

# Beyond Retail



Redefining the shape and  
purpose of town centres

November 2013

# Foreword



**The scale and impact of the recession on our town centres has been horrific, the most vivid image of this is empty and deteriorating shops, and high streets that have lost their sense of purpose.**

**The digital revolution continues to shape and re-shape our everyday lives: from the mundane to the extraordinary, the retail sector is not going to 'return to normal' this time.**

**The game has changed. Not least for retailing on our high streets.**

It is well-documented that there is too much retail floor space in the UK: changing consumer shopping habits have resulted in a need to physically change how our town and city centres look. The scale and nature of change in retailing over the last five years is unprecedented. The use of the internet for price comparison, product information and home delivery has led to consumers being more demanding when it comes to their shopping experience.

The change in consumer shopping patterns, from 'bricks and mortar' to the 'bricks and clicks' multi-channel approach is not a short-term fad. Not only is there too much retail in our urban centres but it is often in poorly configured and designed space and based on a cost model that no longer works for a number of retail operations.

Most of our town centres need to evolve urgently to meet the broader needs of the communities that they serve for the next 50 years. This is after all about people and how they interact with, and in, places.

The extent of this change and remodelling is comparable to the building programmes of the Victorian era, or indeed the rebuilding of post-World War II Britain. Change needed on this scale will not happen organically. Waiting for normal economic growth to return is unacceptable and will result in many towns moving further into decline. Patchwork evolution abrogates responsibility and fails to offer critical mass to allow for viable and successful rejuvenation. It requires strong local leadership to determine and drive forward what is required. For many towns, it is likely to mean a smaller retail core, supplemented by the introduction of a wider range of uses such as food and leisure, accessible and affordable transport, housing, as well as a greater number of office and civic functions.

Arising from key recommendations in the Portas Review of the High Street, the Government supported the establishment of this industry taskforce to analyse retail property issues relating to town centres. The result is this report and a commitment to deliver its recommendations. Our focus has been on the positive and negative role that property ownership, investment, development and occupation can have on town centre viability. As such, the authors of this report bring together for the first time representatives of the banking, property, retail and public sectors to research, debate and provide evidence-based recommendations on what needs to be done to ensure the property sector acts as leverage for town centre reinvention, rather than a barrier to future vitality.

Critically, it offers a series of recommendations, backed by evidence, to enable a range of stakeholders to redefine the shape and purpose of their town centres, particularly in those towns where the issues are most stark. These are supported by the key private or public sector bodies representing the retail and property sectors, keen to play their part in the rejuvenation of our town centres.

My personal thanks go to all members of the Taskforce and Colliers International who guided our wide-reaching research.

A handwritten signature in blue ink, appearing to read 'Mark Williams', with a horizontal line underneath.

Mark Williams  
Taskforce Chairman  
Partner, Hark Group

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# 1. Principal recommendations

## Our vision for rejuvenated town centres fit for the future requires:

- > Retail capacity models to be adapted for changing business requirements that will see fewer stores needed as online trade will continue to erode store sales.
- > Greater cross-border co-operation between local authorities to better understand the impact of broader evolving shopper patterns at a local level.
- > Greater engagement with the private sector in terms of developers, investors, landlords and housebuilders to create, support and complete the long-term vision, not least in providing appropriate upskilling and best practice support.
- > Long-term masterplanning to strengthen the retail core, re-configure town centre space and re-use obsolete areas by defining new uses.
- > Proactive use of Compulsory Purchase Orders (CPO) to bring about the scale required for major reconfiguration and regeneration within towns alongside an urgent review of the complexity and costs associated with CPO.
- > Town and city centres to be designated as 'infrastructure', and being incorporated in Government's National Infrastructure Plan.
- > A workable, private sector led Tax Increment Finance (TIF) model which works alongside traditional funding models for town centre redevelopment.
- > Local authorities to take more risk in investing capital reserves now, which can be replenished as the economy recovers.
- > Piloting the concept of a joint venture vehicle and associated high street property fund that will pool land assets and address fragmented ownership.
- > The National Planning Policy Framework (NPPF) to be adopted without ambiguity, further strengthening the 'town centre' first approach to planning policy.
- > Town centres to develop an integrated digital strategy, incorporating mobile, social media and website.
- > A business rate cap at no more than 2% until 2017. Use this period to undertake a full review of the business rates system as a sustainable means of raising money from local businesses to contribute towards paying for local government.
- > The quality, quantity and cost of town centre car parking to be reviewed in relation to free out-of-town provision using national benchmarks and the introduction of innovative and flexible parking policies is encouraged to attract shoppers and other town users during off-peak periods.

Town centres of the future need to move beyond retail and be a vibrant centre for living

## 2. Executive summary



The Government's response to the Portas Review included a commitment to work with an industry-led cross sector taskforce to look at a broad range of issues that have an impact on bringing commercial property into use or attracting investment to our high streets and town centres.

The taskforce comprises 20 individuals representing retailers, landlords, investors, local government and retail and property sector trade organisations.

### 2.1 VISION

Town centres are the hub of their communities.

Town centres of the future need to move beyond retail and be a vibrant centre for living, culture, entertainment, leisure, shopping, business and civic activity. These centres will need to constantly evolve to remain economically vibrant. Local people will be proud of their town centre once again.

Successful town centres in the future will have a clear understanding of their primary functions within the local and regional economy.

Successful towns will move away from a reliance upon retail to the provision of a broader mix of commercial and employment uses, community services, leisure and residential to reposition and reinvigorate high streets and central town areas.

Our future vision for town centres follows five observations, set out below:

1. Further market polarisation will result in three broad types of town centre offer:
  - > Strong, dominant centres offering the widest range of retail, leisure and food and beverage. Accessible centres that provide consumers with an experience, and provide shop units commensurate with retailer demand. Frequency of visits may be limited, however spend and dwell time will increase.
  - > Convenience food and service based centres with an element of fashion and comparison goods. Centres will be supported by strong local leadership, an improved leisure and evening offer, more residential and community support.
  - > Localised convenience and every day needs focused centres. The trend is for the larger basket weekly shop being done online complemented by regular top up visits to smaller local convenience stores. This is being driven by time poor consumers, rising fuel costs, more single occupancy living and better quality convenience store provision from the major multiples. Local shopping is further supported by the ageing population profile, the growth in the number of urban households and more frequent budget constrained shopping.

## 25%

of survey respondents referenced unsuitable retail stock and the need for town centre repositioning as a reason for decline

2. The local authority will have a clear vision of the role and function of town centres within their control and the position of their respective retail offers in the regional retail hierarchy in the 21st century and beyond. This will include the introduction of a broader range of services, residential and commercial uses to revive town centre health.
3. Active intervention on the part of the local authority will be encouraged by a more flexible planning environment, reduced regulation and a mix of new public and private sector funding models, such as Tax Increment Finance (TIF), the use of income strips and the introduction of infrastructure funds investing in town centres.
4. A re-basing of occupational costs, in terms of rents and rates, will encourage an improved retail and leisure mix of profitable multiple and independent operators. This is supported by local employment and new residential development in proximity to the town centre. Provision of more accessible and safe parking facilities, and a flexible approach to car park pricing will assist in a town's ability to compete with out-of-town developments.
5. Technology will be a critical enabler of future town centre relevance and vitality.

## Towns have too much retail floorspace

**43 million** sqm  
Retail floorspace provision in England increased by approximately 43 million sqm between 1974 and 2012

## 2.2 PRIMARY CHALLENGES

### Funding

- > Old funding models for retail development, relying on investment from commercial banks, pension funds, life insurance funds or Real Estate Investment Trusts (REIT), sometimes supported by public sector contributions, are no longer fit for purpose. Not least as institutions and REITs have reduced their appetite for these very risky large scale developments which take, on average, around ten years to deliver. Further, there is very limited development finance for real estate. However, given the total economic and fiscal benefit of investment in town centres, benefits that are shared locally and centrally, there is an urgent need to consider mechanisms to bridge the funding / viability gap.
- > The definition of infrastructure needs to be broadened to encompass 'infrastructure of places' to allow town centres to benefit from existing funding sources. As town centres are major concentrations of employment, there should be funding to help develop infrastructure that can unlock development sites.
- > Pro-active local authorities that embrace change require national level financial support to provide access to full or partial gap funding to fulfil ambitions and create successful town centres.

### Local leadership

- > A large number of English towns require significant repositioning, redevelopment and large scale, long-term masterplanning to survive and thrive in the 21st century and beyond. Masterplanning this transition requires strong local leadership in order to create the correct regulatory context and facilitate new development and change.
- > Many town centres have too much retail floorspace. The impact of out-of-town supermarkets and retail parks has contributed to a shift in shopping patterns but more importantly the internet and multi-channel retailing will continue to divert trade from physical shops for at least another decade. In future, all but the strong, dominant centres will require a smaller, more focussed retail core.
- > Town centres have become too reliant upon retailing. The town centre function needs to be rebalanced to provide a broader range of alternative functions, including employment, commercial, leisure, community, residential, healthcare and education. Local authorities and public sector agencies have a key role to play in ensuring towns and cities do not lose public and private sector jobs to out-of-town locations, leaving a rotten and decaying core. Independent research organisation Centre for Cities *Beyond the High Street: Why our city centres really matter* report clearly demonstrates that where jobs are located can affect how well a city's economy performs. For example, for retail if a city has more jobs in out-of-town locations, it reduces the number of people who have to come to the city centre



five days a week, so reducing the size of the market that retailers can sell to. And this has been a common pattern across our cities. A total of 37 cities have seen their city centres lag behind the rest of the city in terms of private sector job creation in recent years, with their out of town sites seeing faster private sector jobs growth than their city centre economies. And of this number, 21 cities – a third of all cities – have ‘hollowed out’, with their city centres losing private sector jobs at a time when their wider economies saw growth.

- > The planning system is failing to provide sufficient flexibility to accommodate the rapidly evolving retail and leisure environment in town centres, which is contributing to high vacancy rates.
- > Current retail capacity models are not fit for purpose. Local authorities need to understand the catchment demographic, evolving consumer shopping patterns and the role of each town centre under their jurisdiction within the new retail hierarchy. Local authorities need to demonstrate cross-border co-operation when assessing retail patterns and setting the retail strategy for their local plans. The work undertaken by the Greater Manchester Combined Authority on retailing across the Greater Manchester sub-region, provides an example of how effective cross-border working can be.
- > Fragmented ownership within town centres is a barrier to regeneration. Local authorities need to take a more pro-active and aggressive approach to using their compulsory purchase order (CPO) powers to facilitate long-term change.
- > Car parking is an emotive issue, but its key role should be to provide easy access to town centre facilities. Accepting that the revenue is important to local authorities, too many car parks are not well managed, not competitively priced or well maintained and can be quite a threatening environment to shoppers.
- > Resourcing within local authorities is an issue, both human and financial. Greater co-operation between the public and private sector is required to assist in the training and upskilling of under resourced councils, together with mentoring and sharing of best practice between parties.

