

ACS Submission: High Streets and Town Centres in 2030 Inquiry

1. ACS (the Association of Convenience Stores) welcomes the opportunity to submit evidence to the Housing, Communities and Local Government Committee Inquiry on High Streets and Town Centres. ACS represents 33,500 local shops and forecourt sites including Co-op, McColls, BP and thousands of independent retailers, many of which trade under brands such as Spar, Nisa and Londis. Further information about ACS is available at Annex A.
2. Convenience stores trade across all locations, including main high streets and city centres (12%), larger shopping parades with up to 10 businesses close by (10%), small parades with up to 5 businesses (37%) and as isolated stores (41%)¹. Convenience retailers have invested £856 million in their businesses over the last year as they respond to changing consumer demands to deliver an expanding range of services beyond a core grocery offer². Services provided by local shops include ATMs (58%), bill payment services (51%), recycling services (42%) and branches of the Post Office network (21%)³. Convenience stores have been rated as having the second most positive impact on their local area, behind only Post Offices, many of which are hosted in their businesses⁴.
3. The convenience sector, like the rest of the retail sector and high street operators, is under significant pressure from a range of factors including; increased overheads from property and employment costs, extensive competition and changing consumer shopping habits, particularly the shift to online shopping. We believe that high streets can only thrive if they are able to embrace changing consumer shopping habits and if the Government ensures public policy enables businesses to adapt and diversify to meet these needs.
4. In many towns and cities there is an oversupply of retail space that will have to be consolidated as more sales shift online. This means that we should expect high streets and town centres of the future to be smaller. The majority of convenience stores (78%) operate on secondary parades in close vicinity to where people live. These parades allow people to shop little, local and often, and gain access to important services like Post Offices and parcel collection points. Smaller local parades will be increasingly relevant in the future and we urge the Committee and all policy makers to consider how they will support them and small format high streets in the future.
5. ACS is a member of the Ministry of Housing, Communities and Local Government's Future High Streets Forum (FHSF), which was set up following the Portas Review in 2012. ACS has led both the policy working group and now the research working stream of the FHSF. The success of local parades and high streets is often based on the dedication and energy of small groups of local people working through local partnerships. We have commissioned research (discussed more later) into the operation, priorities and make-up of these partnerships because we believe that they are an important element of rejuvenating high streets.

¹ ACS Local Shop Report 2017

² ACS Investment Tracker – August 2017 – May 2018

³ ACS Local Shop Report 2017

⁴ ACS Community Barometer 2017

The role of high streets and town centres in contributing to the local economy and the health, wellbeing, cohesion and cultural life of the local community

6. High streets and shopping parades are valuable economic and social hubs for local communities, offering local and accessible employment opportunities and a diverse range of goods and services. High streets also serve as a valuable social space for people to connect and spend their leisure time. However, changing trends and behaviours, driven by a range of economic, social and technological factors, and the rise of online retailing have changed the dynamics of local high streets and will continue to influence the evolution of high streets in the future.
7. ACS' Community Barometer, a survey of consumers about the services in their area, found that convenience stores are viewed as having the most positive impact on local communities alongside Post Offices and specialist food shops. Convenience stores are valued by local communities for retaining local access to services that are no longer viable through a separate business model. This includes post offices (21%), in-store bakeries (16%) and even dry cleaning (2%) and prescription collections (1%)⁵. ACS' Community Barometer also shows that the top three most wanted services by consumers are specialist food shops, banks and non-food retailers such as hardware and clothing stores⁶.
8. One of the most notable declines in services on the high streets that is having a detrimental both socially and economically is the decline in banking services. Figures from Which? suggest that 16% of bank branches have closed from 2015 - 2017, withdrawing from high streets and making access to banking services for high street businesses and consumers more difficult⁷. Convenience retailers have played an important role in filling the gap in ATM provision with over half (58%) of convenience stores now hosting an ATM and 21% hosting Post Offices. 45% of stores host a free-to-use machine and 13% a fee-charging machine⁸.
9. ATMs enable spending on high streets and local parades by providing access to cash to consumers to spend in convenience stores and other local businesses. However, the commercial viability of the provision of ATMs on high streets has been undermined by the recent LINK decision to reduce interchange fees paid by banks to ATM providers from 25p to 20p per transaction over a four-year period⁹. These fees determine the remuneration received by a retailer for hosting an ATM after the ATM provider subtracts their margin and servicing costs. This will alter the commercial viability of ATMs and significantly undermine local economies.
10. Business rates is also having a negative impact on important high street infrastructure like ATMs. The Valuation Office Agency decided in 2013 that 'hole in the wall' external facing ATMs should be liable for business rates and issued a separate bill to the shop it is hosted by. Contracts between ATM providers and retailers typically transfer all costs of business rates onto the retailer. The average annual ATM business rates bill costs £4,000, thereby significantly increasing the costs associated with providing an ATM¹⁰. We believe that free to use ATM machines should be exempted from business rates in recognition of their role as 'high street

