

ACS Submission – UK Retail Sector Inquiry

1. ACS (the Association of Convenience Stores) welcomes the opportunity to give evidence to the Business, Innovation and Skills Select Committee Inquiry on the UK Retail Sector. ACS represents 33,500 local shops across the country including the Co-operative Group, Spar, Costcutter, Londis and thousands of independent retailers.
2. There are nearly 50,000 convenience stores in the UK, generating over £33.9 billion in sales and contributing over 372,000 jobs. The convenience sector is in growth, outperforming the rest of the grocery market. The market is highly entrepreneurial, still predominantly made up of independent small businesses who account for 77% of all the stores in the country, everyday entrepreneurs working at the heart of communities. ACS' Voice of Local Shops Survey¹ shows that retailers regularly participate in community or charitable activity with 72% collecting money for charity and 34% provide support or funding for community events.
3. However the sector is also going through a period of significant change. Significant new entry especially by the supermarket companies is taking place alongside on going decline in the overall number of stores in the market.

ACS views on the issues under consideration in this Inquiry can be summarised as follows:

4. **BIS Retail Strategy** - ACS supports the BIS Retail Strategy and agrees with its objectives in terms of driving better regulation, knowledge transfer and promoting action on retail to Local Enterprise Partnerships. The Retail Strategy covers issues directly within the remit of BIS, but should be a cross Government strategy. As a consequence it fails to tackle policy issues of fundamental importance to future of retail.
5. **Portas Review** - The Portas Review is a positive initiative that made a series of important recommendations and should be implemented by Government in full. The Government's performance in delivering against the recommendations of the Portas Review has been unconvincing. They have focused too heavily on best practice initiatives such as Portas Pilots and not enough on the hard policy recommendations. We welcome the formation of the Future High Streets Forum and will work with the forum to promote policy interventions that will make a real difference to high streets.
6. **Regulations and Costs affecting the Sector** – ACS has identified Planning Policy, business rates, parking, employment and energy costs as priority areas for action. Action in these areas is needed urgently as set out below.

¹ [ACS Voice of Local Shops Survey Feb 2013](#)

BIS RETAIL STRATEGY

7. ACS supports the Retail Strategy developed by the Department for Business, Innovation and Skills (BIS). ACS was consulted fully on its content and is closely engaged in the delivery of its objectives.
8. The strategy identifies objectives and priorities at international, national and local level. ACS recognises the important role for Government in helping retailers to access markets across Europe and the wider world. However for ACS the priority is supporting the delivering of the strategic objectives identified at the national and local level and our comments are limited to these elements. These are:

Better Enforcement of Regulation

9. The core role for BIS is to champion better regulation both through programmes to reduce the burden of existing regulation such as the '*Red Tape Challenge*' and, crucially, through challenging policy development across Whitehall on new regulatory burdens. The Strategy could be more explicit about the role that BIS has to play in championing better regulation for retail across Government.
10. The Strategy rightly identifies that regulatory burdens are often resultant not from the regulation itself but from inconsistent or inappropriate enforcement. Retailers are particularly susceptible to this burden as they are subjected to enforcement from a number of different agencies in many different locations. The Primary Authority initiative is a vital forward step, in delivering consistency for retail businesses. BIS is right to prioritise the expansion of this scheme.

Transfer of Knowledge

11. ACS strongly endorses the role that BIS can play in helping in the exchange and transfer of knowledge. ACS has directly benefitted from the facilitation that BIS provided in developing a joint research project with Said Business School, University of Oxford. The result is a project that provides significant new evidence about the social and economic value of local shops² and a toolkit for retailers on how to maximise the value of community engagement. ACS is also delivering a Global Summit in conjunction with the Economic and Social Research Council (ESRC) to bring together retailers and academics thinkers from across the globe to discuss and address emerging trends and threat in the convenience retail sector.

