



ACS Submission: Supporting Entrepreneurship Inquiry

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to the Cross-Party Group on Small Shops' Supporting Entrepreneurship Inquiry. ACS represents over 3,000 convenience stores and forecourt shops across Wales including CK Supermarkets, Filco, BP and thousands of independent retailers, many of which trade under brands such as Spar, Londis and Costcutter. Further information about ACS is contained in Annex A.

The convenience sector is more entrepreneurial than commonly thought, with 72% of businesses in Wales managed by first time investors into the sector¹. These retailers are hardworking, with 20% of shop owners working more than 70 hours per week and 17% taking no holiday per year². We believe entrepreneurs who invest in the convenience sector and the local communities in which they trade should be supported to expand their businesses, provide new employment opportunities and spur economic growth.

We have responded according to the three themes of the Inquiry below:

People

Convenience retailers are operating in a context of rising employment costs, such as the introduction of the National Living Wage, the removal of funding for Statutory Sick Pay and auto-enrolment pension contributions and apprenticeship levy payments. Rising employment costs can inhibit the capability for convenience retailers to expand their businesses, restricting employment opportunities and investment in local shops.

National Living Wage

The National Living Wage is the biggest cost challenge for convenience retailers and is set to increase to 60% of median earnings (£8.75) by 2020³. The introduction of the National Living Wage has coincided with a 6% drop in employment numbers in convenience stores across Wales from 25,063 to 23,662 since 2015⁴.

ACS' National Living Wage Survey 2017 found that retailers have responded to the £7.50 rate for 2017/18 by; reducing staff working hours (78%), taking less profits in the business (78%), working more hours in the business (65%), delaying investment plans (56%) and reducing the numbers of staff in the business (48%)⁵.

The National Living Wage is the most significant employment cost for local shop businesses and is contributing to independent retailers working more hours on the shop floor, detracting from time spent growing and developing their businesses. The Low Pay Commission should set wage rates based on thorough economic deliberation, without reference to arbitrary set

¹ ACS Local Shop Report 2017

² ACS Local Shop Report 2017

³ [Low Pay Commission analysis of 1 April 2017 minimum wage rise](#) Low Pay Commission. 30 March 2017

⁴ ACS Local Shop Report 2015 - 2017

⁵ ACS National Living Wage Survey 2017

political targets. Future National Living Wage rates should be set as high as possible without damaging employment prospects in the economy.

Statutory Sick Pay

Statutory Sick Pay is currently paid at £89.35 per week, the cost of which must be met in full by employers of all sizes. Statutory Sick Pay costs on average £673.95 per convenience store or £33.7 million across the sector, without accounting for the additional finance a retailer must find to fund another wage to cover employee absence⁶. For smaller businesses, full liability for Statutory Sick Pay can markedly increase expenditure on staff.

ACS would support Statutory Sick Pay becoming an accrued benefit for staff based on length of employment. This would reduce costs for retailers while concurrently removing an existing disincentive to employers to hire those with long-term health conditions.

Workplace Pensions

All convenience stores have now passed their staging date for auto-enrolment, meaning they are responsible for making employer contributions to workplace pensions. Tracking these responsibilities is an administrative difficulty for many retailers, due to the tendency for staff working hours to vary on a weekly basis, which impacts their contribution entitlements. This difficulty is enhanced for smaller retailers that do not have centralised administrative functions.

ACS' National Living Wage Survey has found that opt-out rates for the sector are relatively low at 7%⁷. This means retailers are paying contributions for a larger number of staff than anticipated. The costs of auto-enrolment will increase sharply for retailers as minimum employer contributions double in 2018 and then increase further in 2019.

Apprenticeships

The Apprenticeship Levy is a levy on employers to fund apprenticeships. The levy is set at 0.5% of a business' overall wage bill, offset by a £15,000 allowance. This in effect means that businesses with a wage bill over £3 million per annum are now subject to making levy payments, which includes larger symbol and multiple retail groups in the sector.

Although this fund may be reinvested by retailers into apprenticeship training, low demand for retail apprenticeships means retailers are struggling to recoup the costs of the levy and only 6% of independent and symbol group retailers in Wales currently employ an apprentice⁸.

Low demand for retail apprenticeships in the sector is driven by the working hours and commitments of staff. 70%⁹ of colleagues work less than 30 hours per week, while 72%¹⁰ of colleagues have caring, voluntary or study commitments outside of work which affect the number of working hours they can undertake. The working hours requirement for an apprentice to work 30 hours per week therefore restricts access to apprenticeships for staff in the sector.

⁶ ACS National Living Wage Survey 2017: "In total, over the last 12 months how much have you paid your staff in statutory sick pay?"

⁷ ACS National Living Wage Survey 2017

⁸ ACS Voice of Local Shops Survey: February 2016

⁹ ACS Local Shop Report 2017

¹⁰ ACS Colleague Survey 2017

We do not support the Welsh Government reducing level 2 apprenticeships for over 20-year olds in 'non-priority sectors' such as retail and restricting funding to staff who have been with their employer for less than a year. The Welsh Government should remove these restrictions to encourage skills growth in the sector.

Places

Convenience stores trade in every type of location and community in Wales; whether that be located on a main high street or within a city centre (10%), a larger parade or on a high street (11%), a small parade (39%) or as an isolated store (41%)¹¹. Well-connected communities with a strong local economy focused on high streets and neighbourhood shopping parades should support local shop entrepreneurs to thrive by generating footfall and maintaining a network of local business services.