⁵ ACS Local Shop Report 2017

⁶ ACS Community Barometer 2017

⁷ [Mapped: the 703 banks closing this year](#) Which? 9 September 2017

⁸ ACS Local Shop Report 2017

⁹ [LINK moves to secure future of free ATMs](#) LINK. 31 January 2018.

¹⁰ [£300m of business rates refunds held until "cash tax" decision reached](#) Retail Gazette. 21 May 2018

enablers' by providing consumers access to their cash and facilitating consumer spending across high streets.

11. National coverage of the ATM network must be protected to support businesses on high streets and local shopping parades. The Payment Systems Regulator must be prepared to intervene to protect national coverage of the ATM network and access to cash for consumers.

The economic, demographic, social and technological challenges facing high streets and town centres and how they are likely to develop over the next ten years

12. There are numerous trends that have led high streets to struggle, but this has mainly been driven by a shift to online retailing, resulting in a changing mix of services on the high street. The Local Data Company find that sectors experiencing growth in terms of units from 2017 – 2018 are; barbers, beauty salons, vaping stores, independent cafes and nail salons. Sectors with declining unit numbers are pubs, banks, travel agents and post offices¹¹. Business sectors expanding their presence on the high street are either led by a business model which supplies a developed consumer shopping experience or require the physical presence of a customer.
13. Different operational costs for online versus brick and mortar should be considered by the Committee. The business rates system is one example where policy has failed to respond to the changing structure of the retail market, causing an imbalance in the rates burden on traditional 'bricks and mortar' retailers. The Government should explore how the business rates system could recognise businesses which predominately trade online by applying a different rating methodology to the property they use, for example distribution centres delivering direct to consumers.
14. The use of different rating methodologies to establish market rental value is common in other important sectors where the economic value of the business is not reflected in property values as traditionally determined in the rating system, such as pubs, restaurants and petrol forecourts, which are based on the receipts and expenditure model. We do not support blunt changes to the business rates system such as moving to a turnover based tax or sales tax, which would be particularly harmful to low margin businesses. We think that extending the established principle of adopting a sector scheme to online businesses is worthy of consideration and could be brought about without changing the whole business rates system.

How high streets and town centres are adapting to meet these challenges, the conditions necessary for sustainability, for example, residential development and related infrastructure, and how local areas are planning for the future

15. The Committee's intention to foresee the future role of the high street in 2030 is ambitious given the speed of change that is happening. We have argued that the planning system and local partnerships should not look beyond five years in terms of assessing the needs of their high streets. Looking beyond a five-year horizon make it very difficult to assess local needs and account for changes which are happening so quickly.

¹¹ Retail and Leisure Trends Report 2017/18: The evolution of our retail landscape. Local Data Company. June 2018.

