefs are applied[6], under a sales tax approach the business rates bill would be considerably higher. The move to a sales tax would cause substantial harm to high turnover, low margin high street businesses.

Other property-based tax systems such as a Land Value Tax or Commercial Landowner Levy offer some advantages, particularly as the Levy would not hamper investment in improving property as the business rates system currently does. However, there are many disadvantages; it is not clear how a levy would account for small businesses like the current rate relief system, an increase in the employment allowance would not be sufficient. Moreover, the valuation methodology for determining the value of land would be extremely complex and open to challenge that will result in uncertainty, an extensive number of rating appeals and higher property taxes.

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[4] https://www.mygov.scot/business-rates-relief/business-growth-accelerator-relief/

[5] British Chamber of Commerce

[6] ACS Local Shop Report 2017

- *Review turnover-based rating schemes used for ATMs and petrol forecourt sites*

Rating methodologies that are not based on property values require review. For example, ATMs and petrol forecourt sites are rated on a turnover basis, which causes disproportionate rating bills. Retailers are billed £4,000 on average for hosting an ATM, separately to rates payable for the shop[7]. Free to use ATMs should be exempted from rates liability in recognition of their role to provide access to cash and encourage consumer spending in businesses across the high street. The turnover-based methodology for petrol forecourt sites is penalising retailers who have invested in the convenience store side of their business and requires review.

- *Maintain central administration of small business rate relief and reinstate the retail rate relief scheme offering a £1,500 reduction in business rates for business with a rateable value under £50,000 RV while high streets transform to compete with the digital economy.*

Small business rate relief helps the smallest retailers, often trading in the most isolated locations, to continue to serve local communities. We believe it is important that these relief continued to be administered centrally. The restructuring of small business rate relief and the move from RPI to CPI has also enabled a wider group of businesses to benefit from business rate relief.

Local authorities have existing powers under the Localism Act 2011 to grant business rates discounts to any local business according to its own criteria and discretion, with these discounts 50% funded by central Government. However, there has been limited use of these powers because of the pressures on local authority budgets. We would like the Government to re-introduce the centrally funded retail rate relief scheme that enabled businesses under £50,000 rateable value to benefit from a £1,500 business rates reduction[8].

The re-introduction of the relief would acknowledge that traditional bricks and mortar businesses need support as the high streets goes through a period of transformation to account for the rise in the digital economy. The Government would be able to deliver the relief under section 47 of the Local Government Finance Act 1988, as a temporary measure.

- *Funds raised from taxes levied against online businesses should be used to subsidised rate reliefs to support the transformation of high streets.*

If the Treasury decides to introduce new levies on online businesses a proportion of the revenue raised should be allocated to fund business rate relief to support the transformation of high streets and local parades. We would recommend the Treasury uses new revenue to fund a centrally administered retail rate relief scheme that enabled businesses under £50,000 rateable value to benefit from a £1,500 business rates reduction[9].

Business Crime Investment Allowance

- *Introduce tax reliefs on crime prevention equipment to increase business investment, leading to reduced crime and save policing and criminal justice system resources*

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[7] £300m of business rates refunds held until "cash tax" decision reached Retail Gazette. 21 May 2018

[8] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/512755/150226_Business_Rates_Retail_Relief_guidanceARCHIVED.pdf

[9] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/512755/150226_Business_Rates_Retail_Relief_guidanceARCHIVED.pdf

The biggest operational challenge for retailers is crime against their business. The level of crime has increased significantly in recent years. In the last year alone shop theft increased by 3%[10]. Criminal activity has cost the convenience sector £193million in the last year, equivalent to a 7p crime tax on every purchase in a convenience store.