#### Business rates

- > Retailers’ physical occupational costs are, in many cases, prohibitively high. According to the Valuation Office Agency (VOA), shops constitute nearly 29% of all assessed commercial properties, and their total rateable values are 21.4% of the total rateable value of all commercial property. This equates to nearly £6 billion of annual income to the Treasury. By 2015 business rates will be the fifth highest tax by income in the UK, overtaking council tax, and, with a tax rate of around 48% next year, is one of the highest property tax rates in the world. In a multi-channel retail environment, store trading levels are impacted by competing channels. This contributes towards multiple retailers being increasingly selective regarding location and deters new independent start-up retail businesses because of the costs of entry.

**Business rates will be the 5th highest tax by income in 2015**

#### £6 billion

Business rates equate to nearly £6 billion of annual income to the Treasury and represents one of the highest property tax rates in the world



Technology will be a critical enabler of town centres becoming vibrant

- > Business rates now account for a disproportionately high percentage of total occupancy costs for retailers. This has been exacerbated by the fact that current business rate levels are based on 2008 rental levels – pre-recession and at the peak of the market. This has resulted in the current level of business rates being out of step with the economic cycle.
- > Deferral of the business rates revaluation from 2015 to 2017 has simply extended an inequitable situation. The wider industry has come out in uniform opposition to the delay and the VOA figures have been discredited. The net result is businesses in towns that are struggling most because of economic conditions, both in the North and some areas of southern England, are essentially subsidising stronger performing locations particularly in London and the South East.
- > There is an imbalance in the business rates taxation levied on physical and online only retailers.

#### Digitising the high street

- > The growth of multi-channel shopping has been a major driving force behind change in our sample towns. The pace of change in some of these towns has been rapid and they now face the task of adapting their retail offer and rebranding in order to attract footfall back into the town centre.
- > The advent of eCommerce (Business to Business (B2B) and Business to Consumer (B2C)) and the evolution of multi-channel shopping have generated different property requirements to that of traditional retailing. Town centres must position themselves to meet not only the changing physical requirements but also the technology demands of today's multi-channel consumer in order to achieve a thriving retail market. Consumers demand a seamless approach to multi-channel and want mobile online access in all parts of the town centre.

£34 billion of non-store retail sales

Non-store sales (predominantly online) as a proportion of all retail expenditure have grown from under 6% in 2006 to 12% in 2013 and now account for approximately £34 billion per annum



### 3. Recommendations



The output and key findings from this report should be considered by Government as providing potential mechanisms for aiding the repositioning of town centres for growth and success in the 21st century and beyond.

1. Strong and dynamic leadership is required, this will be led at local authority level but critically working with businesses and with community involvement, to bring about successful long-term change in town centre function and provision. The leadership team needs to adhere to a long-term strategic masterplan to meet the needs of today's consumer and encourage and enable future generations to meet their own needs as retailing and town centres continue to evolve.
  - > Commercial realism needs to be applied to decision making to ensure that the appropriate scale and quality of space is delivered to meet wider demand for offices, housing and leisure.
  - > Retail capacity models need to be adapted for changing retailer business models that will see fewer stores needed as online trade will continue to erode store sales for another decade or more.
  - > A panel of experts should be convened to review the capacity and impact assessment model to ensure it is fit for purpose in the context of the changing retail structure.
  - > The future vision must move away from an over reliance upon retail. Employment, residential, healthcare, education, leisure, culture, events and community support must all form part of a broader sustainable mix.
  - > A clear vision provides certainty which encourages private sector response.
  - > Greater cross-border co-operation between local authorities is required to better understand the impact of broader evolving shopper patterns at a local level.
  - > Greater engagement with the private sector in terms of developers, investors, landlords and housebuilders is required to create, support and complete the long-term vision.
  - > Full engagement with the local community including the local business community, local residents and other users of the town centre is needed to bring forward a vision that meets wider community-led needs. People living in these places are more than passive consumers of plans and products, and thus must be involved in a constructive and positive way.
  - > Through Government's Future High Streets Forum (FHSF) the quality, quantity and cost of town centre car parking should be reviewed in relation to free out-of-town provision using national benchmarks. The introduction of innovative and flexible parking policies should be encouraged to attract shoppers and other town users during off-peak periods. Explore lower pricing and the implications of recognising 'connected value' to fund parking rebates to generate more visitors and higher revenue across the town.
  - > Also review the consultation procedure for public bodies wanting to alter car parking charges to ensure it encourages flexibility and the take-up of responsive new technology and modern payment methods.

**Strong and dynamic leadership is required to bring about successful long-term change**



2. Bold and strategic land assembly is required, either voluntarily or through existing (and extended) CPO measures, to assemble redevelopment opportunities of scale and worth.
  - > In many cases, critical mass is required for a step change in the commercial and residential mix and to change the perception of a town to ensure regeneration and success.
  - > Multiple ownership in town centres can be a major barrier to change. This must be addressed head on to avoid unnecessary delays. Legislation, in the form of section 226 of the Town and Country Planning Act 1990, enables acquiring authorities with planning powers, to exercise their compulsory acquisition powers if they think that acquiring the land in question will facilitate development, redevelopment or improvement. To some extent, this addresses this problem but the complexity and costs of CPO need to be reviewed to ensure that land assembly can be enforced in an efficient manner.
  - > At the very least using the Town and Country Planning Act powers as a property management tool with any degree of certainty would be greatly assisted by positive statements from Government in support of this.
  
3. Greater flexibility in the planning system is required to enable quick and easy change of use from redundant retail premises to more economically productive uses. This should be achieved against a strategic masterplan that allows clarity over the long-term direction of change, rather than ad hoc piecemeal conversion.
  - > This requires local planning authorities to designate areas outside an identified retail and leisure core within its Local Plan and apply more flexible permitted development rights to enable retail floorspace to be changed to alternative uses within these designated areas.
  - > Government's Build to Rent Fund could be developed to attract new residential development to town or edge-of-town opportunities.
  
4. Post financial crisis, the traditional funding models for town centre redevelopment are no longer fit for purpose. Given the importance of town centres to the urban and social structure of local economies there is an urgent need to consider mechanisms to address the funding gap to encourage local authorities to commit to long-term plans given the importance of town centres.
  - > The definition of infrastructure needs to be broadened to encompass infrastructure of places to encourage Local Enterprise Partnerships (LEPs) and local authorities to access both public and private sources of funding, to fund the repositioning and regeneration of town centres.

**Fragmented ownership acts as a barrier to schemes that might provide the right type of space to attract expanding retailers**



- > Further, town and city centres should be a key priority within Government's National Infrastructure Plan, initially establishing a High Street Infrastructure Platform (HSIP) to enable this recommendation to be developed.
- > Government must commit to introducing a workable, private sector led Tax Increment Finance (TIF) model. Failing this Government should consider setting up a limited number of Town Centre Enterprise Zones where, within existing Enterprise Zone framework and specifically the ability to retain all business rate growth for 25 years, TIF can be used to facilitate public infrastructure investment.
- > Pilot the concept of a joint venture vehicle and associated high street property fund, currently being explored by the Government's Future High Street Forum (FHSF), that will pool land assets and address fragmented ownership barrier.
- > Local authorities should, where appropriate, take more risk in investing capital reserves now, which can be replenished as the economy recovers.
- > Longer term local authority backed guarantees should be used to attract low cost infrastructure funding.
- > Income strips could be used to forward fund redevelopment. The principle being where typically a developer in conjunction with an investor, such as a pension fund, delivers new accommodation and a council or other government body, commits to the development by agreeing to take a long lease, usually between 35 and 45 years up-front and on a non-assignable basis.

#### 5. Address local authority human resourcing issues, facilitated through the greater use of shared services.

- > Funding is required for the training and upskilling of staff involved in the development planning process. Therefore there is a role for both public and private sector bodies in pooling resources and sharing best practice particularly in relation to development, masterplanning and CPO to support town centre remodelling.
- > Establish an industry commitment and mechanism for funding private sector training and upskilling of councillors and officers involved in the development planning and delivery process.

**Many town centres are simply unable to offer the right type of space to meet the current requirements of major multiples**



6. Amend the draft National Planning Policy Guidance (NPPG) to strengthen the ‘town centre first’ approach to planning policy, with a focus on further clarification on the key issues of suitability, availability and viability (and particularly developer / retailer flexibility) and their interpretation. This will allow town centres a greater period to recover from the current structural changes in the retailer sector.
- > Require assessments of impact to look at the effects of all retail development on a centre for ten years ahead, allowing town centres a greater period for recovery and evolution. This should be communicated through a Ministerial statement to this effect, to support any amends to the NPPG whilst not seeming to go beyond what is in paragraph 26 of the National Planning Policy Framework (NPPF).
  - > Require impact assessments to consider in detail how a development would affect the ability of a town to develop its core retail function.
7. Town centres must adapt and take advantage of technology to market the town to drive footfall, and to assist independents and SMEs which might not have the resources or capabilities required to take advantage of ever advancing technological capabilities.
- > Mobile technology will be the driving force behind omni-channel retail change over the next decade. Town centres need to develop an integrated digital strategy, incorporating mobile, social media and website.
  - > With greater numbers of businesses adopting the click and collect model, town centres need to market themselves as convenient hubs for collecting products ordered online.
  - > Hosting a town centre website as a promotional and information platform for occupiers (both multiple and independent) will become fundamental to restoring footfall, loyalty and spend in towns as the consumer demands a seamless multi-channel approach to retailing. The platform could be integrated with the provision of mentoring and advice on marketing, use of social media and website maximisation for independent retailers and small businesses.

## Embracing the click and collect model

Town centres need to market themselves as convenient hubs for collecting products ordered online



## The retail market is polarising

This is creating places that are equivalent to a 'squeezed middle', where towns are suffering the most from rapid and sustained change

8. Review the business rates system, with a focus on how relevant it is for the collection of taxes to contribute towards paying for the running of local government, given today's, and critically tomorrow's, retailer business model.

- > Use the review to explore a more equitable balance of taxation levied on physical and online only retailers.
- > Introduce more regular revaluations to better reflect the changing economic and business environment.
- > Make property owner contribution to Business Improvement Districts (BIDs) compulsory, initially in London where the enabling legislation can facilitate this quickly and then across the UK.
- > Promote the use of business rates discounts to incentivise investment in town centres.
- > Cap the annual business rate inflationary increase at no more than 2% until 2017, and less if the RPI rate of inflation falls below 2%.

9. Industry must commit to publishing new retail valuation guidance recognising changes in retailers' requirements for physical space and the outdated methods used to value retail property.

- > Current valuation methodology, based upon comparable evidence, does not properly account for the changing retail dynamic and the adoption of more flexible lease terms and turnover rents. Valuation methodology must take greater account of cashflows as investors will undertake a more detailed approach to income and value analysis, involving discounted cash flows and growth assumptions to obtain an internal rate of return for a property scheme. Along with a more traditional approach to identifying a retail property yield, this provides a better understanding of the cash flow and investment performance of a property<sup>1</sup>.
- > While institutional landlords take their responsibilities to occupiers seriously, private landlords have invested with different objectives and with different attitudes to investment and risk. These multiple differences of opinion can act as a barrier to change, and therefore creating an effective mechanism to engage with local owners, and their agents, should be a key aim of industry.

