

**ACS Submission | Autumn Statement 2023**



There are **49,388** convenience stores in mainland UK

Convenience stores in mainland UK provide over **437,000 jobs**

Colleagues in the convenience sector worked a combined **12.1m hours** a week over the last year

Convenience stores have invested **£646m** in their businesses over the last year

Source: ACS/Lumina 2023

ACS (the Association of Convenience Stores) welcomes the opportunity to provide evidence to the Treasury ahead of the Autumn Statement. The past year has been particularly challenging for convenience retailers, grappling with the adverse effects of inflation and escalating energy costs. However, as these pressures begin to recede, it is imperative now more than ever that these retailers are instilled with the confidence to invest and rejuvenate their businesses for the future.

Figures from the recently published Local Shop Report 2023 underscores the pivotal role that convenience retailers play in our economy. These businesses contribute a staggering £10.6bn in GVA and remit over £9.1bn in taxes. Furthermore, they are a significant source of employment, offering flexible and local job opportunities to approximately 437,000 people<sup>1</sup>.

It is essential to recognise that the value of convenience stores extends far beyond their economic contributions. These establishments are integral to the fabric of our communities. Whether located in town centres, neighbourhood shopping parades, or remote rural villages, they serve as essential grocery providers, job creators, community hubs, and exemplars of entrepreneurship. Beyond groceries, these businesses also provide a range of other services, including bill payment (in 76% of stores), cash back (70%), local grocery delivery (33%) and post offices (22%)<sup>2</sup>. The location and services offered through the local shop reflects why convenience stores are consistently rated by consumers as the business type with the most positive impact on its local area<sup>3</sup>.

This submission encompasses a broad spectrum of policy recommendations. However, we wish to emphasise the paramount importance of policies that facilitate and incentivise retailers to invest in their stores. Over the past year, convenience retailers have invested £646m into their businesses. To continue this trajectory of improvement and elevate the customer experience, these businesses require a clear and stable policy environment. A pressing concern is the escalating crime and anti-social behaviour witnessed in the retail sector. We urge the Treasury to consider tax incentives that would bolster retailers' efforts in investing in crime prevention equipment, such as CCTVs.

ACS' recommendations for the Chancellor of the Exchequer are as follows:

<sup>1</sup> ACS Local Shop Report 2023

<sup>2</sup> ACS Local Shop Report 2023

<sup>3</sup> ACS Community Barometer 2023

## BUSINESS RATES

- ⇒ Freeze the Business Rates Multiplier to help businesses to control inflationary pressures.
- ⇒ Maintain the retail and hospitality relief at 75% for another year.
- ⇒ Deliver certainty on the Improvement Relief to incentivise investment.

## EMPLOYMENT AND NATIONAL LIVING WAGE

- ⇒ Set future wage rates on objective economic analysis, not new government set targets.
- ⇒ Introduce a mechanism for the Low Pay Commission to suspend NLW uprating when wage rates have a detrimental effect on employment opportunities and investment.
- ⇒ Bring forward the review of Employer National Insurance Contribution (NIC) thresholds.

## INVEST IN TACKLING NEIGHBOURHOOD CRIME AND THE ILLICIT TRADE IN COMMUNITIES

- ⇒ Deliver on the Khan Review Recommendations for a £15million boost to enforcement action for tackling illicit tobacco and vaping market.
- ⇒ Introduce tax incentives to help businesses invest in tackling crime and anti-social behaviour.

## SUPPORT THE FUTURE OF ROAD TRANSPORT

- ⇒ Freeze fuel duty to support retailers and customers during the cost-of-living crisis.
- ⇒ Incentivise investment in Electric Vehicle Charging Infrastructure.

## DELIVER A JUST TRANSITION TO THE NET ZERO ECONOMY

- ⇒ Align the approach to the Deposit Return Scheme across the UK and make it cost neutral for retailers.
- ⇒ Clarify the government's MEEs targets and support investment in decarbonising property.

