

## ACS Submission | Autumn Budget 2024



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

Convenience stores in mainland UK provide over **437,000 jobs** and colleagues in the convenience sector worked a combined **12.1m hours** a week over the last year. Source: ACS/Lumina 2023

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

ACS (the Association of Convenience Stores) welcomes the opportunity to provide evidence to the Treasury ahead of the Budget. ACS represents 49,388 local shops and petrol forecourt sites including Co-op, BP, One Stop and thousands of independent retailers, many of which trade under brands such as Spar, Budgens and Nisa. These retailers operate in all locations, such as neighbourhoods, villages, on petrol forecourts and in city centres, but our primary trading location is in secondary shopping areas close to where people live and work.

Convenience retailers play a critical role in the UK's economy, contributing a substantial £10.6 billion in GVA and over £9.1 billion in taxes. These figures highlight the significant financial contribution of convenience stores, which are vital for providing everyday services and groceries. The sector employs over 437,000 people, offering local, secure, and flexible employment opportunities that bolster local economies and support community livelihoods.

Beyond their financial impact, convenience stores are essential community businesses, constantly adapting to meet the changing needs of their communities. They are hubs of community interaction and support, providing essential goods and services. In many areas, convenience stores function as informal community centres, contributing to social cohesion and neighbourhood well-being. 79% of independent retailers engage in some form of community activity in the past year.

These stores provide a wide range of essential services to their communities, including bill payment services, cash back, free-to-use ATMs, local grocery delivery, and parcel collection points. The diversity of these services, along with the strategic locations of the stores, make them invaluable to local residents. Consumers often regard convenience stores as having the most positive impact on their local areas due to their accessibility, reliability, and comprehensive service offerings.

Retailers have faced a challenging few years, contending with rising inflation, soaring energy costs, a tightening labour market and a surge in theft and violence towards shopworkers. Despite these obstacles, convenience retailers have shown remarkable resilience. In the past year, convenience retailers have invested £646 million in their businesses, demonstrating their commitment to continuing to provide essential goods and services to their communities. However, to sustain or grow this level of investment, they need the right economic environment that supports their ongoing efforts and development.

We recognise the challenges outlined by the Chancellor in July and the need to close the deficit and restore economic stability to foster growth. As such, in setting out recommendations to the Treasury ahead of the Autumn Budget, we have outlined proposals that not only support convenience retailers but also align with the Government's five missions. These proposals are designed to be financially sustainable, ensuring they can raise more revenue for the Treasury while fostering economic stability and growth.