<sup>1</sup> BCSC, *Shopping Centre Asset Pricing Guide*, 2011.

## 4. Town centre context

### 4.1 HISTORIC TRENDS

The retail environment and the function of town centres have evolved substantially over the last 30 years. There has been a general drift away from the town centre and high street as the focus for food and non-food shopping, combined with the loss of many traditional town centre civic and community functions. Significant in-town and out-of-town developments have combined to change consumer shopping patterns over the long term. The expansion of retail warehouse parks trading comparison goods and the significant non-food ranges sold by large out-of-town supermarkets have eroded town centre trade. More recently, the trend to remove bulky goods planning restrictions on first generation retail parks has resulted in yet more out-of-town comparison goods floorspace. Examples include Brotherhood Retail Park in Peterborough which now includes Marks & Spencer (M&S), Next and H&M, and Malvern Shopping Park which includes New Look, Next, M&S, Argos and Boots.

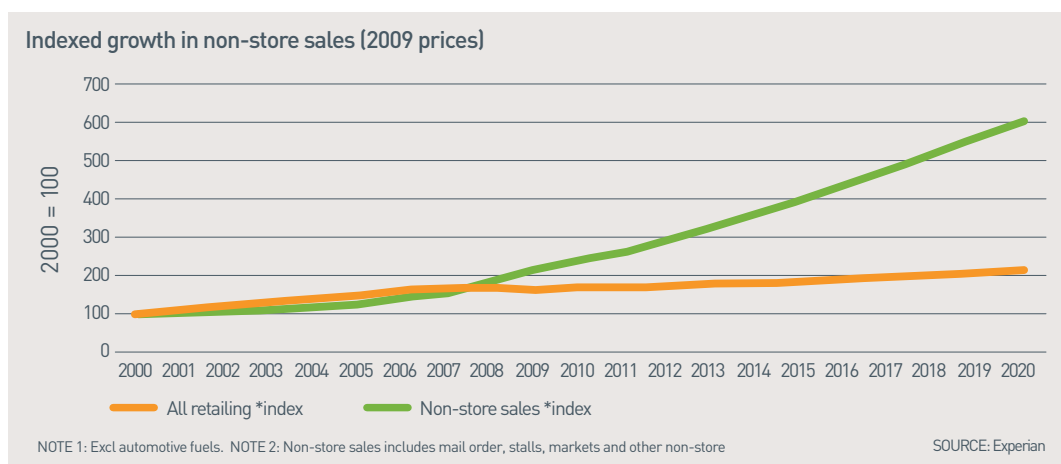
Retail floorspace provision in England is estimated to have increased by 43 million sqm between 1974 and 2012<sup>2</sup>. One issue highlighted in the process of producing this report is a lack of consistency in the way the quantity of retail floorspace is measured, and reported, over time due to changing definitions of retail property within official government statistics. A further gap in information about retail development is how much is delivered in relation to clearly defined and agreed town centre boundaries. As such there are often arguments about the relative effectiveness of government retail planning policy in terms of its 'town centres first' approach.

### 4.2 THE PERFECT STORM

The retail sector has experienced a perfect storm since 2008, resulting in many retailer administrations and an irreversible change to the retail and town centre landscape. Three key factors have coincided to create a lifetime change in the way that consumers shop and the way in which retailers service their customer base. Firstly, the recessionary environment experienced post 2008 global financial crash has been deeper and longer than the downturns witnessed in traditional economic cycles. The result has been a decline in real household disposable income in the period Q1 2009 through to Q1 2012. However, the economy is cyclical and the signs are that the UK economy is now in recovery mode.

Secondly, the growth in the use of the internet for shopping has been dramatic (see Figure 1), driven on in the last five years by improved wireless connectivity and a huge uptake in mobile and tablet usage (Apple's iPad was launched in the UK in 2010). Non-store sales (predominantly online) as a proportion of all retail expenditure have grown from under 6% in 2006 to 12% in 2013 and now account for approximately £34 billion per annum<sup>3</sup>. This proportion is expected to continue to grow well into the 2020s when online sales will capture about 28%<sup>4</sup> of non-food sales and 20%<sup>5</sup> or more of all retail expenditure. The wider use of online technologies may, in fact, have an even greater impact on consumer spending. This is a structural, not a cyclical, shift. The way in which people shop has changed forever. The trends that are being witnessed are predicted to continue for another decade before a new equilibrium is reached. Of course, further technology advances may result in even higher multi-channel penetration of all retail sales. Further, the manner in which retailers account for and allocate multi-channel sales and how this impacts on their relative investment in and valuation of bricks versus clicks is still an unknown, however it could have a major bearing on the future demand for physical space.

Figure 1: Growth in non-store sales



Survey: "63% of local authorities and 44% of landlords considered the economic environment as the main driver of change in town centres."

Survey: "31% of all survey respondents (86% of 'other stakeholders') considered online shopping to be the key driver of change."

2 ODPM, *Commercial and Industrial Floorspace and Rateable Value Statistics, 1974-1985*; DCLG, *Live Tables on Commercial and Industrial Floorspace and Rateable Value Statistics, 1998-2008*; VOA, *Business Floorspace (experimental statistics), May 2012*. Best estimate, given definitional issues and different time series.

3 Experian, *Retail Planner Briefing Note 10.1*, September 2012.

4 Javelin Group, *Transforming the Retail Enterprise presentation*, 3 May 2013.

5 Experian, *Retail Planner Briefing Note 10.1*, September 2012.

Thirdly, lease expiries. The period between 2012 and 2015<sup>6</sup> will see a significant number of shopping centre and high street retail leases expire as 25 year leases agreed in the late 80's/early 90's and more recently agreed sub-10 year leases all reach maturity. This will help to facilitate portfolio rationalisation amongst the multiples as they adjust their store requirements for the new multi-channel environment.

### 4.3 HIGH VACANCY RATES

Many towns became over reliant upon retail as the primary town centre function during the boom period of the early 2000's, the result of traditional activities and employment being lost or relocated out-of-town. Post 2008, the vibrancy of these towns has proved vulnerable to retailer closures.

The impact of the recession and changing consumer shopping patterns has had a direct impact on town centre occupancy levels. Figure 2 shows the headline numbers of in-town store closures, due to administration, since the collapse of Woolworths in Q4 2008. The combined impact of retailer administrations, particularly since 2008, and portfolio rationalisation has led to a dramatic increase in town centre vacancy rates (Figure 3), with many weaker town centres experiencing vacancy rates of over 20%.

Retailer: "...we have concern around employment change; it is an area in decline."

Figure 2: In-town store closure numbers (Great Britain)

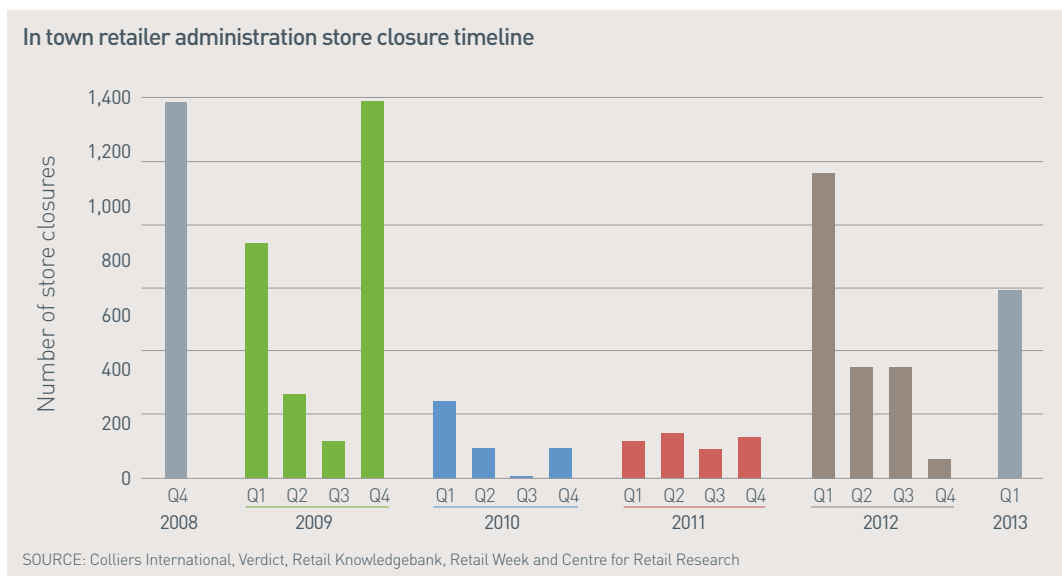
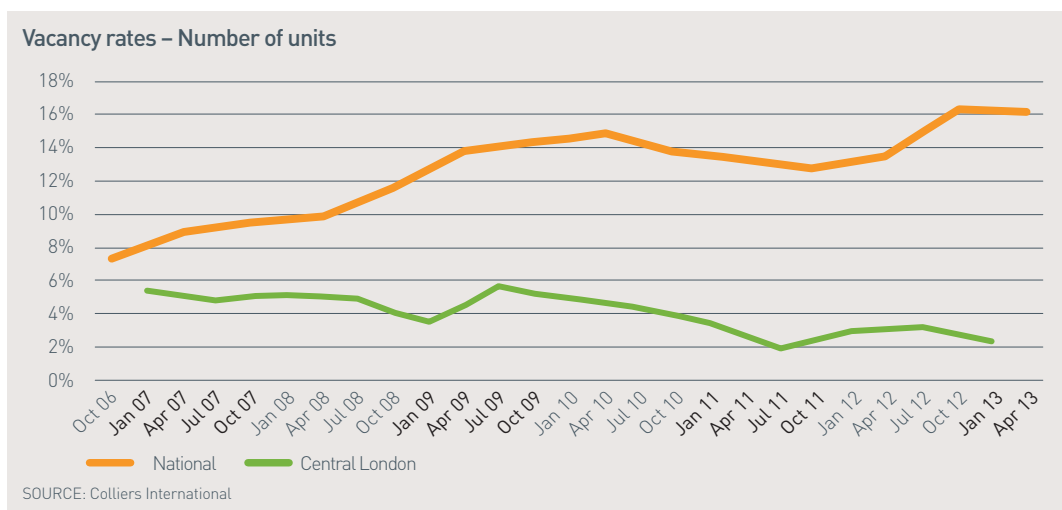


Figure 3: Vacancy rates



<sup>6</sup> Jones Lang LaSalle, *Property Predictions*, 2012.

