



## **ACS Submission: 100% Business Rates Retention: Further Consultation on the Design of the Reformed System**

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the latest Department for Communities and Local Government consultation on the implementation of 100% business rates retention. ACS represents 33,500 local shops across the UK, including Co-op, One Stop, McColls and thousands of independent retailers. Our submission to the previous consultation on 100% business rates retention is available [here](#). Further information about ACS is available as an Annex to this submission.

ACS is a member of the DCLG/LGA Business Interests Sub Group and continues to engage with the technical debate on implementing reforms to allow local government to retain all business rates growth. We believe 100% business rates retention must work to the benefit of business ratepayers as well as local government. The new system should encourage local government to innovate locally to promote business investment and growth from local shops for the benefit of local communities.

### **Question 1: What are your views on the proposed approach to partial resets?**

We support fixed resets over a ten-year time period to maximise the growth incentive for local authorities between resets. Long-term reset periods would also ensure local authorities focus on delivering sustainable growth plans for their area and strengthens the immediate rewards for local authorities that innovate locally to raise revenue. A ten-year reset would align with timeframes in the National Planning Policy Framework for assessing the economic impact of new retail developments. Fixed reset periods would also prevent a partial reset from failing to return all local authorities to their baseline funding levels after a reset period where there is insufficient funding from revenue growth to redistribute.

### **Question 2: What are your views on how we should measure growth in business rates income over a reset period?**

We have raised concerns in previous consultation responses about how the reset periods may have unintended consequences on the planning system. 100% business rates retention should not undermine the National Planning Policy Framework or encourage local government to prioritise growth from larger developments to the detriment of small businesses and local high streets. Business rates retention will reward local authorities by allowing them to retain revenue growth. However, Small Business Rate Relief means that premises under £12,000 RV do not pay business rates and those between £12,000 - £15,000 RV pay significantly reduced rates. This means that local authorities will gain little revenue growth from supporting the smallest businesses in their area that benefit from relief schemes.

This creates a perverse incentive for local authorities to focus on stimulating business rate revenue growth from larger businesses. Local authorities could be motivated to accept planning applications that deliver higher business rate yields but direct trade away from valued local high streets. This practice would help local authorities to fund local services but

would be counter-intuitive to supporting local needs in the communities where people live and work. While we acknowledge that local authorities use the tools of the planning system to carefully shape their local areas, financially-stretched local authorities could be influenced to approve some developments to improve their income streams.

The Department for Communities and Local Government should recognise the potential impact of business rates retention on local planning decisions. The National Planning Policy Framework and 'town centre first' sequential test could be strengthened to support the delivery of economic development plans and prevent the growth of out-of-town retail at the expense of local high streets that supply local needs and form accessible community centres. Business rates retention must ensure local authorities work to grow their small business base despite the limited additional revenue they will gain from its growth.

We welcome that the consultation at paragraph 2.16 is looking at different mechanisms for measuring growth to avoid gaming within under the new system. Looking at averaging out growth over a certain period of time could prevent gaming. Local authorities should consider monitoring the type, size and location of business premises they are gaining growth from. This could support with understanding the overall economic impact and any gaming of the system.

**For more information on this submission please contact Steve Dowling, ACS Public Affairs Executive, via [steve.dowling@acs.org.uk](mailto:steve.dowling@acs.org.uk) or 01252 533009.**

## Annex A

### ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 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.



### WHO WE REPRESENT

#### INDEPENDENT RETAILERS



ACS represents 22,870 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 15,060 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 12,165 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColl's, 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 2016, the total value of sales in the convenience sector was £37.5bn. The average spend in a typical convenience store transaction is £6.13.



There are 50,095 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 390,000 people. 21% of independent/symbol stores employ family members only.



24% of shop owners work more than 70 hours per week, while 22% take no holiday throughout the year. 74% 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. 84% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2015 and May 2016, the convenience sector invested over £600m 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 3,970 stores.

#### ACS LOCAL SHOP REPORT

Annual survey of over 2200 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 5,765 stores. The Local Shop Report also draws on data from himl research and consulting, IGD, Nielsen and William Reed Business Media.

#### 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)