



ACS Submission: Consultation on proposals on the design and implementation of the locally administered Business Rates Relief Scheme

ACS (the Association of Convenience Stores) welcomes the opportunity to submit evidence to the Department for Communities and Local Government on its draft allocation and design of the £300m discretionary business rates relief fund for local authorities. ACS represents 33,500 local shops across the country including Co-op, One Stop, McColls and thousands of independent retailers. Further information about ACS is available in Annex A.

One in three convenience retailers have seen an increase in their rateable value from the April 2017 revaluation, while only 8% have received a reduction in their rateable value¹. The worst hit by the revaluation in the convenience sector have been petrol forecourts because of their turnover-based rating methodology. We have received evidence of independent forecourt retailers with increases of up to 152% on individual sites, as well as multiple operators that have seen collective increases of 7%. We hope that the discretionary rate relief scheme will be used to support petrol forecourts.

We therefore welcomed the announcement at Budget of a £300m fund for local authorities to provide financial support to businesses adversely impacted by the 2017 business rates revaluation. We have addressed the relevant consultation questions below, but our views on the operation of the discretionary rate relief scheme are;

- Local authorities should have complete discretion about the allocation of the funding to the businesses in their area. We believe that local authorities should develop the criteria for allocation of the business rates support in close consultation with local business and business representative groups.
- We believe the purpose of the additional funding from central government is to support businesses that have seen the largest increases in rates bills and that occupy the smallest hereditaments or are clearly small businesses.
- Given that business rates bills have already been issued, local authorities must act quickly to establish the criteria for allocating the fund and administer it as fast as possible to ease the business rates burden on ratepayers.

For further information on this submission please contact Steve Dowling, ACS Public Affairs Assistant, via steve.dowling@acs.org.uk or 01252 533009.

¹ ACS Voice of Local Shops Survey: November 2016

The Allocation of Resources to Local Authorities

Question 1: Do you agree that individual local authorities should be responsible for designing and implementing their own discretionary relief schemes, having regard to local circumstances and reflecting local economies?

Yes. We agree that local authorities should have total discretion on how to administer and distribute their funding allocation. Lower-tier billing authorities should design their local relief scheme in collaboration with upper-tier authorities and set out clear, publicly-available eligibility criteria so businesses can understand how to benefit from the scheme.

We urge local government to engage with local businesses and local business representative organisations when designing schemes. Stakeholder engagement will better inform local authorities about the essential services and businesses that would benefit most from rates relief. We believe there should be a focus on local high streets and parades that have seen large increases in their rates bills and increased competition from online and out of town retailers. As ever, there should be a particular focus on businesses providing essential services to isolated and vulnerable local communities. For example, 59% of rural shops operate in isolated locations with no other businesses around them².

Question 2: Are the Government's assumptions about the design of local discretionary relief schemes reasonable?

We support the Government's assumption that the £300m relief fund will be used to support businesses with increased rates bills following the revaluation. It is appropriate that businesses that have seen sizeable increases receive the most support. One in three convenience stores have seen increases in their business rates bills³.

We are cautious about the second assumption that the relief fund will be used to support ratepayers occupying lower-value properties because the rating system does not always accurately reflect business size. For example, petrol forecourt sites attract very high rateable values because of their turnover-based rating methodology. This often makes them a medium or large sized business for purposes of transitional relief, despite the average independent petrol forecourt site employing 5 people⁴. Under any taxation system, apart from business rates, petrol forecourts would be considered small businesses.

We would like to see local authorities acknowledge petrol forecourt sites in their access criteria for additional business rate relief given the large increases many have seen. These sites represent essential fuel infrastructure for local communities and provide additional access to important services like ATMs and bill payment services.

² ACS Local Shop Report 2017

³ ACS Voice of Local Shops Survey: November 2016

⁴ ACS Local Shop Report 2017

Question 3: Is the allocation methodology reasonable?

We support the allocation methodology set out in the consultation. The allocation criteria will distribute funding based on the total value of increases in bills received by businesses facing significant rises of 12.5% or more and will be blind to existing reliefs offered to businesses.

This is preferable to a methodology based on simply the number of businesses with increased rates bills, which would allocate too much funding to areas with many properties facing smaller rises in bills and too little funding to areas with fewer properties facing larger rises in bills. Similarly, if the methodology was based on the total value of increased bills without excluding properties above £200,000 RV, then areas with many big businesses could be allocated too much funding and areas with a higher proportion of small businesses could be allocated too little funding to mitigate significant rises in bills.

We therefore support the methodology using the total value of increases in bills for properties facing significant rises in bills (with a rise of 12.5% or more as a proxy), which creates a medium between these two methods. This will minimise the likelihood of a business not receiving relief through the discretionary fund because of poor allocations of funding to local authorities.

The methodology means that the allocation of funding will be biased towards regions of the UK that have seen the largest increase in rates bills. For example, London has received the highest increase in rateable values (22.8%⁵) and will receive the highest proportion of the fund (£124.3m⁶). The North East has received the lowest increase in RVs (-1.1%⁷) and will receive the lowest proportion of the fund (£7.8m⁸). This is fair and reasonable and supports the proposed methodology.

Compensation Arrangements

Question 4: Do you think that authorities should have some flexibility to switch resources between years to ensure relief provided meets local need and provides maximum value for money?

We support the Government's proposals to front-load allocation of the relief fund and would consider some flexibility for local authorities to adjust their total funding allocation between the four-year period.

Front-loading the fund will ensure relief reaches more businesses immediately after their increased rates bills. It will also encourage funding to become more targeted and specific as a local authority's annual allocation from the fund declines. This should encourage local authorities to review their discretionary relief scheme on an annual basis to check its relevance and reflect changing funding levels over the four-year period.

⁵ VOA. Non-domestic Rating: High-level Estimates of Change in Rateable value of Rating Lists, England and Wales, 2017 Revaluation. 28 September 2016

⁶ <https://www.gov.uk/government/consultations/discretionary-business-rates-relief-scheme>

⁷ VOA. Non-domestic Rating: High-level Estimates of Change in Rateable value of Rating Lists, England and Wales, 2017 Revaluation. 28 September 2016

⁸ <https://www.gov.uk/government/consultations/discretionary-business-rates-relief-scheme>

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.



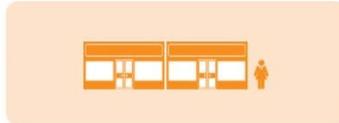
WHO WE REPRESENT

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 him! 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