The market is polarising:

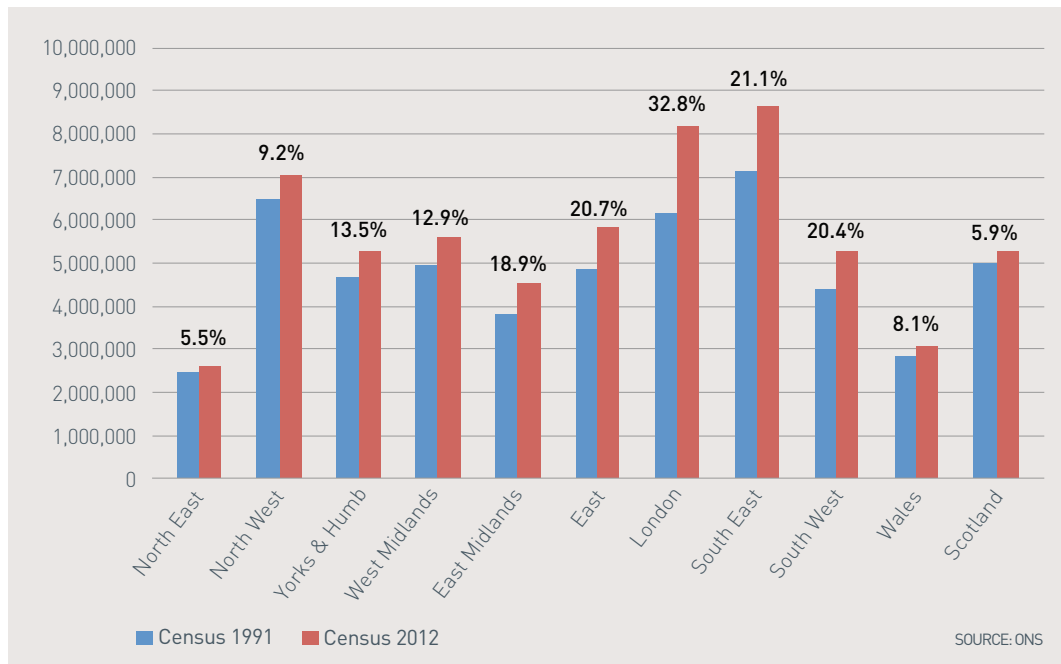
- > dominant vs local/neighbourhood
- > prime vs non-prime
- > discount vs luxury

Retailers are increasingly selective. The strong, more dominant centres are getting stronger, attracting the key domestic and international retailers and combining these attractors with an increasingly diverse leisure and food and beverage offer. Local and neighbourhood centres are less affected, offering convenience, everyday needs retail and top-up shopping for the increasing number of households using online grocery delivery. The middle ground towns are being squeezed – often leaking trade to the more dominant centres and having lost a number of multiples and anchor units during the recession. Retailers are increasingly focused on the prime retail pitches, with the secondary and tertiary pitches deteriorating. While the luxury goods sector has, in the main, escaped the recession unscathed, consumers' drive for value has led to a rapid expansion of discounters. As these have become more widely accepted by the middle/higher income households, these retailers have become more mainstream, readily accepted by landlords and acquiring larger premises. For example, B&M Bargains has expanded from 20 units in 2005 to 350 in 2013<sup>7</sup>.

#### 4.4 POPULATION GROWTH AND RELATIVE AFFLUENCE

Population growth is one of the macro-drivers that, all else being equal, delivers the expenditure growth that helps to support retailers and their expansion requirements. While the UK has seen steady population growth over the last 20 years, this growth has not been spread evenly across the nation. The South has been the primary beneficiary. Figure 4 shows how much stronger population growth has been over the last 20 years in the southern regions of the country, led by London with an increase of 32.8%.

Figure 4: Population change 1991 – 2011



**Retailer:** "Polarisation is leading to a focus on the top 40/50 towns. Those towns hit hardest lack a USP."

**Shopping centre manager:** "The prime is doing great – rents are stable and will start to grow; footfall is slightly down, but spend is up on this time last year. The prime centre is getting stronger, but the reaction to this is that the edges of the town centre are falling apart – the town is reducing in size through natural wastage. The local retailers are looking to move closer to the (prime) centre of town to take advantage of the higher footfall and spend."

**Housing Association/ Developer:** "Policy change is needed to stop giving favourable tax relief on rents to charity shops and bookmakers. Removing their competitive advantage would bring rents down and encourage new businesses."

**Local authority:** "...significant residential development over the last few years, future offer must consider future growth."

<sup>7</sup> The Independent, *Retail Chain B&M Rewards Private Equity Buyers' Faith*, 29 August, 2013.





The UK regions have also seen significant differences in relative affluence and spending power over time. Annual GDP per capita growth for the UK regions between 1997 and 2013 shows that London (2% per annum) and the South (1.7% per annum) have grown at a considerably stronger pace than all other regions. The different regional population and affluence growth rates have resulted in fundamental shifts in the relative retail value of different regions within the country. They have also led to differences in demand and different levels of supportable retail space.

Figure 5: GDP per capita growth



## 5. Key issues

The key issues relate to both issues raised through the interview process and through wide ranging research into market trends. These have been grouped into four broad categories: Local Leadership, Business Rates, Digitising the High Street and Funding. A number of these key issues are interlinked.

### 5.1. LOCAL LEADERSHIP

This section covers themes and issues where, in our view, local leadership from the appropriate local authority and in partnership with other local interests is crucial in leading, planning, and implementing change.

Business Improvement Districts (BIDs) are already focused on improving commercial areas including town centres. Neighbourhood Plans, introduced by the Localism Act 2011, are a mechanism that allows BIDs to become directly involved in the local planning of the area. For example, in Westminster, the Victoria BID, in a joint application with local residents' groups, has been approved by the Council to become a Neighbourhood Business Area. It can now produce a Neighbourhood Plan for the area, bringing together the objectives of the BID with those of local planning policy in a formal way. The Neighbourhood Business Area also becomes eligible to receive a significant proportion of local Community Infrastructure Levy (CIL) receipts, which in turn can help fund the objectives of the BID.

In order to manage the transition there is a need for strong local leadership in order to create the correct regulatory context and to facilitate new development coming forward. Local planning policies will need to be more flexible allowing a wider range of uses, including residential, while also setting the direction for future change.

A large number of English town centres require significant repositioning, redevelopment and, hence, large scale masterplanning of the order not seen since the Victorian era in order to survive and thrive in the 21st century and beyond. Masterplans must, however, be flexible and remain under constant review and enable town centres to be managed in the same way as single ownership shopping centres or retail parks. Local plans are meant to be fluid and living documents however are rarely treated as such.

Flexibility is key in being able to adapt quickly to commercial realism and shifts in market conditions. Where retailer demand is identified, the masterplan should aid the creation of a unit to meet that demand, utilising compulsory purchase if necessary.

At least three local authorities from our 27 sample towns are advocating prospectuses, rather than masterplans, as they provide greater flexibility and can react to market conditions. There is concern over the costs associated with commissioning full-blown masterplans. Prospectuses provide a 'visioning document' and a more flexible and cost effective solution to long-term planning. Councils must ensure that spatial planning is fit for purpose in the light of town centre restructuring, with policies to strengthen the retail core, re-configure and re-use obsolete areas by defining new uses.

**Developer:** "Local authorities are the natural leaders of town centres and the vast majority do a good job."

**Local authority:** "We really need strong local leadership from within the town and from within the local authority. Nothing will get done without strong leadership."

**Professional industry body:** "In relation to small sites on the edge of small distressed town centres, it is unclear whether CPO is the most appropriate route due to costs, timescale and uncertainty."

**Architect:** "CPO's and community right to buy, as suggested by Mary Portas, could reduce number of vacant units where landlords are not active."

**BID:** "We must see a greater flexibility in planning to ensure contraction of retail space where necessary."

**Retailer:** "Planning - more flexibility around change of use to F&B."

### CASE STUDY: STOCKPORT

Following the demise of a large town centre retail scheme and with Manchester, the Trafford Centre and quality out-of-town retail on its doorstep, Stockport has already realised that its town centre needs to become a more attractive and dynamic destination.

The Council has identified a strategy that will change the scale and nature of the offer of their town. This is a flexible plan that is identified in their development prospectus. This prospectus highlights ten major projects that will make the town distinct and different within Greater Manchester. There will be less, but better quality retail, more leisure and more residential accommodation. Covent Garden Urban Village has started on site; Grade A offices have been built in the town centre. New parking is under construction and public realm has been upgraded. Sustainability credentials will be enhanced through the development of a town wide heat network.

The Council acknowledges that it needs to be in control. As well as providing leadership, it must also be willing to invest in the town and use its property assets wisely. The council has already used its strong covenant to help forward fund the construction of a new car park and also used its prudential borrowing capability to fund a new office building.



Consultancy: "...retail is constantly evolving; planning for retail now is a mistake as things are changing so quickly. Therefore, maximum flexibility is needed."

Retailer: "There needs to be a strategic plan with real teeth. Requires strong national and local leadership."

The use of CPO powers is a powerful tool for the regeneration of town centres. It requires a public private partnership and in the current economic climate, with little public sector funding, a viable scheme which can secure private sector funding. It is also necessary to demonstrate the scheme accords with the local development plan and that it benefits from planning permission. Compulsory purchase is consequently a long process, nevertheless one which can bring forward significant change.

According to Berwin Leighton Paisner, a top city legal firm, the use of CPO powers as a property management tool is not specifically mentioned in the Town and Country Planning Act. The powers of the Act are intended to provide a positive development tool to help local authorities assemble land where this is necessary to implement the proposals in their Local Plans. Its use in town centres has therefore, been driven by the need to assemble land into one ownership to deliver wholesale town centre redevelopment. The reference in the relevant section of the Act to 'improvement' is however helpful in that it does suggest a potential broader application of CPO powers than has been used to date. This is a potential which should be investigated in more detail.

To meet the improvement criteria however it would still need to be connected to the carrying out of physical works of improvement. A change in the management of an area is unlikely to be sufficiently within the ambit of the legislation. The scale of works to physically improve an area need not be substantial. In deciding whether to confirm a CPO the Secretary of State does, however, need to be satisfied that the compulsory acquisition is in the wider public interest as well as considering whether the purpose for which the acquiring authority is proposing to acquire the land could be achieved by any other means.

Using the Town and Country Planning Act powers with any degree of certainty in this context would be greatly assisted by positive statements from Government in support of this avenue through planning policy changes in Circular 06/04.

Local authorities should take a more pro-active approach to using their existing CPO powers. The approach will depend upon the level of risk a local authority is willing, and able, to take in facilitating a programme of town centre reconfiguration.

Local councils, rather than the Homes and Communities Agency (HCA), are best placed to promote CPO as they are elected bodies responsible to the local electorate. Due to the costs and time involved in the successful promotion of CPO, it has historically been best suited to large scale schemes. Human Rights Legislation has increased protection for the landowner and it is unlikely there is any scope to dilute the tests for undertaking CPO as this would create greater opportunity for legal challenge and the uncertainty this entails.

In the past, investment in new retail floorspace was often seen as a means of growing a town centre and acting as a catalyst for regeneration. While such development could attract new retailers, in the current climate there is a danger that it will simply lead to existing retailers relocating, most probably out of an existing shopping centre whose future viability would be undermined or downgraded.

In our view, developing yet more space in the 'squeezed middle' towns is not the answer. The future focus should consider carefully the impact of new town centre, and of course edge and out-of-centre, retail development on existing investment and look to expand and enhance existing facilities where possible rather than develop new competing town centre facilities.