## STABILISING THE FUTURE OF PAYMENTS

- ⇒ Conduct a Government led review of ATM interchange fees and their impact on free-to-use cash access.
- ⇒ Strengthen the Payment System Regulator's authority to oversee the surge in merchant service charges for debit and credit cards.

## BUSINESS RATES

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ACS welcomed the business rates support package delivered by the Government in the last Autumn Financial Statement, including freezing the multiplier, the extension and increase in retail, hospitality and leisure relief, the Supporting Small Business Scheme and the scrapping of downward transition rates. The convenience sector business rates liabilities, after relief, still account for £209m of liabilities<sup>4</sup>. We are urging the Chancellor to consider the following recommendations in the Autumn Financial Statement:

### *Freeze the Business Rates Multiplier to help businesses to control inflationary pressures.*

The business rates multiplier, which adjusts annually in line with the CPI inflation, has become a significant concern for the retail sector, especially given escalating inflation levels. The UK economy is already grappling with the repercussions of rising inflation, which has had a profound effect on consumer spending. If business rates were uplifted in accordance with the projected inflation for 2024, many convenience retailers, who operate on thin margins, would find themselves cornered into passing on these increased costs directly to consumers, further exacerbating the inflationary pressures.

We therefore urge the Chancellor to take proactive measures to support convenience retailers and the broader retail community. By freezing the business rates multiplier for the upcoming year, the government would provide much-needed certainty to retailers about their impending rates liabilities. Moreover, such a move would align with the government's ambition to curb inflation, ensuring a more stable economic environment for both businesses and consumers..

### *Maintain the retail and hospitality relief at 75% for another year.*

The Retail, Hospitality and Leisure Relief stands as a testament to the government's commitment to supporting Britain's high streets, local parades and village shops. This relief has been instrumental in aiding numerous businesses, ensuring a smoother transition to the economy re-opening after the pandemic. For a significant number of convenience stores, this relief hasn't just been a financial cushion, it has been the catalyst for investment in delivering essential services to their local communities.

ACS' Local Shop Report 2023 demonstrates that convenience retailers have invested £646m in their businesses over the last year<sup>5</sup>. To sustain this momentum of investment, it is imperative for the government to extend the 75% Retail, Hospitality and Leisure Relief for another year. There's a palpable sense of optimism among retailers, with confidence in the economy and consumer spending on an upward trajectory. However, prematurely withdrawing this crucial relief, especially in the current climate of high inflation and escalating operating costs, could potentially halt or even reverse this positive trend.

### *Deliver certainty on the Improvement Relief to incentivise investment.*

We are clear that reform to the business rates system needs to be centred on improvements and efficiencies to the existing property-based tax. An important part of these reforms should be ensuring that retailers and other businesses are incentivised to invest. The introduction of the Improvement Relief is central to delivering on that agenda. We want to see the Improvement relief confirmed for the rest of the revaluation period up to 2026.

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<sup>4</sup> ACS Local Shop Report 2023

<sup>5</sup> ACS Local Shop Report 2023

The Improvement Relief is unique in that it encourages businesses to invest in their premises without the risk of seeing automatic rates liabilities increase. At a time when business investment confidence is low, the Treasury should be pulling all levers to reduce the risk of businesses investing. This will help retailers invest in new plant and machinery, such as CCTV systems, or in expanding stores to deliver more services to their communities. The improvement relief needs to be confirmed over a long period to align with retailers' investment strategies that span 3 to 4-year periods.

