



ACS Submission: Autumn Financial Statement 2014

INTRODUCTION

ACS (the Association of Convenience Stores) welcomes the opportunity to provide evidence in advance of the Autumn Financial Statement. ACS represents 33,500 local shops across the UK including the Co-operative Group, Spar UK, Costcutter Supermarket Group, Nisa Retail and thousands of independent retailers.

The convenience sector provides employment to around 375,000 people across the UK and remains a highly entrepreneurial sector with 73% of independent retailers as first time investors. Independent retailers work extensively long hours, 57% work more than 50 hours per week and 28% take less than 10 days holiday per year.

The value of the convenience sector is estimate at £35.6 billion and sales growth in the sector is predicted to continue at its current rate of 5%, outstripping the rest of the grocery market. The convenience sector is predominately made up of independent and symbol group retailers (77%) and they account for 60% of total sales.

The sector faces many challenges with significant increases in fixed costs such as business rates and utility bills, which have a knock on effect on business competitiveness and their ability to maintain staff. We have set out below key concerns for the convenience sector and policy recommendations.

POLICY RECOMMENDATIONS

Employment Recommendations

90% of convenience retailers¹ support a freeze in the National Minimum Wage at its current rate. There is a clear correlation between increases in the minimum wage and a reduction in staff hours and pay structures from 2010 to present.

The ACS NMW Survey also showed that 87%² of retailers indicate that they have reduced staff hours within the business in the last year. Increases in employment costs have also led to delays in expansion and investment plans, with 75% of retailers indicating they have delayed expansion and investment plans in the last year³.

- Freeze the 2014 National Minimum Wage Rate at the current level.
- Maintain the Low Pay Commissions current remit to independently evaluate, review and monitor the national minimum wage.
- Continued assessment of the impact of national minimum wage increases on small retailers, their ability to maintain employment levels and trade competitively.

Alcohol and Tobacco Duty Recommendations

The extensive level of alcohol and tobacco duty fraud in the UK needs to be addressed. For alcohol alone the mid-point revenue loss to the exchequer is £1.02 billion⁴. ACS has submitted evidence to HMRC consultation *Alcohol Fraud Next Steps* and supports the introduction of a register of alcohol wholesalers, this should be introduced at the earliest opportunity with limited burdens on retailers.

Increasing resource and activity of HMRC enforcement agency against rogue businesses and individuals trading not duty paid goods is imperative. Proactive, intelligence led enforcement activity is the biggest deterrent factor against non-duty paid alcohol and tobacco sales.

- Introduce no further alcohol or tobacco duty increases in the Autumn Financial Statement or 2014 Budget.
- HMRC should move quickly to introduce registration for alcohol wholesalers
- Increase enforcement activity on Alcohol duty fraud at local level there remains a significant disconnect between the national and local strategies related to alcohol licence enforcement and duty fraud enforcement.
- Penalties for selling tobacco and alcohol illegally should be brought into line with penalties for dealing in class C drugs.

Business Rates Recommendations

Business rates are a significant burden on local shops and there is consensus amongst the business community that a root and branch review of the rates system is required, the government should proactively lead this debate.

In the short term, the Government should consider introducing an ongoing 2% cap on the annual increase in business rates, aligned with the Government's inflation target and do more to encourage the use of discretionary rate relief.

- Establish an independent review to examine the current economic and social impact on non-domestic rates and consider options for reform, with a view to developing a new system in time for the 2017 revaluation.
- Introduce a 2% cap in the annual increase in business rates to provide businesses with greater certainty on future annual fluctuations in their rates bill.
- Create a policy group set up led by CLG and Treasury Officials to scope out reform of discretionary rate reliefs to make it possible to provide targeted incentives for businesses looking to invest without increasing the overall cost of rate relief. The aim should be to include proposals in the Budget announcement in March 2014.

⁴ [HMRC Measuring Tax Gaps 2013 – Mid-point of revenue loss for wine, beer and spirits](#)

Planning Recommendations

Strategic planning for town centres and high streets is extremely important to drive sustainable development and investment. The Town Centre First planning policy and associated gateway test are important planning measures to deliver sustainable growth and must be enforced consistency at local and national level.

The introduction of greater flexibilities of use for retail premises is a welcome measure where there is the over provision of retail space. However, this should not undermine the planning system's primary function to develop an evidence based local plan with retail, leisure and residential premises allocated according to local need.

- Central and local Government must do more to actively enforce and monitor Town Centre First Policy –
- Guidance on Town Centre First policy must build upon the National Planning Policy Framework identifying impact and needs tests as mandatory “Gateway” tests.

Energy Recommendations

Rising utility costs and a marketplace which provides fewer protections for small businesses than consumers are an ongoing concern for local shops. In the last ACS survey of convenience store retailers, 88% believed that further regulation is necessary to make the energy market fairer.

There has been significant progress over the last two years, with a number of energy companies introducing a 12 month backbilling limit for small business and more recently the ‘big six’ energy suppliers committing to end automatic rollover contracts, but these remain voluntary measures, leading to many small suppliers still exploiting the lack of regulation in this area.

- A mandatory 12 month limit on backbilling for both gas and electricity introduced by ALL energy suppliers by 1 January 2014.
- An end to automatic rollover contracts introduced by all suppliers, with a requirement for out of contract rates to be capped in accordance with market rates and existing tariffs
- A robust accreditation system for third party intermediaries and brokers, which is accompanied by a requirement on all energy companies to only provide information to accredited TPIs.

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