16. The planning system is vital in determining the viability of town centres in the future. The National Planning Policy Framework (NPPF) is now under review and the retail market has changed significantly since its introduction in 2012. ACS has submitted evidence to the MHCLG recent consultation on the NPPF¹². ACS supports a plan-led planning system but also recognises the important role of permitted development rights system to enable high streets to adapt to changes quickly.
17. There is now far less retail space being developed in town centre and out-of-centre locations as retailers attempt to maintain or consolidate their existing property estates due to the increased cost of trading. We agree that some high streets may need to consolidate the amount of retail units and convert them to other uses such as housing. We believe the conversion of property from retail to residential should only be approved following proper consideration of; the potential impact on the economic health of the retail centre, the need to maintain an adequate provision of essential local services, and the potential impact on the local character of the area. These three safeguards should ensure conversions support effective retail provisions in conjunction with an up-to-date Local Plan.
18. The Government announced at Autumn Statement 2017 its intention to consult on policy changes to encourage the conversion of empty space above high street shops. Policy changes to encourage use of empty space above high street shops could drive more footfall to high streets but must not impose new restrictions on the trading business below. Retail businesses are often open long hours and receive frequent deliveries, which has implications for parking facilities and noise pollution. Planning proposals for new residential uses above high street shops should adopt the 'agent of change' principle to ensure that the introduction of residential property does not negatively impact trading businesses. The 'agent of change' principle is currently being considered as part of consultations on the National Planning Policy Framework¹³, Planning Policy Wales¹⁴ and Draft London Plan¹⁵.
19. We regret the removal of permitted development rights for the conversion of pubs through the Neighbourhood Planning Act 2017, which undermines the flexibility increasingly needed by high streets to respond to changing consumer demands and creates an unnecessary planning burden.

Whether councils have the planning, licensing, tax raising and other tools needed to help local areas flourish and how they make use of these

Planning

20. The 'Town Centre First' policy in the National Planning Policy Framework is crucial to drive new retail investment on high streets to improve their offer and tackle high vacancy rates. We have argued that the 'Town Centre First' policy must be strengthened to drive more investments in town centres. ACS' research¹⁶ found that 76% of retail floor space was allocated out of town during the first two years of the introduction of the NPPF. This clearly indicates that the existing sequential test is not working effectively and that planning policy for town centres is determined by case law instead of the NPPF.

¹² [ACS NPPF Submission 2018](#)

¹³ [Strengthened planning rules to protect music venues and their neighbours](#) MHCLG. 18 January 2018.

¹⁴ [Written Statement - Consultation on Planning Policy Wales](#) Welsh Government. 12 February 2018.

¹⁵ [Policy D12 Agent of Change](#) Draft New London Plan

¹⁶ ACS: Retail Planning Decision Under the NPPF

21. In a recent poll of 69 local planning officers conducted by ACS and the National Retail Planning Forum, 90% of respondents indicated that demonstrating a new retail development will have a 'significant adverse impact' on town centre vitality and viability is difficult and almost four-fifths think that assessing the economic, social and environmental impacts of a potential retail/town centre scheme is difficult. Only one-fifth (22%) believe allocating sites in central locations encourages developers to bring forward proposals for those sites¹⁷. Local planning officers need more support to drive new retail developments in town centres. We urge the Committee to consider the recommendations of ACS' and the National Retail Planning Forum's submission to the MHCLG consultation on the draft NPPF¹⁸.

Business rates

22. The business rates burden remains too high even with the Government's £6.7 billion package of business rates reforms announced at Autumn Statement 2016. Business rates is one of the largest costs faced by retailers and are most stark in prime retail locations like high streets. Despite the majority of convenience retailers trading in secondary locations one in three convenience stores saw an increase in their rates bills after the 2017 revaluation¹⁹. We believe that local authorities could use business rates reliefs better to drive investment and spur economic growth on high streets and local shopping parades.

23. Local authorities have existing powers under the Localism Act 2011 to grant business rates discounts to any local business according to its own criteria and discretion, with these discounts 50% funded by central Government. ACS has developed guidance with the Government's Future High Streets Forum to encourage the more frequent and effective use of these powers, but we are concerned that only 39 out of 326 local authorities have used these powers^{20,21}. Greater funding streams should be found to support the use of discretionary relief by financially restricted councils to support high streets regeneration.

24. Local authorities in England have also been allocated £85m to distribute to businesses facing increased rates bills from the revaluation in 2018/19, as part of the £300m package announced at Spring Budget 2017²². Local authorities should use their annual review of the distribution of these funds to actively target support at small businesses providing essential services on the high street.

25. The current business rates system penalises investment by increasing rates bills when a retailer expands or improve their store. Convenience retailers have invested £856 million over the last year but the prospect of higher business rates bills actively deters them from further investment²³. The Scottish Government has recently introduced a 'Growth Accelerator' that enable businesses to delay increases in business rates bills for 12 months to allow businesses to recoup their investments²⁴. Measures for incentivising investment through the business rates system should be actively considered by the Committee.