## ACS POLICY PROPOSALS & LINK TO NATIONAL GROWTH MISSION

Policy Proposal	Link to Mission(s)	Cost
<p><b>Vaping Products Duty revenues used to fund new vape enforcement action</b></p> <p>The government is introducing a raft of new regulations to stop marketing of vapes to children, prevent underage sales and tackle the illicit market.</p> <p>The government's new regulations need to be match by an increase in enforcement budgets for trading standards teams.</p>	<p>1) Kickstart Economic Growth</p> <p>3) Take Back Our Streets</p> <p>5) Build an NHS fit for the future</p>	<p><b>£140.4m of new funding for Trading Standards teams in England</b></p> <p>ACS has commission new report "Resource Analysis for Vape Enforcement in England"<sup>1</sup> detailing exactly how the £140.4m would be allocated to deliver 438 FTE professional enforcement officers.</p> <p>This can be funded via the introduction of the Vape Product Duty. Between 2024/25 and 2028/29 the net revenue raise from the Vape Product Duty is forecast to be £875m<sup>2</sup>. £140 million funding for enforcement represents 16% of the net revenue raise to fund additional enforcement activity.</p>
<p><b>Increase Employer NICs threshold to £185 and uprate it each year</b></p> <p>To ease the rising costs of employment, employers should not pay National Insurance Contributions for any employee working only 16 hours per week on the NLW. Therefore, HMT should increase the Employer NICs threshold to £185 per week.</p>	<p>1) Kickstart Economic Growth</p>	<p><b>Funding the increased threshold for the UK convenience sector would cost the Treasury £21m.</b> In both the convenience sector and other areas of the economy, this reduction in employment costs would help support increased wage costs and boost confidence to invest. The top response to rising employment costs in the convenience sector as to reduce investment plans (53%). For an investment led recovery businesses needs support with costs of employment.</p>
<p><b>Maintain Small Business Rate Relief and Retail Rate Relief at 75%</b></p> <p>Small Business Rate Relief and Retail Rate Relief are essential for facilitating investment in local communities and enhancing local services.</p>	<p>1) Kickstart Economic Growth</p>	<p><b>The total cost to the Treasury of Retail, Hospitality and Leisure Rate Relief is £2.1bn<sup>3</sup>.</b> These reliefs are crucial for supporting investment in UK high streets. During the pandemic, when there was 100% business rate relief, our data suggests that 61% of convenience retailers used the financial support to invest in store improvement and new services, and 39% used this for support for store operating costs<sup>4</sup>.</p>
<p><b>Introduce an alternative rating methodology for online distribution warehouses</b></p> <p>We need to level the playing field between brick-and-mortar retailers and online operators. This can be achieved by introducing a new rating methodology that accounts for online distribution warehouses. Similar to how petrol forecourts are rated, online retailers' rating liabilities would be calculated based on the amount of sales they complete online.</p>	<p>1) Kickstart Economic Growth</p>	<p>The total revenue raised from an alternative rating methodology will depend on the new rating methodology created by the VOA.</p> <p>The revenue raised from this new methodology could be reallocated to reduce bills for physical retailers through a reduction in the multiplier for the retail sector that would support the viability of high streets and local services that are under significant pressure.</p>

<sup>1</sup> [Resource Analysis for Vape Enforcement in England, 2024](#)

<sup>2</sup> [Spring Budget 2024 Policy Costing Document pg 25](#)

<sup>3</sup> [Business Rates Relief: 2023/24 Retail, Hospitality and Leisure Scheme](#)

<sup>4</sup> ACS Voice of Local Shops Survey

## Utilise Vaping Duty Revenues to Increase Funding for Vape Enforcement

The government is introducing a raft of significant regulatory interventions on the vaping market to protect public health and to address the environmental impacts associated with the misuse of vaping products. These regulations however cannot be delivered effectively without Trading Standards having the proper funding and resources to enforce these policies. Over the past ten years, Trading Standards budgets has been cut by over 50% and ACS' Trading Standards survey 2022 found that 61% of Trading Standards officers did not feel they had sufficient resources to effectively enforce the vaping and tobacco market.<sup>5</sup>

Lack of long-term funding for enforcement action is a significant concern for retailers because they see rogue businesses continuing to brazenly flout regulations without fear of reprisal because there is a little worry that enforcement action will be taken against them. ACS is concerned that without the additional funding given to Trading Standards to enforce the regulations, we will see an increase in illicit activity where it already currently estimated that in 1 in 3 vaping products are illicit.<sup>6</sup> ACS commissioned consumer polling (See Annex A) by Yonder to see how vape user will respond to the ban. The polling indicates that of those that are existing disposable vapers, 24% will continue to source disposable vapes after the ban comes in effect costing legitimate UK businesses £645m in lost legitimate sales and £107.5m in lost VAT revenue for the Treasury.<sup>7</sup>

ACS recently commissioned a report on level of funding required to effectively enforce the vaping restrictions in England which came to £140.4 million over a five-year period, a threefold increase to the current funding announced by the government.<sup>8</sup> If the government wants these regulations to be effectively delivered, we would like to see a proportion of the revenue raised from the implementation of the Vape Products Duty to be used to expand Trading Standards' enforcement capabilities. Between 2024/25 and 2028/29 the net revenue raise from the Vape Product Duty is forecast to be £875m. We would like £140.4m (16% of the net revenue raise) in funding to be committed for improving enforcement activity over a five year period.