With policing budgets under pressure[11], businesses are expected to do more to protect themselves from crime and need more support in the form of tax relief for capital investment in crime prevention equipment. Reducing the cost of investing in crime prevention equipment will drive up investment by businesses and in turn drive down criminal activity. This will lead to cost savings for police forces and the justice system. ACS recommends two options for consideration by the Home Office and Treasury to increase investment in crime prevention equipment in the form of tax reliefs:

Business Rates Exemption for Crime Prevention Equipment

The business rates system disincentivises investment in crime prevention equipment. Currently, if a business invests in a CCTV system with four cameras, their business rates bill increase. The cost of an up to date CCTV system will run into thousands of pounds for a convenience retailer, and the added burden of increased business rates bills is a further barrier to investment.

Based on engagement with rating experts and convenience retailers a modest CCTV system would have an estimated replacement cost of £2,625 adding just over £100 per annum to a convenience retailers business rates bill. This is also applicable to other physical security measures such as bollards and security shutters. This approach would align with ACS' recommendation for the Treasury to introduce a Business Growth Accelerator.

Enhanced Capital Allowance Scheme for Crime Prevention Equipment

HM Treasury and the Home Office could support businesses investing in the best crime prevention equipment by introducing an enhance capital allowance scheme for crime prevention equipment, similar to the enhanced capital allowance scheme for energy saving technologies[12]. This would enable businesses to invest in certified crime prevention equipment and right off all tax liabilities against their profits.

This would require the Home Office, Treasury and HMRC to develop a system for certifying crime prevention equipment that would be subject to enhanced capital allowances. Taking CCTV equipment as an example, the Home Office issue extensive guidance to businesses on standards and operations[13] of CCTV equipment. The British Standards Institute also issue a range of standards for CCTV[14], security shutters[15], locks[16] and alarm systems[17]. These standards and guidance documents could form the basis of list of equipment that would qualify for enhance capital allowances. This would ensure that any equipment that

[10] Crime in England and Wales: Year Ending March 2018
[11] National Audit Office Report: Financial Stability of Police Forces in England and Wales 2018
[12] https://www.gov.uk/government/publications/enhanced-capital-allowance-scheme-for-energy-saving-technologies
[13] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/142684/cctv-small-business-guidance.pdf
[14] https://www.gov.uk/guidance/recommended-standards-for-the-cctv-industry
[15] https://shop.bsigroup.com/ProductDetail/?pid=000000000030182174
[16] BS 3621
[17] https://shop.bsigroup.com/ProductDetail/?pid=000000000030372113

received enhance capital allowances would have the correct specification of performance, for example quality of footage and capacity to share images quickly with criminal justice agencies.

Cost Savings to the Criminal Justice System

Based on discussions we have had with our members, tax relief on crime prevention equipment would encourage them to increase their investment in crime prevention equipment. They would invest in upgrading existing equipment or expanding the physical security measures they currently have in stores. Retailers will only invest in crime prevention equipment where they can identify a measurable reduction in the amount of criminal activity they face. Therefore, it is reasonable to assume increased investment in crime prevention equipment, as result of tax relief, will help reduce crime.

Outlined in the table in annex B are the cost savings we have estimated for both convenience retailers and the criminal justice system from reduced criminal activity based on the Home Office's *Economic and Social Cost of Crime*[18] research report from July 2018. The report details the cost of crime per incident to the criminal justice system, this includes police costs and other criminal justice system costs such as court proceedings. Different costs are attributed to different crime types for example the cost of a police response to a shop theft incident will be lower than the response cost to robbery. We have forecast reductions in the volume of criminal activity against convenience retailers[19] at 1%, 2% and 5% across three core crime types; commercial theft, robbery and burglary.

A 2% reduction in criminal activity against convenience stores from better crime prevention equipment would save the criminal justice system £4.6 million. These figures only represent savings related to the convenience sector, which represents one fifth of the total grocery. When expanded to the wider retail sector the investment and saving levels will increase considerably as the volume and value of crime increases. For example, the total cost of commercial theft in the wider retail sector is worth £65 million[20]. The tax reliefs would also be applicable to other sector such as agriculture where the total cost of rural crime is estimated to £44.5 million[21].