¹⁷ National Retail Planning Forum Survey of Local Authority Planning Officers. November 2017.

¹⁸ [ACS NPPF Submission 2018](#)

¹⁹ ACS Voice of Local Shops Survey: November 2016

²⁰ See <http://thegreatbritishhighstreet.co.uk/pdf/ACS-Rate-Relief-Guide---Future-High-Streets-Forum.pdf>

²¹ [Devolution will not solve business rates burden groups warn Treasury](#) Telegraph. 24 October 2015

²² [Discretionary business rate relief scheme](#) DCLG. 9 March 2017

²³ ACS Investment Tracker – August 2017 – May 2018

²⁴ [Response to the Barclay Review report](#) Scottish Government. 12 September 2017

Licensing

26. Local authorities have extensive licensing powers that influence the operation of businesses on high streets and town centres. Licensing systems are often seen as barriers to entry to trade and significant administrative burden for business. Licensing powers must flex to meet changing business and consumer needs and not block business from innovating and providing services that appeal to consumers. For example, a convenience store being blocked from selling alcohol in their store, as 81% of convenience stores currently do, will also block the provision of a post office, parcel collection point and bill payment services on a high street or local parade.

Local Partnerships

27. We recognise the need to consider the powers local authorities have to influence the development of their local high streets and shopping parades, but recognition should also be given to the value of local partnerships and role local council can play in nurturing them. Local partnerships can vary in structure and size but are groups of local stakeholders interested in the future of their high street such as town centre managers, resident businesses, community groups and third sector representatives.

The legacy of the Government's previous work on the high street, including the Portas Pilots, the Future High Streets Forum and the Great British High Street

28. ACS was a key consultee during the Portas Review and we believe that many of the 28 recommendations set out in Portas Review Report²⁵ are still relevant and should be considered by the Committee.
29. ACS is a member of the Government's Future High Streets Forum (FHSF) which was formed following the Portas Review. We believe the Forum is valuable mechanism for encouraging debate on public policy interventions to support high streets, the development of new research, best practice and guidance to inform stakeholders about changes on high streets, and acknowledgement of the many great high streets across the country through the Great British High Street Awards. ACS has been an active member of the FHSF by Chairing both the policy and research working group and we are a supporting partner of the Great British High Streets Awards.
30. An overview of the research projects we have conducted for the FHSF are included in Annex B and a short overview is provided below, if the Committee would like full copies of the research please contact steve.dowling@acs.org.uk :

Local Partnerships

31. Our work on local partnership aimed to understand more about the local partnerships, like Portas Pilots, operating at local level to rejuvenate high streets and town centres and the function they perform. ACS commissioned a survey of existing local partnerships and the survey design was informed by a series of focus groups led by academics at University College London.
32. The research found that 14% of the partnerships surveyed have been created in the last 12 months and almost half of the partnerships in operation (49%) have fewer than 20 members. The most common objective of a local partnership is bringing

²⁵ [The Portas Review](#)

people together to articulate a vision for their area and 83% believe that local partnerships are either moderately or very effective. Partnerships have identified the top issues facing high streets as; high business rates (61%), poor accessibility (56%) and lack of public investment (56%)²⁶. 56% of partnerships do not set an annual budget, differences in priorities between businesses and local authorities can cause a disconnect, and bad communication within partnerships is highlighted as a barrier to success²⁷.

33. We believe that proactive local partnerships can make a real difference by coordinating and delivering bespoke strategies to improve their area. We hope that their role will be recognised by the Committee and the clear need they have for more support both financially and from experts to make a difference to their high streets.

Academic Research

34. ACS has set up a group to bring together academics with an interest in conducting and sharing research on high streets. This will help to grow understanding of the issues facing high streets and promote debate on the high street.
35. The National Retail Research Knowledge and Exchange Centre (NRRKEC) based at Nottingham Trent University has now reviewed existing literature on high streets to summarise key findings and identify research gaps, including the impact of millennials on the future high street, evidence from other stakeholders to the high street such as leisure and public services, and international comparisons between high streets.

Benchmarking Consumers

36. ACS has also worked with MHCLG to develop a survey of consumers to understand public perceptions of high streets. Results from this research are being analysed by the Ministry of Housing, Communities and Local Government. The survey will provide new information about how often consumers visit the high street versus other retail locations such as retail parks and shopping centres. The research will also show what consumers see as most important in a high street, how satisfied they are with their main high street and how aware they are of local partnership activity.

