Chancellor's Briefing
Spring Statement

the voice of local shops

ACS (the Association of Convenience Stores) welcomes the opportunity to brief the Chancellor in advance of the Spring Statement 2019. ACS represents 33,500 local shops across the UK including the Co-op, Spar UK, One Stop, McColls Retail, BP and thousands of independent retailers.

For more information about ACS, please see Annex A.

This briefing sets out the key policy areas that the convenience retailers need the Chancellor to consider at the Spring Statement. The briefing also outlines many positive opportunities for the Chancellor to incentivise investment through the business rates system, support the transformation of the high street and support the environment through the extension of the single use plastic bag charge to small retailers.

We acknowledge that there remains considerable uncertainty around the UK Government and EU Brexit negotiations, but we firmly believe that the best outcome for the convenience sector, and wider UK economy, is for the UK Government to seek an agreed exit from the EU with an appropriate transition period. A no deal would cause significant disruption to the supply chains, products and customers of UK convenience stores.

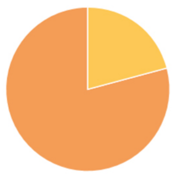
The Convenience Sector in Numbers

THERE ARE 46,262 CONVENIENCE STORES IN MAINLAND UK

CONVENIENCE STORES PROVIDE ALMOST 365,000 JOBS IN MAINLAND UK

OVER THE LAST YEAR CONVENIENCE STORES HAVE INVESTED » £814m IN THEIR BUSINESSES

TOTAL VALUE OF SALES £39.1bn =



over one fifth of the total grocery market

(in the convenience sector in the year to March 2018)

OVER THE LAST YEAR, THE CONVENIENCE SECTOR CONTRIBUTED OVER £8.8bn IN GVA & OVER £3.6bn IN TAXES

The Convenience Sector Performance

Given uncertainty over Brexit and declining consumer confidence convenience retailer optimism level for the next three months have dropped slightly.

The pattern of investment in the convenience sector generally results in lower investment levels during the Christmas period as retailers do not want to disrupt stores during busy periods. Retailers investment decisions are also likely to be impacted by the uncertainty surrounding the UK exiting the EU and the prolonged negotiations.

A no deal would cause significant disruption to the supply chains, products and customers of UK convenience stores. ACS has briefed MPs on the potential impact of no deal on the convenience sector here.

Incentivising Investment and Growth

The business rates system needs to change to incentivise investment

It is a perverse outcome of the current business rates system that when retailers seek to invest in their properties' they are immediately penalised with a bigger tax bill. A business growth accelerator, similar to the Scottish Government relief, should give businesses a two-year period to recoup investments in their property before their business rates bill increases.

The overall burden of business rates is too high. If the Chancellor will not remove the business rates fiscal neutrality principle, then the Chancellor should review options to raise more revenue from online business, for example by using a different rating methodology for online distribution warehouse to raise more revenue to off set rating costs for high streets. Different rating methodologies are already used in other key sectors where it is difficult to calculate rental value from zoning methods for example; petrol forecourts, ATMs and public houses.

More information: ACS submission HCLG Select Committee Inquiry 2030

A sustainable free to use ATM network funded by interchange fees to support consumer spending on high streets and local parades

Every time a consumer uses an ATM an interchange fee is paid from their card issuing bank to an ATM operator part of which is passed to the retailer that hosts the machine. LINK, the ATM network body, announced in January 2018 that it would reduce interchange fees by 20% over a four-year period from 25p to 20p per transaction. The first two 5% reductions to 22.5p have taken place. These cuts are forcing retailers to review whether to: a) continue hosting their ATM on lower commission; b) remove their ATM, or c) move to a pay to use model. Banks not retailers should be subsidising the ATM network.

More Information: ACS submission to Access to Cash Review

Protecting the Environment

Single use carrier bag charging should be extended to small retailers to further reduce single use plastic bags and increase funds for local charities

46% of independent convenience retailers already voluntarily charge for single-use plastic bags and 71% support the charge being extended to smaller retailers. Small retailers have used bag charging as an opportunity to contribute to their local community by donating the proceeds of the plastic bag charge to good causes, cutting their costs by reducing the number of bags they have to buy, and having a positive impact on the environment. The government should avoid further regulatory and financial burdens by ensuring that small retailers are exempt from reporting requirements

There should be one single deposit return scheme (DRS) for the UK delivered through a network of strategic located reverse vending machines (RVMs) to tackle on the go plastics.

If the government chooses to introduce a DRS it must be mindful of the impact on the small format outlets like convenience stores. A DRS should include an exemption for outlets under 280 square metres and not require any businesses to manually handle plastic packaging, placing undue pressure on staff. A DRS must be delivered through a network of automated RVMs and be funded through handling fees that covers the cost of the reverse vending machines and associated administration of the scheme.

