

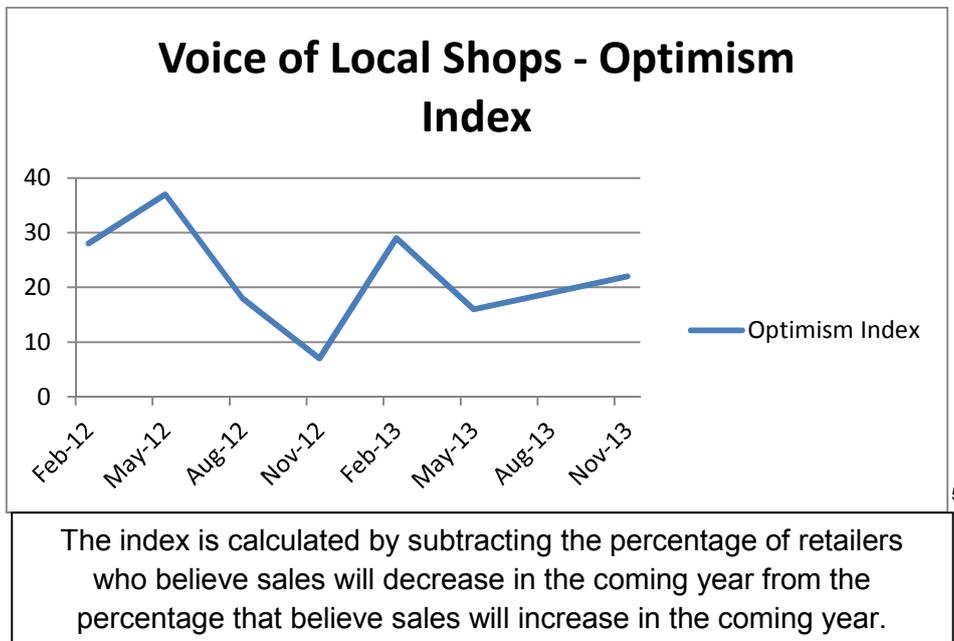
ACS Submission: Budget 2014

ACS (the Association of Convenience Stores) welcomes the opportunity to provide evidence in advance of the Budget. 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 375,000¹ people across the UK and remains a highly entrepreneurial sector with 73%² 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 year³.

The value of the convenience sector is estimated 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.⁴

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 invest in and maintain staff. We poll our members quarterly in our Voice of Local Shops Survey to understand their sales performance, attitudes towards employment and confidence in the economy.



¹ ACS Local Shop Report 2013

² ACS Local Shop Report 2013

³ ACS Local Shop Report 2013

⁴ ACS Local Shop Report 2013

⁵ ACS VOLS Feb 12 – Nov 13

The graph above is the Voice of Local Shops survey Optimism Index that asks retailers to indicate if they expect sales to increase over the next year. There is a clear upward trend in the optimism index since May 2013 as the economy has recovered. The number of retailers looking to invest in their business (25%⁶) reached its highest level at the end of last year. This was also true for the number retailers looking to employ staff, although this figure remains a net negative number, reflecting the ongoing struggle to manage fixed business and employment costs.

We recognize and welcome the positive work that the Government has done to reduce the business rates burden in the last financial statement and reduce national insurance contributions. However, the fixed costs of doing business and employment remain a major concern for retailers and sustained activity to further reduce these costs will be essential for a sustained recovery. We have set out below the key concerns for the convenience sector and policy recommendations for the Government to consider.

Executive Summary

National Minimum Wage

- The setting of the National Minimum Wage should continue to be an evidence base and depoliticised process led by the Low Pay Commission.
- ACS has recommended a freeze in the National Minimum Wage to the Low Pay Commission. ACS' submission to the Low Pay Commission is available [here](#).
- ACS and other trade associations have written to the Chancellor to highlight our concerns about increases in National Minimum Wage.

Alcohol and Tobacco Duty

- Freeze all alcohol and tobacco duty rates at their current level
- Work with industry to ensure the swift and effect implementation of the wholesaler registration and make tackling duty fraud to be an explicit and leading part of Government's Alcohol Strategy.
- 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.

Business Rates

- The Treasury and Department for Communities and Local Government must 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.

⁶ ACS VOLS Nov 2013

- Support the greater tactical use of discretionary rate relief at local level to incentivize and attract new business development and growth.

Energy Costs

- A mandatory 12 month limit on backbilling for both gas and electricity introduced by ALL energy suppliers in 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

Planning

- The Government must reinforce its commitment to 'town centre first' planning policy by creating a quarterly track of where new planning developments are located.