²⁶ ACS Surveying Partnerships Survey

²⁷ ACS Surveying Partnerships Survey

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

Annex B- Future High Streets Forum: Research Strategy

Work Stream	Objectives	Approach	Developments to Date	Project Findings	Next Steps
Surveying Local Partnerships	<p>To understand the experiences and views of those working in local partnerships.</p> <p>To inform the FHSF in its work to support partnerships.</p>	<p>Conduct a range of surveys of decision makers working in partnerships at a local level.</p> <p>This includes: local authority officers, town centre managers, businesses, local activists.</p> <p>Partnerships survey carried out by Margarethe Theseira at UCL, with questions drafted following two focus groups with local decision makers.</p>	<p>Focus groups facilitated by UCL were completed by 8th July, with following survey designed based on results of both focus groups.</p> <p>Responses have been collected, data analysed and the full report has now been completed, along with a summary document of key findings which is included in Appendix A.</p> <p>Key findings and recommendations have also been shared with the FHSF communications group.</p>	<p>14% of the partnerships surveyed had been created in the last 12 months.</p> <p>Almost half of the partnerships in operation (49%) have fewer than 20 members.</p> <p>The most common objective of a local partnership is bringing people together to articulate a vision for their area.</p> <p>56% of partnerships do not set an annual budget.</p> <p>There can be a disconnect between businesses and local authorities due to differences in priorities. Bad communication within partnerships was highlighted as a barrier to success.</p> <p>83% believe that local partnerships are either moderately or very effective.</p>	<p>Discuss the recommendations set out in the UCL report.</p> <p>To use the findings of the research to inform the wider FHSF on how to improve their support for partnerships.</p>
Surveying Consumers	<p>To understand public perceptions of high streets and the partnerships that support them.</p> <p>To give an overall benchmark of the effectiveness of FHSF activity.</p>	<p>Include questions on consumer's perceptions of high streets in omnibus polling.</p>	<p>The survey had been given ministerial approval but was put on hold due to the general election.</p> <p>We are waiting for DCLG to get final sign off and put the survey into field. We can expect the fieldwork to be completed in the next few months.</p>	<p>The survey will look at the following areas:</p> <ul style="list-style-type: none"> • How often consumers visit the high street compared to other retail outlets e.g. retail parks and shopping centres • What consumers think are the most important factors in a high street • How satisfied consumers are with their main high street • How aware consumers are of Local Partnerships 	<p>Publish the finds of the Populus polling of consumer expectations of high streets.</p>
Academic Research	<p>To grow the evidence base related to high streets.</p> <p>To make this work more relevant and helpful to partnerships and the FHSF.</p>	<p>Convene group of relevant academics to identify gaps in evidence, and areas of most relevance to the FHSF and partnerships.</p> <p>Encourage these academics to focus future projects in these areas.</p>	<p>Prof Kim Cassidy and Nelson Blackley from Nottingham Trent University presented initial mapping of research at NRRKEC event, which is available on request.</p> <p>This mapping was based on research submitted by academics from the initial meeting.</p> <p>Additional research has been sent in since the initial presentation.</p> <p>Key findings of the academic research have also been shared with the FHSF communications group.</p>	<p>The academic research has been split into three areas:</p> <ul style="list-style-type: none"> • High streets of the past: research that considers the resilience and social/economic value of 'traditional' high streets • High streets in the present: research that examines the segmentation of consumers on high streets today and the challenges facing high street outlets • High streets of the future: research that explores possible ways to ensure the future sustainability of high streets as viable destinations for consumers <p>Gaps identified from the first stage of mapping:</p> <ul style="list-style-type: none"> • Impact of Millennials: what would high streets of the future be like for them? • Inputs from other stakeholders on high streets such as housing, leisure (pubs, clubs etc.), public services (transport, health etc.) • Comparisons between UK high streets and those in Europe / other parts of the world. 	<p>Continue dialogue with relevant academics that are part of the NRRKEC group as well as others with an interest in high street issues.</p> <p>Summarise the findings of the academic research in a more easily accessible format for people working in partnerships.</p>