From the interviews it was clear that a number of respondents felt that specific town centres had been blighted by years of uncertainty relating to proposed and failed town centre regeneration or new shopping centre proposals. This had the effect of stalling investment in existing schemes and deterring interest from retailers uncertain about new competition or a shift in footfall and pitch.

### Solutions

There is an appreciation of the resourcing issue, both human and financial, faced by local authorities.

In particular, we recognise that the next two years are going to be very tough for councils as they face real terms reductions in core funding of 21% across 2014/15 and 2015/16. In some cases, the reductions for individual councils are nearly a third. According to the Local Government Association (LGA) this will lead to cuts to the frontline services people rely on and some services will have to stop altogether<sup>8</sup>.

This inevitably means that other services, including planning and development departments will be squeezed. We also recognise that, despite financial constraints many councils are dedicated to investing in programmes and projects that improve their local economies. Examples of this are included in this report.

Further, we have observed that those towns that may be most in need of remodelling may well be those towns with the fewest resources and least equipped to do so. With a significant decline in major regeneration activity and new development during the recessionary period, local authorities have reduced staffing levels in these specialist areas. It is suggested that better use should be made of pooling skills sets, services and facilities and capturing best practice examples – drawing upon both public and private sector expertise and financial resources. The areas where this might be particularly relevant include development, masterplanning and CPO skills.

It is suggested that a mechanism be created to encourage training programmes, supported by private sector specialists and work share experience. This will assist greatly in the upskilling of council officers involved in development planning and delivery.

The pooling of expertise and the application of commercial realism is deemed crucial to the future success of town centres. The retail capacity models used by local authorities need to be recalibrated to account for the new digital consumer and demand studies need to be directly linked to actual retailer demand. Which retail and leisure operators have a requirement in this town? Where do they want to be, what size of unit do they require and how is the plan flexed to accommodate them – quickly?

In terms of development proposals, once announced, progress through planning and funding should be swift to avoid the uncertainty that has blighted investment and retailer expansion in a number of our sample locations, Wolverhampton and Swindon in particular.

## 5.2 POLARISATION

Retailers are increasingly selective. The strong, more dominant centres are getting stronger, providing a complete retail and leisure experience for today's consumer. Local and neighbourhood centres, offering convenience/everyday needs retail and top up shopping have found their niche and many trade well often anchored by a major supermarket convenience store. The middle ground towns are being squeezed – often leaking trade to the more dominant centres and having lost a number of multiples and anchor units during the recession. Retailers are increasingly focused on the prime retail pitches, with the secondary and tertiary pitches deteriorating.

Those centres which fall in between, often medium sized towns are bearing the brunt of this shift in retailer demand. Historically, such towns have had a reasonably large comparison shopping function. Now, demand from multiples is weak and the space offered is often of the wrong size and configuration, and in the wrong location to meet today's retailer requirements.

**Retailer: "Lots of hot air – the Chief Executive is enthusiastic but he has failed despite tying in with a number of developers."**

**Retailer: "New shopping centre plans have blighted all retailer strategies for the town."**

**Other Stakeholder: "There is a problem with a lack of local authority leadership; it is too one dimensional in terms of solutions. There is a mismatch with reality. There needs to be a better understanding of what retailers a town can support, quantity and quality."**

## Solutions

Identify the role of the town centre. The middle ground town centres being impacted need to identify their future role in the hierarchy and differentiate their offer and experience from competitors.

For many centuries, town centres have been the focus of commercial, social, community and municipal life. Retail provision and shopping centre development have played an increasing role in town centres over the last 30 years and many historic town centre functions have relocated away from the centre. The move to multi-channel shopping in the last five years has led to the retail role of town centres facing a technological revolution which will divert more expenditure away from town centres more quickly than in any previous change. Town centres need to adapt and take advantage of new technology (see Digitising the High Street – section 5.8).

Our town centres will need to continue to evolve if they are to prosper or even survive. Developing alternative functions and attractions will be central to their reinvention to ensure they are fit for the 21st century, including recapturing those other functions which have also moved away. They need to develop as centres of employment, as places where people want to go to socialise and spend time; to be easy to get to – by whatever form of transport chosen – and to move around. Where demand for retail space contracts, there will be an opportunity to accommodate other uses, however the change needs to be managed if the town as a whole is to benefit and develop a new role for the future.

While retailing will contract in many centres, it will remain one of the core town centre functions. Centres will need to focus on fulfilling their role in the retail hierarchy. The base retail function is the provision of food and drink for consumption at home – collectively called convenience goods – together with a range of local services such as banks/building societies, hairdressers, coffee shops, etc. Smaller centres have typically focused on fulfilling this function while medium and larger centres have emphasised on selling comparison goods such as clothing and footwear, homewares, etc.

Many of the larger centres do not have such a developed convenience goods role with provision being made out-of-centre. As they adjust to a declining comparison goods role, they will need to focus on improving their convenience shopping role so as to maintain a base retail attraction. These towns will also need to ensure that they provide a full range of services and promote these to replace lost comparison traders. Service providers will look to improve their representation in improved units in more central locations.

In many towns, independent retailers are filling some of the voids left by departing national retailers. Many of these operators are family businesses and do not have detailed or specialist business knowledge, particularly as to how they could also harness the internet or market themselves effectively.

An observation from our town visits is that several local authorities were financially supporting an 'Emporium' in their town centre, e.g. Wolverhampton, Stockton-on-Tees and Tamworth. This is essentially a business incubator hub for retailers. This initiative is aimed at encouraging business start-ups for independent retailers. The usual model was for the local authority to take a lease and then sub-let to start-ups/creative industries on easy-in/easy-out tenancies for a period of up to a year. During this time, there was business mentoring and administrative support. After one year, the occupier has to leave to set up elsewhere.

Rotherham Council has been pro-active in providing revenue and capital support to fledgling businesses, including the first Temperance Bar to open since 1910. Independents may receive a rent subsidy for years one and two, subject to a business plan and, if appropriate, business rates subsidies are considered on a case by case basis.

Many towns are already encouraging high street markets, both traditional and specialist – continental, farmers, chic and vintage. Rotherham, Birkenhead, Rochdale and Stockton-on-Tees were all looking at markets as a differentiator. Some are looking at redesigning their pedestrianisation schemes to accommodate event space to encourage other types of experience, such as street theatre or festivals, so as to provide alternative attractions. Hounslow and Stockton-on-Tees were two examples where outdoor spaces were being designed to host a range of events, to create new reasons for people to visit the centre.

**Retailer:** "Polarisation is leading to a focus on the top 40/50 towns. Those towns hit hardest lack a USP."

**Industry Trade Organisation:** "Each centre needs to find its own USP."

**Architect:** "Town centres need to reposition themselves from large centres; they are able to serve the immediate community with more than just retail. It needs to be tailored to that specific community."

**Local authority:** "The shops are not right for modern retail."

**Local authority:** "There has been a lack of innovation from the local independents – they would benefit from specialist advice to help compete against online/multiples."

**Developer:** "Markets (particularly food) are seen as a way of reconnecting lost shoppers. It remains one of Birkenhead's main attractions and a major employer. The owner is now in administration, but we are looking to relocate the market and introduce a specialist food market."

**Town Team:** "We are putting forward proposals for a street market."

## CASE STUDY: ROTHERHAM

Rotherham Council has understood that Rotherham town centre needs an offer that works alongside its two mega retail neighbours of Meadowhall and Parkgate Shopping. To set itself apart it is developing a differentiated offer of niche and independent retailers.

The council has supported the growth of new independents through targeted incentive packages such as a rent subsidy for Year 1 and year 2 and grants to assist with the cost of fit out for new retailers that have a robust business plan in place and a product offer that will enhance the retail mix. This initiative has seen the opening of the Whistlestop Sweet Shop and Temperance Bar — a retro Sasparilla Bar where customers can enjoy Sasparilla and other special cordials. It is the first such bar to open in the UK since 1910. The weekly on street-market has been expanded and a regular weekly Asian Bazaar was introduced in June 2013. In its first week this attracted 9,000 new visits to the town. A mix of test trading and business incubation opportunities, including pop up shops and a shared retail space, have been introduced as a means of developing the independent sector. All these initiatives have been supported through a promotional campaign “the Independent Alternative” backed by a loyalty card scheme with over 16,000 users.

Other town centre initiatives have included residential accommodation, parking incentives at a cost to the council, improved public realm and the refurbishment of historic buildings. Construction of a new superstore adjacent to the market will be completed in 2014.

There is still a challenge to improve the leisure and evening economy with little family leisure or branded restaurants and coffee shops. A suitable site for such a scheme has been identified.

**Local authority:** “When the centre was developed the market had to close, but we are reintroducing it back. We have a couple of stalls selling fresh meat and vegetables.”

**BID:** “The market has been in the town square since 1227. We have over 50 stalls and offer flea market days to farmer’s markets. The food stalls have helped to create a destination and dwell opportunity for visitors as part of their trip to the town centre.”

**Architect:** “Towns must provide and manage leisure and events space to bring the community into the town centre.”

Declining demand for retail floorspace will reduce the opportunity for large new town centre schemes and will increase the importance of focussing on existing shopping centres. Both the public and private sectors will need to promote these as the retail core of a town. The public sector — especially the planning authority — will need to support the evolution of the centre and particularly the creation of new units of the scale required by retailers. This approach may require compromise with other policy objectives, however, the importance of promoting the primary retail destination should be given great weight.

Town centres are well positioned to benefit from the growth of new retail related services and multi-channel retail, particularly through the provision of convenient click and collect facilities to help drive footfall. Amazon now has an agreement with the Co-operative to locate self-service lockers<sup>9</sup> in local stores, an example of which was seen in Runcorn Old Town. Likewise, eBay has struck a deal with Argos to collection points in host 150 stores.

### 5.3 TOO MUCH RETAIL FLOORSPACE

Many town centres face the issue of having too much town centre retail floorspace given recent retailer failures, corporate portfolio rationalisation, high vacancy rates and the impact of the structural shift in consumer shopping patterns caused by the rapid growth in online retail. The growth of multi-channel shopping will continue to divert trade from bricks and mortar retailing for at least another decade.

In addition to focusing their attention on larger, dominant centres, many of the major multiples are seeking larger units. This allows them to showroom their full product range and to provide an exciting shopper environment backed by the latest technology. Larger units are difficult to accommodate within existing high streets and town centres.

Research indicates that store sales (non-food) have been in decline since 2009 and will fall by 1.9% in 2013. The research predicts that by 2020, the impact of declining in-store sales will result in a 31% reduction in high street stores<sup>9</sup>. Figure 6 illustrates the shift in shopper patterns by channel, with predicted further growth in home delivery and click and collect. Online is predicted to account for 28% non-food sales by 2017<sup>10</sup> and over 20% of all retail expenditure in the 2020s<sup>11</sup>. The wider use of online technologies may, in fact, have an even greater impact on consumer spending.

**Professional industry body:** “It is agreed that some centres have too much secondary/tertiary space, but that the solution is really planning led.”