Employment

- *Reinstate the independence of the Low Pay Commission to set wage rates based on economic analysis and consultation, without reference to political targets.*

Employment costs are one of biggest concerns for convenience retailers as the majority the sector are National Living Wage employers. Therefore, as the National Living Wage increases each year so too do convenience retailers' wage bills. ACS has recommended that the Low Pay Commission approaches setting the National Living Wage rate for 2018/19 with caution. Looking beyond 2020 we would like to see the Low Pay Commission have its independence reinstated to set wage rates based on economic analysis and consultation, without reference to political targets.

77% of convenience retailers indicate that wages rates should not increase more than the rate of inflation and 74% would like to see a freeze in the National Living Wage rate for next year. Retailers have been clear that increasing in the National Living Wage have led to them

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[18] The Economic and Social Cost of Crime Survey Second Edition Research Report 99
[19] ACS Crime Report 2018
[20] BRC Retail Crime Survey 2017
[21] NFU Rural Crime Report 2018

making tough choices in their business to reduce operating costs, for example reducing paid staff hours (75%), independent retailers increasing the hours they work in the business (60%) and reducing investment (51%)[22].

- *Do not introduce a premium-wage rate for non-guaranteed hours or working hours offered at short notice.*

ACS does not support a premium wage rate for non-guaranteed hours as recommended by the Taylor Review and currently being considered by the Low Pay Commission. Premium wage rates for non-guaranteed hours would be a blunt response to the issue of one-sided flexibility, which is not prevalent in the convenience sector with employment often delivering good flexible working benefiting retailers and the colleagues they employ. The introduction of a premium wage rate would add complexity for retailers calculating their wage bills and result in a perverse incentive for colleagues on short term contracts not to accept more stable employment contracts. A premium rate for hours provided at short notice would provide the same payroll and budgeting complexities for retailers and be unavoidable, for example when unforeseen employee absences occur and cover is needed at short notice.

Duty Rates

- *Freeze duty levels on alcohol and tobacco products. Increased duty rates drive consumers to the illicit trade and cause increased revenue gaps for the Exchequer.*

Alcohol and tobacco are important product ranges for the retail sector. Alcohol represents on average 14.9% of UK sales in convenience stores, while tobacco represents, on average, 20.4% of sales[23]. ACS believes that increases in duty rates on alcohol and tobacco products promote the illicit trade by growing the price differential between legal and illicit products. The illicit trade poses a growing threat to legitimate sales of alcohol and tobacco products. In HMRC's Measuring Tax Gaps 2018 report, the mid-point revenue loss to the Exchequer for alcohol is £1.3 billion[24] and the losses for HMT on tobacco are £2.5 billion[25].

We urge the Government to consider the impact of increased duty rates on the illicit market and its knock-on effects for revenue lost by the Exchequer, undermining public health objectives and legitimate business objectives. We recommend that the Government freezes duty rates on alcohol and tobacco products and focuses its resource on enforcement activity to remove criminals from trading illicit and non-duty paid goods.

- *No duties on e-cigarettes or vaping products that are an important category for convenience retailers and are supported by Public Health England.*

E-cigarette and vaping products are an important developing category in the convenience sector. In total tobacco and vaping products on average account for 20.4% of convenience store sales. Many consumers are reducing their consumption of tobacco and moving to e-cigarette and vaping products. As with the tobacco market, application of duties on these products could drive consumers to the illicit market and away from legitimate retailers.

The use of e-cigarettes and vaping products has also been promoted to meet public health goals – the application of duties on these products could undermine consumers from existing

[22] ACS Low Pay Commission Submission 2018
[23] ACS Local Shop Report 2017
[24] [HMRC: Measuring Tax Gaps 2018]
[25] [HMRC: Tobacco Tax Gaps 2018]

smoking. Professor John Newton, Director for Health Improvement at PHE said: *"vaping is a fraction of the risk of smoking, at least 95% less harmful, and of negligible risk to bystanders"*

Tackling the Illicit Trade

- *Convenience sector collects almost £2 billion[26] of tobacco and alcohol duties in the UK, but more needs to be done to tackle the total UK illicit alcohol and tobacco market that is worth £3.8billion.*