More Information: ACS Submission extend the Single-use Plastic bag charge to all retailers
More Information: ACS Submission A Deposit Return Scheme for Scotland

Reforms to the Extended Producer Responsibility system should not place disproportionate administrative and cost burdens on small businesses

We support the overall principle that all producers who handle packaging and packaged goods should contribute to the financing of the recovery and recycling of the packaging materials they place on the market, we have concerns that lowering the de minimis (currently set at 50 tonnes) threshold significantly would place disproportionate administrative and cost burdens on small businesses for minimal benefit in terms of increased recovery levels and funding. If the government decides that the de minimis should be lowered, there should be consideration to how the changes can be communicated to retailers and how they can calculate and comply with their obligations in a simple way.

Employment Costs and Regulations

Local shops offer flexible local employment to 365,000 people across the UK but increasing wage rates mean businesses must make tough decisions about paid working hours in their business.

The National Living Wage is projected to increase to £8.62 by 2020 based on the current 60% of median earnings target. The Low Pay Commission should be empowered to set the National Living Wage to "help as many low-paid workers as possible without damaging their employment prospects".

75% of convenience retailers reduced paid staff hours in their business and 69% of retailers took on more hours themselves to make up the difference. 45% of colleagues in the convenience sector work less than 16 hours per week.

The introduction of new regulations to tackle poor employment practices in the 'gig economy' must not penalise convenience retailers, and other responsible employers, providing stable employment.

We support the ambition of the Government to improve the quality of work in the UK. Clarity about employment status and rights will benefit both employers and employees. 72% of colleagues in the convenience sector are satisfied with their work.

Proposals requiring all employers to track notice periods for shifts and provide compensation for shift cancellation must be carefully managed to avoid overloading businesses with additional administration and costs. These interventions could also undermine flexibility that employees' value.

More information: ACS submission to the Low Pay Commission 2018

Managing Regulatory Intervention

HMRC should consider extending the 20th May 2019 deadline to allow smaller retailers to have sufficient time to apply for their codes and for larger retailers to establish scanning processes in their business

The whole supply chain only has less than three months to prepare for the implementation of these regulations, which we strongly advise is not sufficient time to communicate changes to the law, especially since the application process has not yet opened for retailers to apply for their identifier codes. The current timeframes mean that an ID Issuer will have to process nearly 50,000 applications for the convenience sector alone by 20th May 2019 in order for them to continue purchasing tobacco and larger retailers will be required to have new scanning processes in place.

More information: ACS Submission Tobacco Products (Traceability and Security Features) Regulations 2019

State regulation of shop layouts will be costly and damaging for businesses

Proposals to regulate the layout of shops to determine the location of high fat, salt, sugar products will be costly for retailers through in store disruption and the government through increased enforcement costs. There is limited space in convenience stores to move products without causing costly disruption to the entire store. The current definition of products in scope based on the PHE calorie and sugar reformulation programme is far too wide impacting on categories that represent almost half of the total sales value of a convenience store. The DHSC impact assessment grossly underestimates the number of convenience stores that will be affected by these regulations and needs to be revised.

More Information: ACS Submission Scotland Obesity Strategy

Only one in four convenience retailers are aware of their responsibilities under the new Making Tax Digital regime

With less than six weeks to go until the introduction of Making Tax Digital rules, only one in four convenience store retailers know what they need to do to comply with the changes. The introduction of Making Tax Digital should be delayed giving businesses more time to comply.

More information: ACS Submission to House of Lords Economic Affairs Finance Bill Sub-Committee

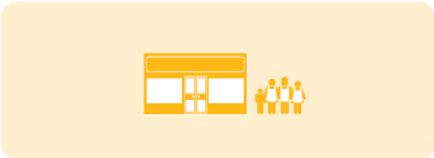
ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 46,000 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 over 19,000 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 over 14,000 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 over 12,000 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls 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

SALES

In 2018, the total value of sales in the convenience sector was £39.1bn.

The average spend in a typical convenience store transaction is £6.50.

SHOPS

There are 46,262 convenience stores in mainland UK. 72% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.

JOBS

The convenience sector provides flexible employment for around 365,000 people.

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

ENTREPRENEURS

24% of shop owners work more than 70 hours per week, while 19% take no holiday throughout the year.

70% of business owners are first time investors in the sector.

COMMUNITIES

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.

81% of independent/symbol retailers have engaged in some form of community activity over the last year.

INVESTMENT

Between August 2017 and May 2018, the convenience sector invested over £814m 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 1,200 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 1,200 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 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 7,669 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