## EMPLOYMENT AND NATIONAL LIVING WAGE

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The convenience sector continues to be an essential provider of local, secure and flexible employment. However, the challenges posed by rising wage rates and other operational expenses have compelled retailers to make difficult decisions, including reducing staff hours and accepting lower profit margins<sup>6</sup>. This highlights the need for careful consideration of wage policies and their impact on the labour market. The review of the Low Pay Commission's (LPC) remit and the role of the NMW and NLW presents an important opportunity to allow for the development of policies that not only ensure the provision of high-quality employment but also foster a resilient job market. We are urging the Chancellor to consider the following recommendations in the Autumn Financial Statement:

*Set future wage rates on objective economic analysis, not new government set targets.*

The LPC should be empowered to set wage rates independently of political targets. The two-thirds median earnings target is due to be reached in 2024, and it is projected to hit £11.16 per hour in cash terms by Spring 2024. This constitutes the most significant operating costs for convenience retailers and profoundly influences their operational and strategic decisions.

We urge the Government not to impose new, higher statutory wage targets for the Low Pay Commission to meet. Instead, the LPC should have the discretion to make recommendations on future wage rates. It is crucial that the LPC can consider economic shocks, such as financial crises, cost-of-living challenges, and projected inflation levels.

*Introduce a mechanism for the Low Pay Commission to suspend NLW uprating when wage rates have a detrimental effect on employment opportunities and investment.*

The Government should introduce a mechanism within the LPC's remit to suspend uprating when wage rates adversely affect employment opportunities. The LPC should identify potential negative impacts on the labour market post-2024 that may arise from increasing wage rates. For example:

- Limited in-work progression
- Decreased attractiveness of entrepreneurship compared to employment
- Increase in gig economy models by businesses over good work principles
- Reduced business investment due to allocating funds to wage costs instead of promoting productivity, ultimately leading to diminished productivity

The LPC should ensure that the NLW promotes in-work progression, enabling businesses to offer low-paid workers opportunities for career advancement and upward mobility. This entails broadening the Low Pay Commission's scope beyond merely annual increases in wage rates and also deliberating on ways to incentivise in-work progression..

*Bring forward the review of Employer National Insurance Contribution (NIC) thresholds.*

To mitigate the impact of employment costs, the Government should review Employer National Insurance rates well before 2027. While cancelling the increase to employers' NIC at the Autumn Statement was the right decision, freezing NICs thresholds until 2028 will hinder job creation, especially as pay levels are expected to rise during this time. The Government must, therefore, aim to raise employer NICs thresholds to foster an environment conducive to creating employment opportunities.

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<sup>6</sup> ACS Low Pay Commission Submission 2023

## INVEST IN TACKLING NEIGHBOURHOOD CRIME AND THE ILLICIT TRADE IN COMMUNITIES

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Headlines about rising levels of shop theft, illicit vaping and tobacco products have been widespread. Calls for action on crime and the illicit trade have been targeted at the Home Office and government enforcement agencies, but it is vital the Treasury consider the impact of crime on the economy and the Exchequer's revenues. ACS' Crime Report 2023 found that there is a 6p crime tax on every transaction in the convenience sector when you account for the cost of crime and retailers' investment in crime prevention<sup>7</sup>. The latest data on UK tax gaps highlighted that the Treasury lost £2.6 billion from non-duty paid tobacco and alcohol.<sup>8</sup> We are urging the Chancellor to consider the following recommendations in the Autumn Financial Statement:

*Deliver on the Khan Review Recommendations for a £15million boost to enforcement action for tackling illicit tobacco and vaping market.*

The government has delivered tougher penalties for businesses that engagement in the sale of illicit or non-duty paid alcohol and tobacco products. We have welcomed these interventions and proactively communicated these changes to our members. However, new penalties or regulatory interventions on products sold in convenience stores are only as good as the enforcement agencies enforcing them. ACS' recent Trading Standards Survey highlighted that 61% of Trading Standards officers believe they had insufficient funding to effectively tackle the illicit tobacco and vaping products market.<sup>9</sup>

We welcome that the Department for Health and Social Care has allocated £3 million to deliver "vape enforcement squads" across the country, but this falls well short of the £15 million boost to enforcement action recommended by the Khan Review. The fiscal statement should allocate additional funding to HMRC, Border Force and Trading Standards to disrupt the illicit tobacco and vaping markets. Without sufficient resources the Treasury is at risk of losing excise duty and emboldening criminals to continue to engage in illegal sales without fear of reproach.