This uplift in funding would be crucial to help secure an additional 438 additional Trading Standards officers working for the enforcement body, representing a generational expansion in its workforce which is needed to enforce vaping regulations and wider legislation. The funding would also be used to go towards the recruitment and retention of detection dogs, storage and disposal of seized and illegal vape products, and work being addressed at strategic ports and borders through strategic collaboration with different agencies. The impact of this funding would mean non-compliance would become prohibitive, removing **20 million illicit vapes** from the market and it is expected that this would result in some of the funding costs being recovered through an increase in the sale of legitimate goods and associated VAT and excise revenue.<sup>9</sup>

We also expect that this increased funding for Trading Standards will drive economic growth in local communities by fostering a level playing field, ensuring that all businesses adhere to the same compliance standards. This will help reputable businesses thrive by eliminating unfair competition from non-compliant businesses who cut corners. Additionally, strong enforcement of regulations will boost consumer confidence in local products, driving more customers to trust and patronize local legitimate retailers. In practice, this will create a healthier business environment and ultimately deliver safer streets, high streets and local shopping parades.

## Increase Employer NICs threshold to £185 and uprate it each year

Rising wage costs have posed a significant challenge to retailers, forcing them to make difficult decisions. Many have had to reduce investments in their business (53%), increase prices (53%), or cut staff hours

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<sup>5</sup> ACS' Trading Standards Survey 2022 & [CTSI Manifesto 2024](#).

<sup>6</sup> CTSI NIPS3 Review of Business Compliance In England 2022.

<sup>7</sup> Yonder Consumer Polling Feb 2024, 2000 UK adults surveyed, 8% of the sample were disposable vape users.

<sup>8</sup> [Resource Analysis for Vape Enforcement in England 2024](#).

<sup>9</sup> [Resource Analysis for Vape Enforcement in England 2024](#).

(47%) to cope with the higher costs. The government must carefully manage rising employment costs and the impact this has on business investment plans that will deliver a national economic revival.

As NLW rates rise, it is crucial to also consider raising the threshold for employer NICs. Currently, employers start paying National Insurance for employees earning £175 per week or £758 per month. This threshold has remained unchanged since April 2022, but at the same time the NLW has increased from £9.50 to £11.44, representing a 20.4% increase. Consequently, employers are now paying more in employer NICs, exacerbating the rise in employment costs and adding to the financial strain on businesses.

We propose that the threshold for employer NICs should be raised to £185 per week or £801 per month. This would mean that employers would not pay NICs for anyone employee working 16 hours per week on the NLW. Funding this increased threshold for the UK convenience sector would cost the Treasury £21 million per year<sup>10</sup>. However, this adjustment would rebalance the increasing cost of employment faced by businesses in the convenience sector and other areas of the economy.

If we want to maintain high levels of secure employment, it is essential to address rising employment costs now. Businesses in labour-intensive markets are at risk of adjusting their employment structures if these costs are not managed effectively. By taking proactive measures to alleviate financial pressures, we can help ensure that businesses do not resort to drastic changes that could impact job security and overall economic stability.

Retailers are approaching a pivotal moment in their decision-making processes, weighing the investment in labour against technological alternatives. ACS' Employment Survey reveals that 88% of convenience retailers are considering automating certain processes in the next year, such as implementing self-service tills, to manage rising labour expenses. This is a significant increase from 69% the previous year, indicating a shift in how convenience retailers operate and interact with customers.

### **Maintain Small Business Rate Relief and Retail Rate Relief at 75%**

The business rates liability for the convenience sector, after accounting for relief, amounts to roughly £209 million. The Small Business Rate Relief (SBRR) scheme and the Retail, Hospitality and Leisure Relief (RHL) are therefore crucial in bolstering the confidence of convenience retailers to invest in and grow their businesses. These relief schemes provide essential financial support, enabling retailers to channel funds into improvements and expansions that might otherwise be unaffordable.

Despite a significant reduction in inflation over the past year, consumer confidence remains fragile. This fragility directly affects business confidence, as retailers are cautious about investing in growth amidst uncertain consumer behaviour. Consequently, it is imperative that the existing SBRR and RHL relief schemes are maintained to support the ongoing viability and expansion of small businesses in the convenience sector.