- *Refocus enforcement action against retailers selling illicit goods by removing alcohol licences instead of issuing verbal or written warnings or pursuing criminal prosecution.*

There is an extensive range of sanctions already available to HMRC and to tackle the illicit market, but under-resourcing at HMRC prevents fast and consistent enforcement. In our submission to HMRC's consultation on sanctions to tackle tobacco duty evasion and other excise duty evasion, while we outlined our support for HMRC's proposed sanctions (including: consideration of exploring sharing powers across partner agencies, removing trading licences and applying closure notices, and promoting more effective targeted use of appropriate sanctions to fit the offence at the lower end of the supply chain), we encouraged HMRC to remove retailers' ability to trade by removing their alcohol licence if they are found to be selling illicit or non-duty paid products. This is an effective but underused sanction which we know would deter business in our sector for engaging in the illicit alcohol and tobacco trade. consider removing alcohol licences from retailers selling illicit tobacco

In our submission[27], we also encourage HMRC to extend the offences of Restricted Premises Orders (RPO) and Restricted Sales Orders (RSO) to include illicit tobacco offences. Trading standards officers already have powers available to them to make provision for Restricted Premises Orders (RPO) where there has been a total of three underage sales offences at a premises in a two-year period. This prohibits a retail premises from selling tobacco products for a period of up to 12 months. However, trading standards officers do not have the power to use RPOs to sanction retailers involved in the sale of non-duty paid tobacco products. This would be a more effective way for dealing with low volume and low value illicit tobacco offences instead of fines or written or verbal warnings.

- *Transfer more powers to Trading Standards officers to tackle the illicit trade and request that the Sentencing Council develops new sentencing guidelines for selling illicit or non-duty paid alcohol and tobacco products.*

While there are a robust set of sanctions available to HMRC to tackle the illicit market, trading standards teams, who are responsible for tackling inland illicit tobacco activity, have extremely limited powers and sanctions to deal with illicit tobacco and limited intelligence is shared with them by HMRC. Currently, trading standards officers only have the power to sanction retailers if they breach the Trade Marks Act 1994 (by selling counterfeit goods) or if they breach the Consumer Protection Act 1987 (by selling tobacco products which do not comply with UK labelling) to deal with illicit tobacco offences.

We welcome that 93% of all councils[28] are focusing enforcement activity in relation to illicit tobacco products. However, we are concerned that 55% of actions[29] taken by trading

[26] ACS Local Shop Report 2018; Retail Economics
[27] ACS Submission: Sanctions to Tackle Tobacco Duty Evasion and Other Excise Duty Evasion
[28] CTSI: Tobacco Control Survey, England 2015/16
[29] CTSI: Tobacco Control Survey, England 2015/16

standards teams to sanction retailers selling illicit tobacco are verbal or written warnings. ACS does not believe that verbal or written warnings act as a significant deterrent to the sale of illicit tobacco. We believe that an extension of powers to Trading Standards officers would enable them to deal with offenders quickly and more effectively than at present.

ACS believes that there needs to be a significant up-lift in inland enforcement activity by HMRC to reduce the illicit trade and additional powers should be given to trading standards officers to enabled them to enforce more effectively. We recommend that trading standards be given the authority to sanction retailers participating in the sale of illicit tobacco using the Customs & Excise Management Act 1979. This Act specifically addresses the sale of non-duty paid tobacco as an offence.

Moreover, there are currently no sentencing guidelines for offences related to the sales of illicit and non-duty paid alcohol and tobacco. We recommend that the Sentencing Council develop new sentencing guidelines to aid Magistrates decision making.

- *At the earliest opportunity, appoint a tobacco track and trace ID issuer to enable retailers to apply for their Economic Operator Identifier Codes and Facility Identifier Codes as directed by the Tobacco Products Directive II article 15 and 16.*

We are concerned about the current timeframes for the implementation of the tobacco 'track and trace' regulations (Article 15 & 16 of the TPD 2014/40/EU) and the burden this will place on the thousands of convenience store retailers across the country. We believe it is necessary for HMRC to review the current timeframes for implementation of the tobacco 'track and trace' regulations.