*Introduce tax incentives to help businesses invest in tackling crime and anti-social behaviour.*

We estimate that known crime against the convenience sector cost £125m per year or £2,574 per store. Convenience retailers are investing over £228m in crime prevention equipment to keep their colleagues and premises safe. We estimate this is equivalent to a 6p crime tax on every transaction in convenience sector. This clearly demonstrates that crime is not just a social issue but an economic one that the Treasury needs to focus on.

We welcome the investment the government is making in increasing police numbers, but, with growing pressure on police resources, businesses will need to invest in crime prevention measures to deter criminals. We urge the Chancellor to consider what tax incentives can be used to support retailer's investment in crime prevention equipment. For example, it is counterintuitive that, if a retailer invests in a new CCTV system, their business rates bill will increase.

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<sup>7</sup> ACS Crime Report 2023

<sup>8</sup> Measuring tax gaps 2022 edition: tax gap estimates for 2020 to 2021

<sup>9</sup> ACS Trading Standards Survey 2022.

## SUPPORT THE FUTURE OF ROAD TRANSPORT

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We acknowledge the Prime Minister's new pragmatic approach to meeting net zero targets. A similar pragmatic approach needs to be taken in supporting fuel retailers, which are an essential part of Britain's transport infrastructure, to invest in new infrastructure and support road users. We are urging the Chancellor to consider the following recommendations in the Autumn Financial Statement:

### *Incentivise investment in Electric Vehicle Charging Infrastructure.*

Fuel retailers understand the need to transition the road vehicle fleet to net zero with many investing millions in new Elective Vehicle (EV) infrastructure<sup>10</sup>. We support the Government's 2022 ambition of 300,000 public chargepoints in the UK by 2030.<sup>11</sup> However, as of October 2022, there are currently under 34,000 electric vehicle chargepoints across the UK.<sup>12</sup> Retailers need to be incentivised to invest in charging infrastructure. We urge the government to accelerate the process for delivery of the Rapid Charging Fund and ensure all retailers have access to it.

### *Freeze fuel duty to support retailers and customers during the cost-of-living crisis.*

We urge the Chancellor to freeze fuel duties at the Autumn Financial Statement. It is important that the government recognizes that the 5 pence fuel duty cut introduced at the Spring Budget 2022 was passed on to consumers by fuel retailers. This was confirmed in the Competition and Market Authority's (CMA) recent inquiry<sup>13</sup>.

We welcome further scrutiny by Government and the CMA of road fuel pricing. We have engaged positively in the CMA's Market Study.<sup>14</sup><sup>15</sup> We have also supported the CMA in delivering their Road Fuel Pricing Data Scheme, which many of our members have positively engaged with.

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<sup>10</sup> [Taking Charge: Electric Vehicle Infrastructure Strategy](#)

<sup>11</sup> [DfT, Taking Charge: the electric vehicle infrastructure strategy, 2022](#)

<sup>12</sup> [ACS, Forecourt Report 2022](#)

<sup>13</sup> CMA Road Fuel Review 2022: Has the fuel duty cut been passed on to consumers?

<sup>14</sup> [CMA, Road Fuel Review, 2022](#)

<sup>15</sup> [CMA, Initial Update Report, 2022](#)

## DELIVER A JUST TRANSITION TO THE GREEN ECONOMY

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The convenience sector plays an important role in delivering a greener economy both in how we operate our businesses and how we communicate changes to our customers. We are working closely with the Department for Environment, Food and Rural Affairs in delivering important recycling initiatives, like the introduction of the Deposit Return Schemes. We are also looking ahead to investments that need to be made in decarbonising premises where convenience retailers trade from. We are urging the Chancellor to consider the following recommendations in the Autumn Financial Statement:

### *Align the approach to the Deposit Return Scheme across the UK and make it cost neutral for retailers.*

The Government currently plans to deliver an aligned deposit return scheme (DRS) across the UK by 2025. The current timeline does not permit this, and the uncertainties about the format and approach to DRS undermine businesses' ability to invest in DRS implementation. ACS supports DRS but we need the following to ensure convenience retailers can prepare:

- i. Interoperability plan to ensure the scheme works across the UK's four nations.
- ii. Draft regulations need to be laid before parliament with significant lead time to the proposed go-live date.
- iii. A commitment from government to underwrite finances for setting up a DMO.
- iv. A timeline that properly reflects the time needed for industry to prepare.