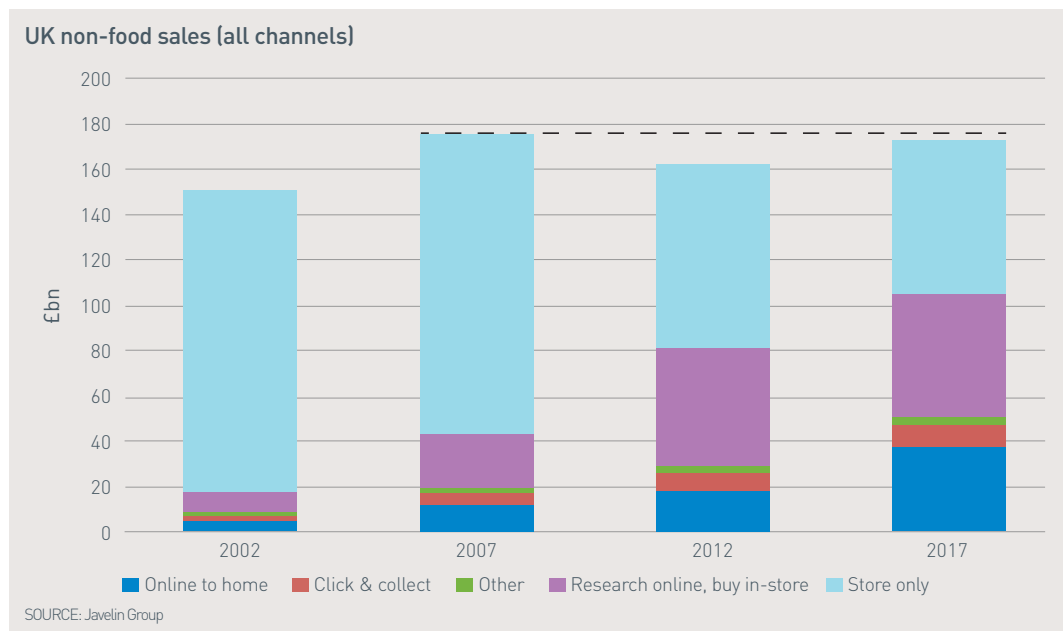
**Shopping centre manager:** “Vacancy is a part of the town centre and it is needed to allow existing retailers to move into a different pitch or to upsize or downsize. Too much is detrimental, but too low and we stagnate.”

9 Javelin Group, *How Many Stores Will We Really Need?*, 10 October 2011.

10 Javelin Group, *Transforming the Retail Enterprise* presentation, 3 May 2013.

11 Experian, *Retail Planner Briefing Note 10.1*, September 2012.

Figure 6: Non-food sales by channel



When considering the impact of competitor developments on our sample towns, the survey responses indicate that out-of-town retail park development was the most commonly quoted competitor impact – by 86% of all interviewees.

However, it is apparent that respondents consider that all developments have had their own part to play, with shopping centre development, large format supermarkets and out-of-town regional malls referenced by 65%, 49% and 26% respectively. This broad based perception that all competing developments have played a role in town centre change is supported by the average rank score, with out-of-town retail parks receiving an average rank of 2.1, with both large format supermarkets and out-of-town regional malls at 2.3 and 2.1 respectively and shopping centre development at 2.6 (out of 6).

Out-of-town retailing remains popular with national retailers where they can comply with planning restrictions on the range of goods sold. While planning policies have slowed down the growth of out-of-centre retailing, the sector continues to mature and move away from bulky goods retailing to the provision of large two level stores providing fashion and homewares. Continuation of this trend will further challenge the future vitality of many high streets.

The impact of these changes will affect centres differently depending on their function and future growth of expenditure in their catchment areas. But for many towns, the simple fact is that, in future, they will require a smaller, more focused retail core, repositioned for future consumer and retailer needs – and not focused on the past. It will extend the polarisation trend already being witnessed.

The impact is likely to be felt across all centres to a greater or lesser extent, manifested through high vacancy rates, falling rent levels, decreasing footfall, weakening multiple retail offer and, potentially, a worsening town centre environment. Figure 7 illustrates some of these trends in a selection of our sample towns.

Local authority:

"Middlesbrough prime retail area is too big for its present need and could do with shrinking its offer by about 25%."

Developer: "Many town centres have too much retail supply - there could be 1/3 less in many of them. Stockport and many other failing towns are over supplied with the wrong quality and an offer that doesn't fit its catchment."

Developer: "There is broad consensus that a town centre requires a mix of uses, including places to work, shop, drink, browse and leisure. This includes more housing near the town."

Local authority: "The town centre is an historic ribbon development which expanded along the main road over time. With pedestrianisation and the introduction of the shopping centre, the town is too long. We are actively helping those tenants on the periphery to relocate into what is now the town centre. We are considering, with the property owners, what to do with this section of the town."

Consultant: "There needs to be a rebalancing of the high street economy, moving away from an over-reliance on retail. There are no short term fixes."

Survey: Of the centres commented on, "47% of retailer respondents considered that town centres were weakening."



Figure 7: Evidence of town centre distress in sample towns

Town	% Change in rents 2008 – 2013	Retailer requirements	% Vacant units	Absolute change in VENUESCORE 2012 – 2013
Aldershot	-27%	2	>20%	-13
Grantham	-31%	7	>15%	-25
Middlesbrough	-40%	12	>20%	-41
Runcorn	-23%	3	>25%	-18

Source: Colliers International, CoStar, Local Data Company and Javelin Group

Note: VENUESCORE is an indicator of the difference between the strength of multiple retailer presence in different shopping venues looking at factors such as scale of offer, market positioning, fashion and age positioning.

## Solutions

### Alternative uses

Town centres need to develop alternative functions to draw people back and support its retail base. Town centres will remain important as a focus for social and commercial purposes however must seek to provide more than a neighbourhood shopping role. Expanding their other roles will be an important response to the polarisation of shopping and in creating a vibrant social, commercial and cultural hub for the community.

Towns need to be repositioned to offer a wider range of leisure, cultural, civic and community functions to meet the future retail and economic environment rather than harping back to history. Town centre employment, education and healthcare facilities and a range of private, affordable and retirement housing all need to be considered to bring vitality and supporting expenditure back into town centres. This is evidenced by survey responses from a wide variety of contributors.

Survey feedback suggested the need to improve the leisure and food and beverage offer, and to develop the evening economy through restaurants and in-town cinemas. There was also a call for the support of the independent retail sector to provide variety and differentiation and, in a number of centres, to make use of general or specialist markets.

Leisure is already an essential part of a town centre's role but many towns have a negligible evening economy – even food and beverage. The availability of vacant retail units will facilitate expansion in the mix of uses but these needs to be supported by flexible planning policies across all parts of a centre.

Urban Policy Research Unit: "High streets must form part of the broader economy. Jobs and employment are crucial. Retail is part of the mix but not the primary driver of activity."

Local authority: "Bring in office developments to generate footfall."

Local authority: "The new leisure development in the heart of the town centre has helped to refocus the retail offer. The next phase will be for the council to relocate to other council owned property which will release another major site for a destination retail development. We don't have the size and specification of accommodation to attract retailers into the town. We have the ability to change this."

Survey: "42% of all stakeholder groups mentioned lack of investment as the a key factor driving change."

Survey: "Shrink the retail offer and fill void units with leisure and residential (where appropriate)."

Survey: "Sample towns in London and the South show a lack of investment as the most common cause behind change – 44% and 63% respectively."

Survey: "All respondents rated the range and quality of the retail offer in the sample towns as poor" – (2/5 where 1 is poor and 5 is strong).

Survey: "London and the Midlands sample towns scored poorly for leisure provision" – (2/5 and 1/5 respectively).



Other leisure uses, such as cinemas, also need to be encouraged in town centre locations to reinforce their leisure focus and broaden the range of attractions. Such uses complement a food and beverage offer and encourage both visits and increase dwelling types. Food and beverage operators benefit from clustering and the creation of a leisure and casual dining zone comprising a mix of bars and restaurants. Encouragingly, some locations are embracing this need for change. Stockport and Rotherham both have plans for new commercial leisure schemes to incorporate a cinema and supporting bars and restaurants. Wolverhampton has introduced a Youth Zone – a two storey building with a climbing wall and a sports hall for tennis, badminton, football, netball and basketball.

Festivals are another option to differentiate and this will be covered later in the report.

The quality of the town centre environment can also be an important attractor. While towns can benefit from an attractive historic environment, a well-designed public realm can allow a mixed use of the highway allowing different types of attractions to be accommodated in the public space at different times of the day or week.

Social and commercial uses will also support the town centres by drawing people in to use the facility or for employment. Local council offices are significant attractors of visits and are appropriately sited in town centres which are a hub for public transport. Healthcare facilities are also significant attractors and can similarly help support the other functions. Education is another area that could be brought back into the town centre that would aid footfall and spend. For example, Rochdale has introduced a new Sixth Form College on the edge-of-town and Wolverhampton University, on the edge of the city centre has significant expansion plans. Stockton-on-Tees already has a University of Durham campus and Stockport hosts a college for Manchester Metropolitan University.

Tamworth is considering the development of a town centre public sector hub, combining local authority, police, healthcare and other community uses which will all help to drive footfall and support the town centre retail and leisure uses. This will potentially be funded through an income strip. Employment within the town is critical to supporting the retail and leisure activities. An ideal situation would be to combine local employment, with a mix of residential and attractive public realm to create a town centre that people want to support – one in which they are happy to live, work, shop and relax. Without employment, supporting or expanding the retail and leisure base will be extremely difficult.

Government is one of the key employers in many towns. Many local council offices have moved out of the town centre diverting both visitor footfall and employee spend. Some, such as the London Borough of Hounslow, are already looking at moving back. Rochdale Borough Council opened an iconic £50 million central HQ building in March 2013, hosting a library, customer service centre, offices and a coffee shop. Tamworth and Rotherham Borough Councils are both actively considering the development of town centre offices to be anchored by the council.

In contrast, our consultations have highlighted that the Department for Education is to close offices at Castle View House in Runcorn, Halton Lea and to consolidate its North West operations in Manchester. This will remove 200 well-paid, secure jobs from the town centre. The economic analysis in advance of the decision noted that the closure would have a negative impact on the town (and the shopping centre) as the immediate area is relatively more deprived than Manchester. The local authority counter-submission asserted that the closure of the offices is contrary to government policy and will have “*devastating consequences for the town centre*”.

Central Government jobs can also be an important source of employment. Revisiting the conclusions of the Lyons Review *Well Placed to Deliver? Shaping the Pattern of Government Service*, would allow fresh examination of the potential of moving central Government jobs out of London and the south-east which would help underpin regional employment prosperity.

Residential – in many parts of the country, there is an acute shortage of housing, both affordable and private rented. A number of the housebuilders that we have spoken to would welcome the opportunity of edge-of-town centre development, albeit each scheme would need to be assessed on its own merits. Amongst the major housebuilders, the interest is for sizeable site opportunities rather than piecemeal development. Sites in close proximity to and with flat access to town centres are well suited to both retirement and assisted living and would bring both spend and employment to the town.

Local authority: “Improve the ‘grown up’ and cultural offer after 5pm.”