The tobacco 'track and trace' regulations require all retailers that sell cigarettes and hand-rolling tobacco to register for an Economic Operator Identifier Code and Facility Identifier Codes in order to continue to purchase these products. At present no ID Issuer has been appointed by HMRC to issue these codes to retailers and no information is available about the application process. The ID Issuer will have to process 50,000 applications for the convenience sector alone by 20th May 2019 in order for them to continue purchasing tobacco.

Fuel Duty and Ultra Low Emission Vehicle Infrastructure

- *Freeze Fuel Duty*

We welcome action from the Chancellor in the Budget 2017 to maintain a freeze in the fuel duties. We urge the Government to continue to freeze fuel duties in 2019.

- *Create guidance and a dedicated point of contact in the Office for Low Emission Vehicles to enable fuel retailers to access funding for installing electric vehicle charging points*

The Government has made a clear commitment to increase the take up of electric vehicles and to enhance the electric vehicle infrastructure across the UK. ACS supports the expansion of the electric vehicle infrastructure and our members are investing extensively in delivering new facilities on petrol forecourts.

We have welcomed the Government commitment to deliver £400 million of funding for enhancing the electric vehicle charging network. However, there is limited information about how fuel retailers can access this funding. We are keen to work closely with the Office for

Low Emission vehicles and the Treasury to deliver support to businesses on they access this funding. The table in Annex C outlines the current pots of funding.

- *Exempt electric vehicle charging points, and the associated car parking space, on petrol filling stations from business rates to incentivise the expansion of the electric vehicle charging network.*

Currently there is no provision in the VOA rating manual for the assessment of electric vehicle charging for business rates or the parking spaces that the vehicle occupies to charge - this is likely to change at the next revaluation. The Government should pre-empt this and introduce an exemption for electric vehicle charging points and the associated car parking space from the rating list. This will provide businesses with the certainty to invest in the new technology without incurring additional tax liabilities.

Plastics Tax

- *No double taxation from the introduction of Deposit Return Scheme or reform of the Packaging Recovery Notes System*

- *No reduction in the de minimis thresholds for the Packaging Recovery Notes System that would load costs and more importantly significant administrative burdens onto independent convenience retailers.*

Both Defra and HM Treasury are considering a range of policy proposals for tackling single use plastics and delivering the 25-year Environment Strategy. We support proposals for an extension of the single use plastic bag charge to smallest retailers as long as reporting exemption are retained for businesses with less than 250 employees.

When HM Treasury and Defra consider new recycling infrastructure and fiscal measures it should be a priority to avoid double taxation, in terms of direct taxes and supplementary operational costs. We are concerned that a situation will arise where retailers are forced to operate an expensive and burdensome Deposit Return Scheme in their stores as well as having to pay for packaging recovery notes through the PRN system by a reduction in the de minimis threshold.

We strongly encourage Defra to consider how they will exempt small stores from any future DRS scheme. We have worked to communicate the extensive burdens a DRS scheme will place on small format stores in terms of space, pressure on staff, health and safety, and hygiene issues[30].

We would not support a reduction in the de minimis level threshold for the PRN System from 50 tonnes of materials and £2million turnover threshold to be dropped to one tonne, as suggested by the Environmental Audit Committee. The de minimis threshold were originally conceived to exempt the smallest businesses handling a limited amount of packaging and exempting them from additional cost burdens and most importantly administrative burdens. If the de minimis threshold was extended to small businesses, then convenience retailers would have to invest in services to measure the throughput of packaging in their stores. It will be particularly difficult for 31% of stores that do not have electronic point of sales equipment[31].