A survey of retailers revealed the link between business rate relief and investment during the pandemic when full business rates relief was provided. 61% of retailers indicated they invested relief in store safety and new services, leveraging the financial relief to enhance customer and employee safety and to expand their service offerings. Meanwhile, 39% used the funds to cover essential operating costs, ensuring their stores could continue functioning amidst the economic turmoil. This data highlights how critical government support was in enabling retailers to adapt and sustain operations during challenging times.

The government's continued provision of a 75% relief for retail businesses has been instrumental in ensuring that businesses not only remain open but also have the capacity to invest and grow. This relief has provided a lifeline for many small retailers, enabling them to navigate economic uncertainties and invest in their future.

While we recognise that the RHL Relief cannot be a permanent fixture of the rating system, any withdrawal of this relief must be carefully managed to prevent adverse impacts on small retailers. A gradual and well-

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<sup>10</sup> Analysis based on ACS' Local Shop Report 2023

managed transition will be essential to ensure that businesses can adjust without facing sudden financial strain.

The SBRR remains essential for all small business operators, particularly in the convenience sector. This relief is vital for maintaining the provision of low margin but essential services, like bill payments, access to cash and Post Offices, in secondary areas, such as villages and neighbourhood parades. Without such support, many small retailers in these areas review their investment decisions and service of that can limit access to essential services and local economic activity.

### **Introduce an alternative rating methodology for online distribution warehouses**

We welcome the commitment in the 2024 Labour Party Manifesto to level the playing field between high street and online giants with an overhaul of the business rates system. This is a key issue that ACS has been campaigning for to support the sustainability of high streets and local services, which are currently under significant pressure.

An Alternative Rating Methodology should be employed to rebalance the amount of business rates paid by physical retailers compared to online retailers. This can be achieved by increasing the business rates paid by online retailers on their distribution warehouses for business-to-customer sales. Instead of introducing a complex online sales tax, more revenue can be raised and redistributed through the existing business rates system by applying a different methodology for calculating the business rates bills of online distribution warehouses.

The Rateable Value (RV) for a physical shop is calculated based on the rental value of the property, influenced by factors such as location, size, and usage. These factors are integral in determining the economic worth of the property within its specific commercial context. For online distribution warehouses, the calculation is similar; however, they often benefit from being in cheaper areas away from prime retail locations like high streets, town centres, and parades, leading to a lower rental value and therefore lower business rates liabilities.

However, under the current business rate system not all businesses are rated on their rental value, but other methodologies are used to reflect their economic value. For example, petrol forecourts valuations are based on the volume of fuel sold and the turnover from additional services like shops and valeting<sup>11</sup>. Pubs and restaurants also follow unique methodologies; pubs use a combination of rent and turnover, while restaurants consider factors like turnover and the number of covers they can serve.

The VOA should therefore apply a bespoke fair and maintainable trade rating methodology to online distribution warehouses. This would increase the revenue raised through the business rates system and better reflect online retailers' economic value in the tax system. Incorporating factors like the volume of business-to-customer online transactions and the scale of distribution operations into the rating system avoids the need for the Treasury to create a whole new property rate tax system. The additional revenue generated from this methodology could be used to lower the business rates for physical retailers, supporting the sustainability of high streets and local services that are currently facing significant pressure. A recent analysis by Development Economics on behalf of Sainsbury's has detailed the potential benefits of cutting the overall cost of business rates investment for the retail sector to support wider investment and additional GVA £393 million<sup>12</sup>.

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<sup>11</sup> [Rating Manual section 5a: Petrol filling stations](#)

<sup>12</sup> [Reforming Business Rates: the jeopardy of inaction 2024, Development Economics](#)

## ANNEX A – Yonder Consumer Polling

ACS commissioned Yonder to deliver consumer polling of 2000 UK adults, 8% of the sample indicated they use disposable vapes and chart below details how they will respond to the disposable vapes ban.

- 44% said they would switch to refillable vapes
- **24% said they would continue to use disposable vapes**
- 20% said they would stop vaping and not use an alternative product
- **8% said they would switch to cigarettes**
- 4% said they would switch to a different nicotine product

The Government is planning to ban disposable vapes in the near future. Which best describes your plans after the ban is introduced?