Local Enterprise Partnerships

12. BIS have rightly identified the opportunity for promoting growth and innovation in the retail sector at the local level through Local Enterprise Partnerships (LEPs). ACS is fully

² [ACS worked with the University of Oxford and the Retail Industry Business Engagement Network \(RIBEN\) to undertake in depth qualitative research to understand the economic and social contribution of local shops.](#)

supportive of the partnership between BIS and the Gloucestershire LEP and is keen to see the outcomes of the partnership as a model of best practice to be used by other LEPs across the country.

13. It is important that BIS has a Retail Strategy and it sets important objectives and is a focal point to reassure retailers that there is awareness in Government about the contribution of retail to the wider economy. However the Strategy does not in itself set a direction for intervention in the most important policy issues facing the retail sector that will shape the future of retail in the UK.

14. ACS urges the Committee to consider the impact of policy in a context wider than that which is included in the BIS Retail Strategy. In particular to consider the Government's performance against the recommendations made in the Portas High Street Review.

PORTAS REVIEW

Relevant Portas Recommendations			
Business Rates 6-8	Parking and Access 9-10	Planning 12-15 & 24-25	Property 21-23
<p>6. <i>Government should consider whether business rates can better support small businesses and independent retailers</i></p> <p><i>Local authorities should use their new discretionary powers to give business rate concessions to new local businesses</i></p> <p>7. <i>Make business rates work for business by reviewing the use of the RPI with a view to changing the calculation to CPI</i></p>	<p>9. <i>Local areas should implement free controlled parking schemes that work for their town centres and we should have a new parking league table</i></p> <p>10. <i>Town Teams should focus on making high streets accessible, attractive and safe</i></p>	<p>12. <i>Address the restrictive aspects of the 'Use Class' system to make it easier to change the uses of key properties on the high street</i></p> <p>13. <i>Put betting shops into a separate 'Use Class' of their own</i></p> <p>14. <i>Make explicit a presumption in favour of town centre development in the wording of the National Planning Policy Framework</i></p> <p>15. <i>Introduce Secretary of State "exceptional sign off" for all new out-of-town developments and require all large new developments to have an "affordable shops" quota</i></p> <p>24. <i>Run a high profile campaign to get people involved in Neighbourhood Plans</i></p> <p>25. <i>Promote the inclusion of the High Street in Neighbourhood Plans</i></p> <p>26. <i>Developers should make a financial contribution to ensure that the local community has a strong voice in the planning system</i></p>	<p>21. <i>Local authorities should make more proactive use of Compulsory Purchase Order powers to encourage the redevelopment of key high street retail space</i></p> <p>22. <i>Empower local authorities to step in when landlords are negligent with new "Empty Shop Management Orders"</i></p> <p>23. <i>Introduce a public register of high street landlords</i></p>

15. The Portas High Street Review provided a balanced assessment of the challenges faced by the retail sector and has had a positive impact on raising the profile of high streets and engaging people both nationally and locally.

16. The recommendations of the review addressed the fundamental problems high streets face; property costs, planning policy, town centre access and local engagement and partnership working. However, the Government has made more progress in some areas than others. The focus of the Government’s response to Portas has been in rolling out the ‘Portas Pilots’ and other initiatives such as ‘National Market Day’. However as the table below shows Portas also made a series of substantive recommendations related to national policy and the Government’s commitment to deliver these has been far less apparent.

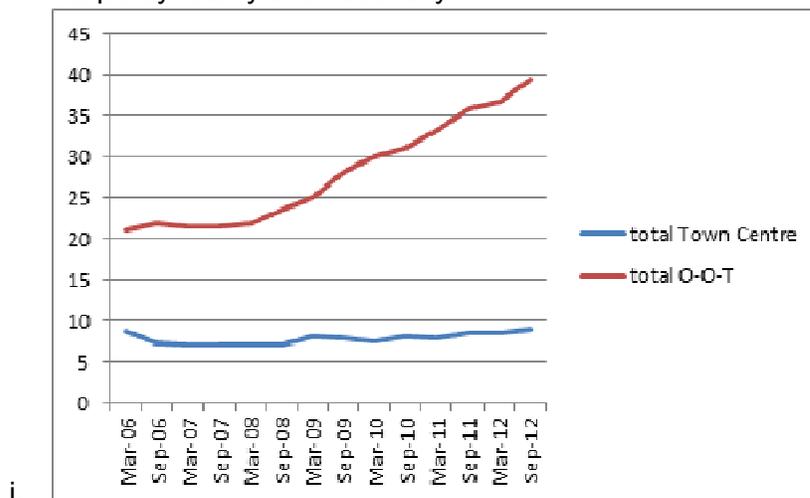
Further action is required by Government to deliver change in these key areas, as follows:

Planning

17. The future success of the high street will be driven by effective planning policy. This is recognised strongly and clearly in the National Planning Policy Framework, introduced in March 2012. However the trends in retail development continue to move away from investing in town centres.

18. Promoting investment in town centres is the key to promoting sustainable diverse retail provision into the future. Planning policy should not protect poor retailers or poor centres but it should direct the investment potential that is available to where it will have the most benefit to the local economy. In the case of grocery retail there is still a positive and growing investment opportunity. Grocery retail is a vitally important part of the future of town centres especially in the smaller towns across the country.

19. However the majority of grocery retail developments in the planning pipeline are for out of town retail and the trend is in the wrong direction. According to the latest industry figures³ 81% of new grocery developments in the pipeline are planned for out-of-town sites. These figures further reinforce the view that more needs to be done to enforce Town Centre First policy locally and nationally.



³ [CBRE](#) Grocery Planning Pipeline

20. It is incumbent on local authorities (supported by Government) to drive investment in town centre through robust and consistent enforcement of 'Town Centre First' policy and more creative use of tools such as permitted development and local development orders.
21. Government must support its commitment to town centres in national planning policy with concrete action in three areas:
- Support local authorities to deliver the objectives of national planning through their own decision making, both when they are setting the local development priorities and in the development control decisions they make. Key to this is the publication of appropriate Guidance (as recommended in the Taylor Review⁴) on how to implement the NPPF rules on town centre first.
 - Set the direction of national policy with the appropriate use of Call In powers to ensure that decisions made at the local level are consistent with the National Planning Policy Framework.
 - Provide further training and advice to local authorities on how to use new and existing tools (such as powers provided by the Localism Act 2012) to provide new attractive investment opportunities for retailers in town centres.

Business Rates

22. The Portas Review called for greater support for small business and independent retailers on business rates. In response the Government has extended and made more generous the provisions of the long standing small business rate relief scheme. They have also decided to delay the five yearly business rates revaluation from 2015 to 2017, citing explicitly that implementing this revaluation would have a negative impact on small shops. These actions are inadequate and will not make a substantial difference to the burden of rates on the retail sector.
23. The relationship between cost of property and business viability in retail (especially in town centres) is increasingly unsustainable and radical reform is required. Business rates continue to be a significant barrier to growth. The total costs of rates to the retail sector is just under £7.5 billion per year⁵ and the annual increases in rates in 2012 and 2013 combined have cost the retail sector an additional £525 million. The retail sector has urged to consider radical change. The Committee should support this call by making recommendations as follows:
24. Encourage Government to find new innovative ways to encourage or incentivise local authorities to provide rate relief to wider group of retail businesses.
25. The Localism Act 2012 provides local authorities with the power to provide discretionary rate relief to any business it chooses, but this has not been widely taken up because to do so Local Authorities would have to fund the relief themselves.

⁴ [Lord Taylor Planning Review](#)

⁵ British Retail Consortium

26. Reconfigure the way annual rates increases are calculated and cap annual increases at 2%.
27. Currently rates are increased in April based on the value of RPI Inflation in the previous September. This is an arbitrary mechanic that in recent years has been particularly damaging. ACS advocates that the indicator for setting business rates increases should a 12 month average of CPI in the previous year with a cap at 2%. The same as council tax increases and in line with the Bank of England inflation target.