[30] ACS Submission to DEFRA Economic and Voluntary Incentives Group
[31] ACS Local Shop Report 2018

Payments

- *Closely monitor the impact of LINK's decision to cut the ATM interchange fee on the free to use ATM network and consumer access to cash especially in rural communities.*

Recent figures from LINK[32] have shown that the geographic spread of free to use ATMs across the UK is in decline. We understand that as more people move to alternative payment methods that the ATM network will need to reduce, but it is essential for both businesses and consumers that a wide geographic spread of free to use ATMs is retained. Failure to do so would result in lack of choice for consumers about payment methods with millions of people still solely reliant on cash.

We are calling on the Payment Systems Regulator to intervene if evidence from LINK continues to show that cuts in interchange fees are resulting in ATM deserts or blackspots. We welcome that the Payment Systems Regulator is developing a Specific Direction for LINK to ensure they have process in place to deliver in the Financial Inclusion Programme[33].

Post Office

- The future of the Post Office network will be determined by relationships with the businesses that host them. We welcome that the Post Office has recognised[34] that the network must continue to be an attractive proposition for retailers in future.

23% of local shops host Post Offices enabling consumers to reach important service close to where they live and driving footfall to stores. ACS' Community Barometer shows that consumers also believe that Post Office and local shops have the most positive impact on local communities[35].

The partnership between convenience stores and Post Offices will determine the future of the network therefore it is essential that host a Post Office remains an attractive commercial proposition.

[32] LINK Financial Inclusion Monthly Report
[33] PSR Responds to LINK's first ATM Footprint Report
[34] Post Office Annual Report 2016/17 Operational and Financial Risks pg 34
[35] ACS Local Shop Report 2018

ANNEX A

ABOUT ACS

The Association of Convenience Stores lobbies on behalf of around 50,000 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.

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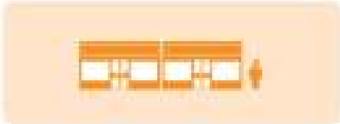
WHO WE REPRESENT

INDEPENDENT RETAILERS

ACS represents 22,397 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.

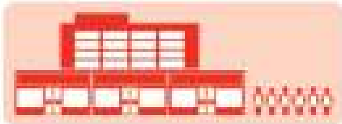
SYMBOL GROUPS AND FRANCHISES



ACS represents 14,659 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 12,862 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls, Conviviality Retail 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

In 2017, the total value of sales in the convenience sector was £38bn.

The average spend in a typical convenience store transaction is £6.28.

There are 49,918 convenience stores in mainland UK. 74% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.

The convenience sector provides flexible employment for around 370,000 people.

24% of independent/symbol stores employ family members only.

20% of shop owners work more than 70 hours per week, while 19% take no holiday throughout the year.

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

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.

79% of independent/symbol retailers have engaged in some form of community activity over the last year.

Between August 2016 and May 2017, the convenience sector invested over £658m 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 1200 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 1200 independent and symbol retailers which is combined with responses from multiple businesses representing over 5,000 stores.

ACS LOCAL SHOP REPORT

Annual survey of over 2400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 6,291 stores. The Local Shop Report also draws on data from HIM, 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

ANNEX B - Criminal Justice System (CJS) savings from 1%, 2% and 5% reduction in the volume of commercial robbery, burglary and theft

If there was a 1% crime reduction

	Total CJS costs per crime	Total consequence cost	Total cost exc. Anticipation	Number of crimes in the convenience sector	Estimated costs to CJS	Estimated Total cost	CJS savings	Total savings
Commerical robbery	£4,680	£9,026	£13,706	9,211	£43,107,178	£126,242,555	£435,426	£1,275,177
Commercial burglary	£2,770	£8,052	£10,822	2,830	£7,839,539	£30,629,332	£79,187	£309,387
Commercial theft	£240	£113	£353	959,096	£230,182,972	£338,460,873	£2,325,081	£3,418,797

If there was a 2% crime reduction

	Total CJS costs per crime	Total consequence cost	Total cost exc. Anticipation	Number of crimes in the convenience sector	Estimated costs to CJS	Estimated Total cost	CJS savings	Total savings
Commerical robbery	£4,680	£9,026	£13,706	9,118	£42,671,752	£124,967,378	£870,852	£2,550,355
Commercial burglary	£2,770	£8,052	£10,822	2,802	£7,760,351	£30,319,944	£158,375	£618,774
Commercial theft	£240	£113	£353	949,408	£227,857,891	£335,042,076	£4,650,161	£6,837,593

