

ACS Submission: Taskforce for Innovation, Growth and Regulatory Reform

ACS (the Association of Convenience Stores) represents over 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, Bestway and Londis. The convenience sector is an entrepreneurial yet highly regulated sector within a competitive grocery retail market. 72% of convenience stores are run by independent retailers, 72% of whom were new entrants to the sector¹. Convenience retailers have invested £585m over the past year, contributing £10.1bn GVA and providing 412,000 jobs². Further information about ACS is available at Annex A.

Convenience retailers must be shrewd business operators when it comes to business development, taking on new services and innovating – one legal misstep can have serious legal ramifications and reputational damage. We support the recommendation of John Penrose MP's 'Power to the People' review that regulation should be a last resort, used to safeguard consumers and ensure fair competition³. The end of the EU-exit transition period and need to plan for a post-pandemic recovery highlights the importance of this taskforce considering how effectively the regulatory environment supports business growth.

Convenience retailers have played an essential role throughout the pandemic, adapting ranges and establishing home delivery services to ensure groceries access for all. The local shop has become further embedded and valued within local communities across the country. This should complement the government's levelling up agenda and demonstrates the continued value and importance of the local shop. The recommendations we have outlined below would make a meaningful difference to convenience retailers, unlocking new investment, encouraging innovation and business growth, and supporting the viability of the locations where they trade.

- Enable a digital identity system fit for the UK's growing digital economy.
- Provide funding to enable investment in electric vehicle infrastructure on existing petrol forecourts and other on the go locations, including connections to the National Grid.
- Empower the Regulatory Policy Committee to achieve ambitious Business Impact Targets.
- Designate convenience stores as 'low risk' within the new UK subsidy control regime.
- Recognise Primary Authority as a successful approach to regulatory compliance and enforcement.
- Publish DEFRA's review of rural proofing and embed rural impact assessments during all policy development.
- Develop online tools for small businesses to easily interpret regulatory requirements.
- Exempt small shops under 3,000 sq. ft from product location restrictions, including symbol group retailers that are widely recognised as small businesses.
- Design a deposit return scheme around strategically located return points in line with consumer demand, and ensure cost neutrality for retailers providing these facilities.

For more information, please contact steve.dowling@acs.org.uk

¹ ACS Local Shop Report 2020

² ACS Local Shop Report 2020

³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/961665/penrose-report-final.pdf

Accelerating the Adoption of New Technologies

Enable a digital identity system fit for the UK's growing digital economy.

A functioning digital ID regime would support retailers' age verification responsibilities but cannot currently be used as proof of age when purchasing alcohol. The Licensing Act requires a holographic mark or ultraviolet feature for ID and is a barrier to the uptake of digital ID schemes. The Proof of Age Standards Scheme (PASS) is leading on digital ID with the Home Office but this ID requirement for alcohol sales should be removed to allow widespread acceptance from retailers and use by consumers. The Home Office's "sandbox" programme inviting innovative approaches to operating digital proof of age is welcome, but should be developed alongside industry standards to give certainty to proof of age schemes and to businesses accepting proof of age, including local shops.

Provide funding to enable investment in electric vehicle infrastructure on existing petrol forecourts and other on the go locations, including connections to the National Grid.

Future driver behaviour is extremely hard to forecast, making retailers' investment decisions extremely uncertain. The Government must focus on incentivising and supporting investment in EV infrastructure and charging points to help fuel retailers to transition to a zero-carbon economy. More funding is also needed to facilitate direct connections between fuel retailing sites and the National Grid to meet consumers' rapid charging needs on the go. Currently, fuel retailers must invest in new substations at fuel sites to deliver rapid charge points, at a cost of millions of pounds for each installation with limited prospects to recoup these costs.

Improving Experiences with Regulation

Empower the Regulatory Policy Committee to achieve ambitious Business Impact Targets.

The Regulatory Policy Committee is an independent body sponsored by BEIS, responsible for assessing the quality of evidence and analysis used to inform regulatory proposals. The Committee intends to positively impact the production of better regulation. The Committee should be strengthened to ensure that in line with the *Power to the People* review regulation is only used as a last resort, financial assessments are accurate, and regulatory burdens on small businesses are minimised.

The Small Business, Enterprise and Employment Act 2015 requires the Government to establish a Business Impact Target within a year of a new parliament. Business Impact Targets should be ambitious for reducing the impact of regulation and encompass a wide scope for business regulations.

Designate convenience stores as 'low risk' within the new UK subsidy control regime.

The main impact of current state aid rules is to restrict access to business rates relief for larger convenience store operators. Almost half (45%) of independent stores would not be trading without rates relief, while relief also supports government objectives to unlock business investments and job opportunities in the sector. These state aid rules also restrict access to wider government finance and loan schemes.