Local authority: “The evening economy must be diversified – it currently only caters for night time drinking and little in the way of family or cultural offer.”

Landlord: “A new leisure scheme would be hugely beneficial to the day and night time economies.”

Development Agency: “The offer must include leisure, cinema, hotel, restaurants and coffee shops.”

Local authority: “A full audit of the public realm should be done as a matter of urgency to identify who has responsibility for what area and assets of the town.”

Survey: “The Midlands sample towns scored poorly for alternative uses with average scores of 2/5 for community uses, 2/5 for office space and 2/5 for educational provision 2/5” (where 1 is poor and 5 is strong).



## CASE STUDY: RUNCORN

Runcorn is a contrasting mixture of old and new settlements within a community of 60,000 people on the banks of the River Mersey's upper estuary. Runcorn is well known for being the location of one of Britain's post war new towns and for its historic old town. In short, Runcorn's population of 60,000 cannot sustain two town centre locations in relatively close proximity.

Despite massive public investment in housing, roads, the public transport system, advance factories and social facilities, the new town area has not achieved the levels of prosperity of many other new towns in more economically favourable parts of Britain.

Halton Council has taken a strategic decision to concentrate retail at Halton Lea in the new town. The focus for Runcorn Town Centre is to establish the old town as a vibrant waterside location that fulfils its potential as a specialist family friendly centre based on its historic character, providing a safe, vibrant, distinctive and attractive town centre with a mix of attractions.

An action plan has been developed. Strong policy support is reflected in the close relationship between Halton's Sustainable Community Strategy, which outlines the long-term vision to achieve sustainable improvement in Halton, and the Core Strategy, which will be used to guide development and determine planning applications over the next 15 years.

Halton Borough Council is now working with a number of development partners, including Neptune Consortium, for the regeneration of Runcorn town centre.

Discussions with Birkenhead, Stockport and Wolverhampton local authorities confirmed that all were considering scaling back the town centre retail provision to create central area residential development opportunities. Barking has been encouraging the development of private and social residential accommodation for many years and has two major projects on site at present in the town centre, both private, which will assist in the regeneration of the old stock of council owned accommodation.

An appropriate mix of affordable housing, public and private rented, retirement and assisted living and student accommodation should all be considered. With interest from institutional investment in the Private Rented Sector (PRS) building momentum, local authorities need to consider what is required to attract this type of investment to their towns to act as a major catalyst. This provides a potentially significant opportunity in some locations, with the Build to Rent Fund providing support for new build private rented housing supply.

Interestingly, Halton Council is looking to bring forward higher value residential development on the edge-of-town as a strategy for strengthening the town centre. Runcorn has few residents from affluent social groupings and it believed that if wealthier residents could be attracted to live in the town, then they will spend money in the town centre.

**Professional industry body:** "There is a need to increase affordable housing in city centres, ideal for young people and start-up homes and there is sufficient power to support a CPO."

**Local authority:** "Increase the amount of residential property within the town centre to bring more life and spending into the town centre."

**Local authority:** "There is probably an excess of retail space. It is likely that housing sites will be developed in town. Muse developments are also building an office quarter."

**Housebuilder:** "Shopping centre conversions to residential would be considered, but it depends on 'architectural merit' – they must be places that people want to live."

**Retailer:** "Convert some of the tertiary space to residential - particularly in the southern towns."

**Shopping centre manager:** "We would like to see a better choice of both product and cost, but want to retain the mix of business, leisure, retail and residential in the town centre."

While residential will not be the answer to some locations because of demand, relative pricing and demographics, residential schemes would provide much needed vibrancy and expenditure support for a range of towns. As discussed earlier, the population growth forecasts will favour the southern parts of the country, however, there are housing shortages nationwide.

## 5.4 THE WRONG TYPE OF SPACE

It is apparent from the survey feedback that many town centres are simply unable to offer the right type of space to meet the current space and configuration requirements of the major multiples. The demand, particularly from the multiples, tends to be for large units to allow showrooming, full range merchandising, high levels of technology and an improved shopper environment. It is the larger centres and out-of-town parks that are often better matched to meet this need.

From the town visits and interviews it is clear that a number of the sample towns have units that do not meet modern requirements. 18 interview respondents referenced retail stock as being not well suited to current retailer requirements and the need for town centre repositioning. As a result, retailers have located in out-of-town retail parks, for example, Tamworth, Birkenhead, Evesham and Rotherham. Out-of-town retail park development was the most commonly quoted competitor impact, by 86% of all interviewees.

While shopping centres do provide the opportunity for asset management, it can still be problematical and prohibitively expensive to reconfigure units in the more dated early generation shopping centres. In addition, a lack of finance in recent years has severely limited investment in these centres. So, even where there is single ownership and control, activity to create the right type of units for retailers has been restricted. However, it is preferable to work with existing schemes, where possible, to avoid simply moving retailers from one scheme to another and creating yet more vacant units.

More of an issue is fragmented ownership in many towns and cities, which acts as a barrier to site assembly and the creation of new development and infill schemes that might provide the right type of in-town or edge-of-town space to attract expanding retailers. Small units and fragmented ownership are not conducive to accommodating many of today's retailer requirements.

There is also the issue affecting many towns of historic and heritage buildings and, while some can be returned to use effectively, most are not suited to today's retailer needs for large and regular units.

### Solutions

Planning flexibility is applicable to both too much floorspace and wrong type of space. There will be, in many centres, simply too much retail floorspace. Rather than preserve this retail space in the hope it will come back into use, it would be better to encourage its conversion to other uses. A constructive use will both improve the appearance of a centre and help support it by increasing either the variety of uses present or the catchment population.

National planning policy has already been reviewed and simplified through the publication of the NPPF. National Planning Practice Guidance is undergoing a similar process. Both of these reviews are welcomed as they make the implementation of national policy clearer and more accessible.

Government has also introduced new planning provisions to increase existing flexibility in the use of property in town centres and elsewhere. These new changes comprise:

- > permitted development rights to change from offices to residential
- > permitted development rights to enable a range of meanwhile use
- > proposed permitted development rights to allow change of use from shops to residential (under consultation); and
- > proposed permitted development rights to allow change of use from shops to bank or building society (under consultation).

Shopping centre manager: "We know that our units are not attractive to modern retailers. However, this knowledge has allowed us to move some of our tenants around to create a new large unit to supply the demand from a major tenant."

Retailer: "There is a lack of good quality units (→5,000 sq ft) in town."

Developer: "Pension funds want to develop bigger footprints so that they can deliver larger stores."

Architect: "There has been an inability of multiple ownerships to respond to increasing demand for larger unit sizes and quality and deliver an improved tenant mix."

Developer: "Fragmented ownership is a problem. It is very difficult to gain consensus and secure private investment when they all have their own agendas."

Architect: "Where long-term vacancies exist, assess what the community needs and deliver - gym, office, kids play zone etc."

Existing permitted development rights allow certain changes of use at ground floor and the change of use of upper floors over shops, and certain other uses such as banks and building societies for up to two flats. These flexibilities will assist local level solutions to be found for small scale properties and should be encouraged, especially in fringe retail locations. However, changes of use from shop to residential at ground floor should be avoided within primary shopping areas where a mix of retail and leisure uses is more appropriate.

In fulfilling their planning functions, local planning authorities should identify the boundaries of their town centres and within that, the extent of the primary shopping area – being that area where the main shopping facilities are found. These designations offer an opportunity to introduce different policy approaches at either national or local level, to help distinguish the town centre from out-of-centre shopping and create competitive advantages. Options include offering preferential business rate terms to traders in the primary shopping area.

The City Centre Business Growth Scheme in Bradford is an example of where the council is incentivising investment in the city centre by offering a business rate rebate to eligible businesses that are creating 'new' jobs inside the zone. Successful applicants will be assigned up to £16,000 worth of business rate rebate per new full time equivalent job created, to a maximum of total business rates payable. Further, businesses that bring disused space back into permanent commercial use as a result of creating new jobs will also be able to access a one off rebate to cover any increased rates bills from the new space. Resources from the council and Government's Regional Growth Fund (RGF) provide the capital for this scheme.

Many local planning authorities also designate primary and secondary shopping frontages within the primary shopping area. The primary shopping frontages are generally restricted to a high proportion of shop use (defined as falling within Class A1) whereas a greater mix of uses are permitted in the secondary frontages. In the past, the main proportion of shop use has been set at a relatively high threshold, typically falling between 70%-90%.

When promoting a more mixed town centre, local councils will be a need to consider the adoption of lower thresholds, depending on the function of the centre perhaps starting as low as 60%, in order to accommodate a greater mix of uses. This lower threshold will need to be accompanied by complementary policies to ensure that the non-shop uses are interspersed with the shops so as to avoid concentrations of non-shop uses.

It is suggested that a panel of experts from both the public and private sectors are convened to produce a new fit for purpose retail capacity assessment model. Specific attention must be given to the Special Forms of Trading (SFT) assessment, which is no longer appropriate given the increasing proportion of retailer turnover derived through online business.

Local planning authorities are already under a duty to co-operate and the analysis of retail patterns should be one of the matters where they are required to demonstrate cross-border co-operation at the examination into their local plan. The work undertaken by the Greater Manchester Combined Authority (GMCA) on retailing across the Greater Manchester sub-region in the Greater Manchester Town Centre project provides an example of how effective cross-border working can be, albeit in that case acting within a statutory framework.

National planning policy adopts a town centre first approach to retail planning in both plan making and decision making<sup>12</sup>. Out-of-centre development is subject to assessment against the local development plan, the sequential approach and its impact on the town centre typically for up to five years following its implementation. We believe this approach should be maintained. However, in order to allow town centres greater time to respond to the changing retail structure, this five-year assessment period should be extended to look up to ten years ahead. The impact assessment should also consider how a development will impact on the ability of a centre to develop its core retail function, whether that is convenience or comparison shopping. While the current national policy approach has led to the development of many edge-of-centre developments, it is not considered necessary for the town centre boundary to be extended to include these developments, especially where they comprise a retail park rather than a high street destination. The allocation of these types of development as 'town centre' allows them to make significant changes to the quantum and type of retail provision which could have a significant impact on investment in the traditional town centre shopping facilities.

<sup>12</sup> Mark Lee, the DCLG's Deputy Director for Economic and Social Planning speaking at the Royal Town Planning Institute's Annual Planning Convention in central London, July 2013.

BID teams are at the commercial coal face and given the success that many have had (Mansfield being a good example referenced later in this report) in promoting and improving town centres there is a strong argument that, through the planning process, they should have a greater role in influencing the tenant mix.

Commercially viable retail cores within town centres should be protected and it is suggested that the BCSC/Geofutures Town Centre Boundaries Model, or an equivalent, be used to assist in this process<sup>13</sup>.

#### Compulsory Purchase Order (CPO)

Compulsory Purchase as a solution is covered in the Local Leadership section (section 5.1).

## 5.5 UNDERSTANDING THE CATCHMENT DEMOGRAPHICS AND SHOPPING PATTERNS

From the interviews and town visits it was also apparent that, in some towns, the retail offer did not necessarily match its catchment demographic. In some cases, the tenant profile was geared to service a lower order demographic, thereby missing out on the high spending consumer.