If there was a 5% crime reduction

	Total CJS costs per crime	Total consequence cost	Total cost exc. Anticipation	Number of crimes in the convenience sector	Estimated costs to CJS	Estimated Total cost	CJS savings	Total savings
Commerical robbery	£4,680	£9,026	£13,706	8,839	£41,365,474	£121,141,846	£2,177,130	£6,375,887

Commercial burglary	£2,770	£8,052	£10,822	2,716	£7,522,790	£29,391,783	£395,936	£1,546,936
Commercial theft	£240	£113	£353	920,344	£220,882,650	£324,785,686	£11,625,403	£17,093,983

ANNEX C

Funding Available	**Amount**	**Purpose**
Autumn Budget 2017	£400 million	Government will invest £200m to be matched by private investment into a new £400m Charging Investment Infrastructure Fund CIIF). The work to establish the CIIF is being led by the Infrastructure and Projects Authority (IPA), part of HM Treasury and Cabinet Office, who are currently engaging with a wide range of investors, representatives from the chargepoint and related industries, and other stakeholders on how to focus, structure and run the fund.
Autumn Statement 2016	£80 million	Support ULEV charging infrastructure
Autumn Statement 2016	Varies	Enhanced capital allowances - Until the end of March 2019, the Government allows businesses installing charging infrastructure to set 100% off the cost of the assets against taxable profits in the financial year that the purchase was made.
Go Ultra Low Cities	£40 million	Four UK cities (Nottingham, Bristol, Milton Keynes and London) received funding to encourage people to switch to electric cars. • London - £13m to make over a dozen streets in Hackney go electric, with charging infrastructures such as car-charging street lighting; while Harrow will develop a Low Emission Zone, offering parking and traffic priority to owners of plug-in vehicles. • Milton Keynes - £9 million to open a ‘one-stop-shop’ providing consumer advice and short-term vehicles loans. The city also proposes to open up all of its 15,000 parking bays for free to electric vehicles.. • Bristol - £7 million to offer free residential parking for ULEVs, to install over 80 rapid and fast chargers across the city, and a scheme encouraging people to lease a plug-in car for up to four weeks. • Nottinghamshire and Derby - £6 million of funding to install 230 charge points and will offer ULEV owners discount parking, as well as trialling over 5 km of bus lane access for ULEVs along a key route in Nottingham. Government also allocated £5m to fund initiatives in Dundee, Oxford, York and the North East.

Hydrogen Transport Programme	£23 million	£23m of additional funding to increase the uptake of hydrogen fuel cell electric vehicles alongside expanding the number of hydrogen refuelling stations. The programme will provide support out until 2020 and is being run over two phases. The funding competition for the first stage of the programme has closed with a £9m capital budget allocated to provide match funding for eligible projects. The winners of this competition are due to be announced shortly. The second phase is expected to commence later this year.
Highways England	£15 million between 2015-16 and 2020-21	Support the uptake of ULEVs by working to ensure that 95% of the Strategic Road Network (SRN) will have a charge point every 20 miles and that where possible, these will be rapid charge points. Highways England are undertaking two parallel procurement approaches to installation of chargepoints along the SRN: i) providing grants to Local Authorities installing chargepoints at between 15 and 20 locations; and ii) running a competitive procurement exercise which they expect to launch this Spring that will install chargepoints at the remaining locations required to meet the target.
Workplace Charging Scheme	Charge point installer will claim the value of the voucher £300 for each socket up to a maximum of 20. Value of voucher should be discounted on invoices.	The Workplace Charging Scheme (WCS) is a voucher-based scheme that provides support towards the up-front costs of the purchase and installation of electric vehicle charge-points, for eligible businesses, charities and public sector organisations.