The UK Government should capitalise on its newfound regulatory flexibility on state aid by preventing local shops from being denied business support on subsidy control grounds. Retailers do not export to affect the international market and competition is hyperlocal, so subsidies do not affect competition in the internal market. This designation would provide maximum certainty and enable streamlined bureaucratic processes.

Recognise Primary Authority as a successful approach to regulatory compliance and enforcement.

ACS operates its own Primary Authority scheme in partnership with Surrey & Bucks Trading Standards, Woking Borough Council and Bridgend County Borough Council, accessible to even the smallest convenience retail businesses. The ACS Assured Advice scheme provides comprehensive, tailored advice on regulatory compliance issues that specifically affect convenience store retailers. Issues covered range from preventing underage sales to fair trading to health and safety. Through ACS' Assured Advice, small retailers have access to the same expertise previously only available to the biggest companies with expensive in-house compliance departments.

The Primary Authority scheme is valuable for ACS' members by providing confidence that in-store procedures will be respected by all local enforcement officers regardless of council jurisdiction. The validity of this model should be considered for appropriate areas of regulation, to both reduce resource requirements for councils on enforcement and improve business compliance and understanding.

Publish DEFRA's review of rural proofing and embed rural impact assessments during all policy development.

Effective rural proofing ensures policies are suited to address challenges including population sparsity, travel distances and additional operating costs. The Government's response to the House of Lords Rural Economy Select Committee report in 2019 stated DEFRA would revise rural proofing guidance and publish an annual evidence-led rural proofing review⁴.

Effective rural proofing requires an upfront commitment from government departments to achieving proportionate outcomes in rural and non-rural areas. It also requires consideration to be given to reducing fixed costs and seeking collaborative approaches with local groups or businesses affected by policies⁵. Examples of policies requiring better rural proofing affecting local shops include; the implementation of a deposit return scheme for drinks containers, product location restrictions proposed from 2022 and enabling nationwide investment in electric vehicle infrastructure from fuel retailers.

Develop online tools for small businesses to easily interpret regulatory requirements.

The regulations applicable to convenience stores are diverse and ever-changing. ACS proactively raises awareness of regulatory changes with members and provides associated guidance. We welcome the Better Regulation Executive's work to research retailers' experiences with interpreting and acting on regulations. A digital tool to help small businesses navigate the regulatory landscape could help retailers understand what regulation applies to them and how to check compliance.

Sectors of the economy or regulatory frameworks which should be prioritised for further regulatory deep dives

Exempt small shops under 3,000 sq. ft from product location restrictions, including symbol group retailers that are widely recognised as small businesses.

There are significant entry costs to operating and then innovating within a highly regulated industry such as retail and John Penrose's 'Power to the People' review highlights that new regulation should be a last resort⁶. New regulations add to the costs of entering and growing, and currently plans to restrict where certain products can be placed in store will bring confusion and costs to businesses who could better divert those energies and resources to investing in growth. All stores under 3,000 square feet should be

⁴ DEFRA. [Government response to House of Lords report on the Rural Economy](#) 2 July 2019

⁵ DEFRA. [Local Level Rural Proofing: Resource #2](#) July 2012

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/961665/penrose-report-final.pdf

exempted from these regulations, and at very least all small businesses including those who operate as part of a symbol group should not be forced to comply with these restrictions.

Locate return points strategically, when designing a deposit return scheme, in line with consumer demand and ensure cost neutrality for retailers.

A deposit return scheme for returning used drinks containers is an example of a package of forthcoming regulations which requires assessment for its impact on business by the independent Regulatory Policy Committee. Return points should be determined by strategically-mapping locations rather than mandating every location that sells drinks to take back containers.

Outlets smaller than 3,000 square feet not mapped for inclusion in the network of return points should be given the opportunity to opt into the scheme if they have sufficient sales and storage space and can collect sufficient volumes of returns. Handling fees must adequately cover the costs of taking back drinks containers, accounting for staff time, the cost of reverse vending machines and lost sales space, so that a DRS is cost neutral for return points. The scheme also needs to be coherent alongside other extended producer responsibility schemes, including reforms to the PRN system and introduction of the plastic packaging tax.

For more information, please contact steve.dowling@acs.org.uk

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 almost 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 13,000 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



In 2020, the total value of sales in the convenience sector was £44.7bn.

The average spend in a typical convenience store transaction is £7.46.



There are 46,955 convenience stores in mainland UK. 72% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 412,000 people.

13% of independent/symbol stores employ family members only.



22% of shop owners work more than 60 hours per week, while 24% 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.

80% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2019 and May 2020, the convenience sector invested over £585m 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 around 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 6,700 stores. The Local Shop Report also draws on data from Lumina Intelligence, 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