We have also made clear that the government must ensure that DRS is cost neutral for retailers. This means that the handling payments for retailers cover the extensive costs associated with collecting, processing, storing and returning single use drinks containers.

### *Clarify the government's MEEs targets and support investment in decarbonising property.*

The Government needs to update businesses on the timeframes for delivering on Minimum Energy Efficiency Standards for the non-domestic private rented sector. The delay in publishing the consultation results is causing significant uncertainty for businesses. If the Government is considering an interim EPC target for 2027, it's imperative that businesses are given adequate time to prepare and plan their investments. This is especially pertinent for small business operators in our sector.

Strengthening the relationship between landlords and tenants will be paramount in this transition. Small business operators will need to work closely with landlords, and for this to be effective, the Government must provide clear guidance and robust financial incentives. These incentives will be essential to ensure that the necessary energy performance improvements are both environmentally beneficial and financially attainable for businesses.

Furthermore, the Government should prioritise the release of detailed guidance, accompanied by a standardised calculator. This will assist retailers in understanding the necessary steps for incremental energy performance improvements. Such guidance should be made available well in advance of the first compliance window to ensure businesses can plan effectively. While the onus of legal responsibility should remain with landlords, introducing a 'duty to cooperate' between landlords and tenants will foster a collaborative approach towards achieving energy efficiency goals.

Lastly, the Government should consider offering flexibility and exemptions, particularly for shell and core let properties. This approach will ensure that ratings genuinely represent the property's actual usage, thereby reducing the need for pre-tenancy agreements.

## STABILISING THE FUTURE OF PAYMENTS

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The payments landscape in the convenience sector is diversifying, rather than merely transitioning from cash to digital. This shift is evident as mobile payments become mainstream and open banking fintechs begin to develop payment products tailored for retail. ACS adopts a payments-neutral stance, recognising that, despite the decline in cash usage, it remains vital for a significant portion of customers without access to digital payment options. We are urging the Chancellor to consider the following recommendations in the Autumn Financial Statement:

*Conduct a Government-led review of ATM interchange fees and their impact on free-to-use cash access.*

Over the past five years, there has been a 26.5% reduction in the number of free-to-use ATMs in the UK. This decline is largely attributed to bank closures as more individuals turn to online services for financial management. An increasing number of these ATMs are transitioning to a pay-to-use model. This is because the interchange fee set by LINK and funded by banks doesn't cover the costs of maintaining these ATMs as free-to-use, especially given rising interest rates and the escalating costs of labour and distribution. The number of FTU ATMs will continue to decline unless the interchange fee is adjusted to adequately cover the costs of maintaining the UK's free-to-use ATM network. The Government needs to intervene and review these fees to ensure the sustainability of free-to-use ATMs.

*Strengthen the Payment System Regulator's authority to oversee the surge in merchant service charges for debit and credit cards.*

Merchant Service Charges (MSC) are rising sharply for retailers, many of whom struggle to comprehend and evaluate the costs they bear. Retailers incur MSCs on every card transaction, which comprise three types of fees: acquirer fee, interchange fees, and scheme/processing fees. This lack of clarity hampers retailers' ability to make informed decisions about payment processing, negotiate better rates, and gauge the impact on their profitability. Both the Treasury and the Payment Systems Regulator should act to cap these fees and enforce greater transparency, thereby equipping retailers to make informed choices and better manage their finances.