Business Rates

Business rates are the second highest fixed cost for retailers and a barrier to growth and entry in the sector. The business rates revaluation increased rateable values for 20% of convenience stores in Wales, with only 6% seeing a decrease¹². The Supporting Entrepreneurship Inquiry should consider how the Welsh Government and local authorities can reduce the burden of business rates to support local shops.

We support a permanent Small Business Relief scheme for Wales and the existing High Street Relief scheme. 61% of independent convenience retailers in Wales either do not pay rates or receive some form of business rates relief¹³. Eligibility for Small Business Relief should not be based on the ownership model of premises. We would encourage the Welsh Government to consider extending Small Business Relief to ATMs to protect the provision of access to cash and encourage consumer spending in rural communities and high streets across Wales.

19% of Welsh convenience stores appealed their valuation against the 2010 rating list, with 86% being granted a reduction in their bill¹⁴. We urge the Welsh Government to ensure fair access to accurate rates bills by dropping proposals to time limit the backdating of successful appeals and introduce fees for appeals.

Local authorities should also support entrepreneurs with their business rates bills by making better use of their powers under the Localism Act to issue discretionary business rates relief to enhance economic growth and the reoccupation of empty properties in high streets. Local authorities could use these powers to support entrepreneurial businesses and small shops trading in local communities.

Planning

Planning Policy Wales has strong existing safeguards for town centres, which must be enforced by local planning authorities. Planning should focus new retail developments on town centres through the exiting 'Town Centre First' policy, supported by a mandatory pass/fail sequential test.

Planning Policy Wales should be amended to prevent a format driven approach whereby developers claim there are no sequentially preferable sites available because they do not

¹¹ ACS Local Shop Report 2017

¹² ACS Voice of Local Shops Survey: November 2016

¹³ ACS Voice of Local Shops Survey: August 2017

¹⁴ ACS Voice of Local Shops Survey: February 2015

match their development format. We believe that developers should adjust their formats to fit with local sites.

Parking provisions should also be included in local development plans to ensure the appropriate ease of access to shops for consumers. Convenience retailers and the local places where they trade will have different needs when it comes to car parking, such as time limited car parking or car parking capacity.

Access to Services

We supported the aims of the Vibrant, Viable Places regeneration framework to establish thriving economic and social hubs for the future. Communities throughout Wales should also be attractive for entrepreneurial businesses by containing good access to business services.

Businesses should have access to a local Post Office or bank branch to deposit cash without taking undue time out of the business. More than 1,500 bank branches have closed across Britain since 2015, but businesses still require a physical location to administer their business banking¹⁵. Strengthening the sustainability of the Post Office network would support this provision for local shops.

The Welsh Government should also encourage digital access through effective broadband connections and mobile coverage for local shops. Digital access is increasingly needed by these businesses for online banking and wholesaler services and to facilitate the in-store provision card payments, ATM transactions and post office services. HMRC's Making Tax Digital reforms to require digital record keeping and online tax reporting, initially for VAT from 2019, will further enhance the need for reliable internet connections for businesses.

Policy

We welcome the Supporting Entrepreneurship Inquiry's focus on how to *'better align policy to support and encourage entrepreneurial activity and development'*¹⁶. Policy makers in Wales should actively consider the implications of new policy proposals on small businesses and entrepreneurialism.

We would support the introduction of a new 'Entrepreneurs Test' that would form part of the Welsh Government's impact assessment proposals for all new business regulations. This would follow existing policy tests on family impact¹⁷ and the 'one-in, three-out'¹⁸ regulation principle. These tests mitigate the impact of new regulation on groups deemed to be important for social or economic reasons. An 'entrepreneurs test' would reflect the important social and economic contributions made by the entrepreneurial community.

The test should consider the following three criteria; whether the regulation creates barriers to market entry for new entrepreneurs, what provisions have been made to help entrepreneurs understand and navigate the new regulation, and how has the impact on entrepreneurs been considered during the policy making process.

The Welsh Government should also pursue policy to enhance and incentive business investment in the Welsh economy. Convenience retailers in Wales have invested £55m in their businesses over the past year¹⁹. We would like to see this figure rise to promote local economic growth in communities across Wales.

¹⁵ [Mapped: the 482 bank branches closing in 2017](#) Which? 7 April 2017

¹⁶ Supporting Entrepreneurship Inquiry: Terms of Reference

¹⁷ [First ever 'families test' for government published](#) DWP. 31 October 2014

¹⁸ [Government going further to cut red tape by £10 billion](#) BIS. 3 March 2016

¹⁹ ACS Investment Tracker: August 2017

The business rates system penalises investment by penalising ratepayers through higher rates bills when they invest in CCTV, pallet racking, or air conditioning units. The Welsh Government should reverse this deterrent by providing time limited exemptions for new store developments and letting businesses offset their capital investment against their rates bills. Local authorities should also actively develop their policy to enhance economic growth through effective planning and the targeted use of discretionary business rates relief powers under the Localism Act.

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

Annex A

ABOUT ACS

The Association of Convenience Stores lobbies on behalf of around 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 22,397 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 14,659 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 12,862 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls, 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 2017, the total value of sales in the convenience sector was £38bn.

The average spend in a typical convenience store transaction is £6.28.



There are 49,918 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 370,000 people.

24% of independent/symbol stores employ family members only.



20% of shop owners work more than 70 hours per week, while 19% take no holiday throughout the year.

72% 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.

79% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2016 and May 2017, the convenience sector invested over £858m 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 over 3,000 stores.

ACS LOCAL SHOP REPORT

Annual survey of over 2400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 6,291 stores. The Local Shop Report also draws on data from HIM, IGD, Nielsen and William Reed.

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