Parking and Access

28. The Portas Review highlighted parking and access issues as one of the key elements for creating successful high streets. Competition from out-of-town stores with free and abundant parking means radical action is needed. However, parking in town centres is often an essential source of funding for local authorities so there is little appetite for reducing fees. Local authorities taking action to implement more high street friendly policies on parking charges are still the exception and there is currently no mechanism to hold them to account. ACS supports the Government's proposal for a central list or league table of authorities ranking their performance on parking charges.
29. Parking issues are not limited to the provision of car parks and the policies for setting charges. Many centres are served by on street or small amounts of off street parking provision. Relatively small changes to parking enforcement policies, street furniture or property conversions can lead to significant loss of parking that serves a local high street. Too often Councils or other local agencies fail to consider the impact of their decisions on parking provision affecting local retail. ACS believes that the Government should consider options for requiring councils to have a duty to consider the impact of these decisions on the local economy, thereby giving businesses a say in the decisions made that affect their business.

REGULATIONS AND COSTS

30. As well as policy interventions that will create the right conditions for the promoting growth and investment in the key areas of town centres and other local centres, the Government must also consider how it tackles the pressure of increasing costs on the future success of the retail sector.

Job Creation Costs

31. Employment costs such as national minimum wage (NMW) increasing year on year has had a severe impact on the staffing structure of small retailers' businesses. Pay structures between staff and managers are squeezed and supervisory roles are cut from the business. ACS' evidence to the Low Pay Commission⁶ highlighted that 82% of retailers favoured a freeze in NMW. There are other additional employment costs on the horizon such as auto enrolment pension reforms coming into force that will increase the cost and administrative burden on retailers curtailing further job creation.

⁶ [ACS Low Pay Commission Evidence 2012](#)

32. However this is an area where Government has taken positive steps. The proposal to provide a National Insurance rebate of up to £2000 from April 2014 is an incentive that we are optimistic will have a positive effect on retailers' ability to provide more employment opportunities.
33. Nonetheless the impact of the overall burden of increasing employment costs on reducing job creation in retail is not fully understood by Government.

Red Tape

34. The retail red tape challenge was the first review schemes initiated by the Government and provided an invaluable opportunity to review existing regulations. There needs to be an ongoing review of retail regulations and greater regard in Government on the creation policy and the impact on growth.
35. Encouraging better enforcement has been a central theme for the Better Regulation Delivery Office. Inconsistent or overzealous enforcement activity is a drag on business productivity and we hope the introduction of a National Local Authority Enforcement Code and expansion of the Primary Authority scheme will go some way to overcome enforcement difficulties.
36. There are a number of new regulatory interventions under consideration by the Government which will affect the retail sector significantly. The reform of licensing regulations and the introduction of the tobacco display ban for small stores in 2015. Action on these regulatory interventions will make real difference to the burden on businesses.

Energy Costs

37. Utility costs continue to rise steeply. This has a significant impact on the retail sector, because of the relatively intensive use of energy they require. Retailers need to keep shop premises open, warm, well lit and, in the food sector, to provide refrigeration. More is being done to help retailers to reduce their energy uses, with a range of innovations underway such as providing far less energy intensive solutions for refrigeration for example.
38. Nonetheless retailers are facing significant immediate difficulties in managing their relationships with energy suppliers. Small businesses in particular are faced with a complex market place and are ill equipped to secure the best deal and terms for their energy supply. Retailers are currently at risk of receiving back bills costing many thousands of pounds; being automatically rolled over onto binding expensive contracts; and facing 'blocking' practices when seeking to transfer between providers.
39. ACS strongly believes that small businesses should benefit from the same regulatory protections as domestic customers. The work of Ofgem extending the regulatory protections to a wider group of small businesses and seeking voluntary commitments from utility companies to limit the scope of backbilling is vital and urgent.

ACS is keen to provide further evidence to the committee and discussion this submission in more detail. For further information please contact Edward Woodall, ACS Public Affairs Manager via email Edward.woodall@acs.org.uk or 01252 533014.