Policy Review

National Minimum Wage

The cost of employment in the convenience sector is significantly affected by the national minimum wage. The evidence that we gather and submit to the Low Pay Commission (LPC) focuses on the business specific decisions that retailers have to make when wage rates increase. We have consistently shown that as rates increase retailers delay invest in their business and staff, reduce staff hours and take on more hours themselves. ACS' full submission to the LPC is available [here](#).

Recent comments from the Chancellor that the economy can sustain larger increases in the NMW do not match the experience of our members. We do not support the view that large increases in the NMW are sustainable for our members and have recommended the LPC maintain the current wage rates. While the economy is now on an upward curve, most small businesses are not yet into a phase of strong growth and increases in wage rates will prevent investment and delay this trend further.

The LPC have been highly effective in setting the wage rates that both protects employees from exploitation and does not damage job creation. We are concerned about the impact of the Chancellor's comments and Treasury's calculation on future wage rates on the LPC's decision making process. We believe that the LPC is best placed to monitor and evaluate the impact of the NMW and independently make recommendations to government. Interference with setting the NMW sets a dangerous precedent that could undermine the positive work of the LPC over the past 15 years.

We welcome the government's Employment Allowance scheme and to abolition of employer National Insurance Contribution for employees under 21 years old. However, employment in

the convenience sector is predominately part-time meaning employer NICs contributions are already very low. For many small retailers this will completely remove them from paying employer National Insurance Contributions but is not necessarily mitigate the wider increases in their overall employment costs. Beyond the NMW retailers are absorbing the costs of the introduction of Real Time Information, Automatic Enrolment pensions reforms and holiday entitlements.

Alcohol and Tobacco Duty

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 billion⁷. We welcome the Government's decision to introduce a register of alcohol wholesalers and want to work closely with HMRC to support the swift and effective delivery of this programme of activity through the joint alcohol anti-fraud taskforce. We believe tackling duty fraud should also form a central part of the Government's Alcohol Strategy to ensure departments across Government identify this as a priority area.

There is a direct relationship between high UK duty rates on alcohol and tobacco products and the illicit market. The continual increase will only act to increase this trend. We welcome the Government's action to reduce beer duty in the last Budget and urge further action to freeze wine and spirits duties.

Business Rates

We welcome the Government's action in the last financial statement to introduce the £1billion business rates package. The £1000 business rates reduction measure for retail premises will benefit the majority, if not all of our members, and the extension to the small business rates scheme shows the Government's continual commitment to mitigate the rates burden.

There are two further areas of activity that we believe the Government needs to take action on business rates; the use of discretionary rate relief locally and leading the discussion of wider rates reforms. In our role as Chair of the Government Future High Street Forum policy group we have agreed these actions with Forum members and communicated these areas of action to the Department of Communities and Local Government.

There are discussions happening across industry about how the rates system can be reformed to better share the burden of rates in time for the 2017 revaluation. This process would be greatly enriched with leadership from Government that includes sharing the data and processes of the valuation office. Without this input from Government current the outputs are likely to be fragmented. We urge the Government to play a more active role in the debate on the future of rates reform to enable us to deliver change in time for the next revaluation.

Discretionary rate relief, introduced in the Localism Act, is a powerful local tool to incentives business growth and development. We are committed to supporting local authorities understand how they can use this power better through new advice and a programme of events across the country – this is also needs to be reinforced centrally. The current take

⁷ [HMRC Measuring Tax Gaps 2013 – Mid-point of revenue loss for wine, beer and spirits](#)

up of this power has also been significantly curtailed by financial restraints in local authorities. We urge the Government to local again at funding this model can be better supported.

Energy Policy

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.

Planning Policy

The Government has made a clear commitment in the National Planning Policy Framework (NPPF) to the 'town centre first' principle. This is meant to ensure that developments are driven in-town before large out-of-town developments can be built. We have commissioned research⁸ into the effectiveness of the policy since the introduction of the NPPF, which has clearly shown the policy is not being enforced properly.

76% of the new retail floor space given planning approval since the new national planning laws came into force is located outside of town centres⁹. Of the 43 developments permitted, 5 were in town centres (12%), 7 were edge of centre (16%) and 31 were out of town (72%)¹⁰. In cutting down the planning guidance the Government must enforce what remains to prevent unchecked and potentially damaging developments.

We are calling on Government to closely monitor the volume and location of retail developments and where the NPPF is not being enforced properly to intervene.

For further information on this submission please contact Edward Woodall, ACS Public Affairs Manager: Edward.woodall@acs.org.uk or 01252 515001.

⁸ Retail Planning decision under the NPPF

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¹⁰ Retail Planning decision under the NPPF