#### Solutions

To some extent, this is about understanding a town's role in the hierarchy, as previously mentioned. Not all towns will cater for high end consumers. However, where the local demographics are suited, then some repositioning of the retail tenant mix, a better leisure and food and beverage offer, together with an improvement of public realm and general attractiveness, could reduce leakage and increase town centre vibrancy. This is a route that could be facilitated through a BID team co-operating with landlords and retailers.

When writing Local Plan documents, local planning authorities are required to prepare background evidence including retail capacity studies. Current retail capacity models do not adequately reflect the sharp structural changes being witnessed in the retail economy. While these studies typically take into account the growth in online shopping, they generally do not take into account polarisation of retailing currently occurring. The basic premise is that existing shopping patterns will continue and so the studies are likely to overestimate floorspace requirements for many centres. This is because the studies typically focus on retail provision in a district, although they may draw shopper spends from a wider area. As retailing polarises, it will in future be necessary to look at how shopping patterns will change over a wider area to understand whether expenditure growth in a district will drive new floorspace in that district or in a dominant centre in another district.

It is evident that a combined approach to address retail capacity models for town centres is vital between local authorities at a range of geographies. Many towns face two common goals of attracting private sector investment while consolidating the existing centre footprint and attracting alternative uses. As an excellent example, the GMCA<sup>14</sup>, in their recent study, addresses these common goals across the range of their centres and provide a base for defining the roles and responsibilities for local government at all levels to ensure intervention is for the benefit of the wider region. By defining such responsibilities it is clear which interventions are best led at a district level and which are best led collectively.

Each district has their own part to play when addressing the wider goal for the region and will have a very different focus of priority regarding retail, housing, leisure, commercial and cultural requirements. In defining these priorities however, each strategic approach should share common elements encompassing:

- > Vision: defining the roles of the centre over the next 10-20 years.
- > Leadership: co-ordinating decisions at all levels to achieve vision and including the private sector.
- > Consolidation: building vitality as traditional retail contracts.
- > Reviewing spatial strategies: ensuring fit for purpose, re-configuring and re-using obsolete areas by defining new uses.
- > Renewed Town Centre First approach: must channel investment into town centre and ensuring mutually beneficial roles for any out-of-town developments.
- > Programme of activities: on-going set of interventions.
- > Public investment and risk bearing: direct investment to attract or de-risk private sector investment.

**Local authority:** "...very affluent catchment area that does not generally use the town centre."

**Local authority:** "There is a lot of money in the surrounding area which needs to be attracted into Swindon town centre."

**Retailer:** "What is Hanley? What is Stoke? It has an affluent surrounding catchment, but there is too much leakage out-of-town (Manchester)."

**Shopping centre manager:** "We sit between two major centres of retail, to the north and to the south. We also have two great town centres within a short distance. Communications are very good and the ability to travel for the major destination shops has resulted in the town centre acting as a local centre. We have seen a huge increase in population which is why we have the full set of food operators in the town centre, but seepage to Bristol and Exeter especially for fashion is huge."

<sup>13</sup> For more information about the quantity and location of retail development within, and outside, consistently defined town centre boundaries see [www.towncentrefutures.geofutures.com](http://www.towncentrefutures.geofutures.com)

<sup>14</sup> Greater Manchester Town Centres Project – GMCA, 11 March 2013.

The GMCA then focuses upon the two key elements at a conurbation level in order to develop a joint response to the collective demands of the local districts. It is at this level where working with the LEP can add real value by undertaking interventions/activities and assembling the resources that would not otherwise be possible on an independent district level. In order to maximise benefits there must be a clear evidential base to support activity/investment opportunities. These should then be sequenced to deliver the greatest economic impact to the region.

## 5.6 CAR PARKING

Car parking is an emotive issue however its key role should be to provide easy access to town centre facilities. The amount, location, quality and price of parking needs to be arranged to meet this primary objective. It should not be treated primarily as an income stream generator or to promote objectives such as the use of alternative modes of transport that can often deter consumers from using town centre facilities when faced with free out-of-town parking. Parking charges were cited as a driving factor of change in our sample towns in 25% of all stakeholder interviews, further stating that town centre parking should be free or heavily subsidised.

There is a correlation between location, cost, specification and age of (multi-storey) car parks and usage and therefore the attraction of the town centre. However, the revenue is important to local authorities.

Car parking provision in a number of centres is in the form of ageing multi-storey blocks. Often these are not well suited to accommodating today's large family cars; they are not well managed or maintained and can be quite a threatening environment to shoppers.

Aligned to car parking, ease of accessibility to the town centre and its car parks is crucial in helping town centres to compete effectively against out-of-town competition.

### Solutions

A free town centre parking scheme was trailed in Middlesbrough to great success with 9/10 in-town retailers witnessing an uplift in trade at the expense of nearby retail parks. Middlesbrough Council lost out on £350k of revenue nevertheless witnessing a direct uplift in town centre trade outweighed the loss in revenue. However, controls over parking remain necessary in order to ensure that it is not abused and that there is a turnover of spaces to ensure capacity is available.

Further, car parks need to be properly managed to ensure that not only are they safe and easy to access and navigate, an issue also referenced in four sample towns and by cross section of stakeholders from our study. Quality of car parks has an effect upon their use – 1960's designed and built car parks, especially multi-storey, put people off, especially at night and, if isolated from the high street or shopping centre. This is not difficult to remedy with paint, lights and security.

The pricing structure can also be used to encourage shoppers to a particular part of a centre or to visit at different times. Similarly, on-street parking is important to allow for stops for quick purchases, but again must be designed and managed so as not to cause obstruction or congestion which would deter people from using the centre. Surprisingly, parking availability scored relatively well across the board in our interviews, receiving an average score of 4/5 (where 5=Strong) in all regions except the Midlands (2/5). The implication is that, in the sample towns analysed, the availability of parking was generally quite good but that parking charges were not providing a level playing field with out-of-town retail.

## 5.7 BUSINESS RATES

There is already considerable industry debate and lobbying from the retail and property industry around the need for business rates reform. Reform is urgently required to address regional inequalities that have arisen out of the current five year review process. Central Government has already taken action to provide relief from the impact of business rates. These actions have included increasing the amount of small business rate relief for a temporary period and allowing local councils to introduce and fund local business rate discounts.

Local authority: "Make parking more welcoming."

Landlord: "Improve signage for parking."

Retailer: "Offer free parking – ease and access to parking are also crucial."

Local authority: "A reduction in car parking costs in the shopping centre and council car parks has been very good. More parking is required and at a lower cost."

It is nonetheless clear that, in many towns, retail business rates now account for a disproportionately high percentage of total occupancy costs for retailers. This has been exacerbated by the fact that current business rate levels are based on 2008 rental levels — pre-recession and at the peak of the market. This has resulted in the current level of business rates being out of step with the economic cycle.

The majority of retail locations outside of London have seen rental decline since 2008. For Great Britain as a whole, rents have fallen by 15% in nominal terms (26% in real terms)<sup>15</sup>. The delay of the business rates revaluation from 2015 to 2017 has simply extended an inequitable situation whereby, in effect, poor performing towns in the Midlands and North are subsidising the stronger performing locations in London and the South.

High business rates are just one of the factors that have contributed to the high level of retailer administrations over the last four years. It is also undoubtedly a factor in deterring new entrants and start-up independents looking at gaining a high street presence, although Small Business Rate Relief may apply.

Michael Sharp, CEO Debenhams

“Debenhams has 172 stores around the UK at the heart of the towns and cities they serve. The increase in business rates over the past year has added substantially to the cost of operating those stores, at a time when the role they play in those communities is more important than ever. This is an issue which affects retailers of all sizes. While we completely appreciate the pressures on the public purse, the government should look again at how the 2013 increase has been calculated, if it really wants to see our high streets flourish.”

Justin King, CEO Sainsbury

“As our industry is changing away from being a property intensive industry, to one where property plays a part but a much lesser part than it has historically, our tax system that raises local taxes primarily on property, is exposed as an historical anachronism.”

## Solutions

With the evolving multi-channel retail sector dynamic, the business rates system needs to be reformed to return a sense of equity to contributing businesses and, in particular, better reflect the balance of taxation levied on physical and pure online retailers.

In the long term, an independent review of the business rates system is required to determine how relevant it is for the collection of taxes to pay for local services given today's, and critically tomorrow's, retail business model. More regular revaluations are required to better reflect the changing economic and business environment. There should be consideration of other models, taking examples from abroad.

In the medium term, property owner contributions to Business Improvement Districts (BIDs) should be made compulsory, initially in London, where the legislation allows, and then further afield, where there is agreement for owners to participate.

In the short term, business rates discounts should be widely promoted to incentivise investment in town centres. This can be funded via the Regional Growth Fund, as is happening in Bradford, or through investing capital reserves where the strength of the public sector balance sheet allows. The annual uplift should also be fixed at no more than 2% — Government's target for inflation — until 2017. This is something a number of organisations have been calling for over the past few years, including the BCSC and the Association of Convenience Stores (ACS), and has recently been taken up by the CBI and the BRC.

Shopping centre manager: “We can do deals on rent and service charge, but our hands are tied over the business rates. In some instances the rates are three times the rent. There is nothing we can do.”

Shopping centre manager: “The total cost of occupation is just too high for many retailers, especially the locals and independents. The multiples take a different view, but we have to attract new retailers into the town centre.”

Survey: “31% of all respondents considered high business rate as a key driver of change. This rises to 40% amongst the ‘retailer’ group and 79% amongst the ‘other stakeholder’ group.”

Retailer: “The store is not profitable, rates and service charges are too high.”

Professional industry body: “A rates revaluation is necessary to reduce the rates burden as a proportion of total costs of occupation.”

Local authority: “Town centres often don't realise their collective buying power. It is worth looking at negotiating preferential rates for energy contracts, business waste removal, telecoms etc. to drive down business overheads.”

<sup>15</sup> Colliers International — Retail Rents Chart, 2013.



## CASE STUDY: ST. AUSTELL

This small town centre is suffering from a range of competition and a unique series of circumstances, both geographical and historical. One could say that time has passed St. Austell by. Out-of-town pressure is now adding to the demise of the town centre.

This is a small, hilly historic town centre that no longer serves its original purpose. Accessed by a number of small narrow roads, the small pedestrianised town centre is dominated by the new White River shopping centre. The new indoor car park is excellent, but the centre is suffering from a lack of demand and spend. The good communications of the A390 and the railway provide ease of access to the larger and better retail locations of Plymouth (one hour) and Truro (15 minutes by train – 30 minutes by car).

The White River shopping centre has not really added anything to the town centre, except the cinema, a much required facility. Ellandi, the new owners of the centre are working with the centre manager, the county council and the new BID manager to create a focus and strategy for St Austell. They need to act fast to find a level of differentiation for the town. It cannot compete on a retail level with the out-of-town locations or the competing towns, but it can change to provide a unique focus that cannot be found elsewhere and one which will attract residents and visitors back into the town centre, potentially focussing on the leisure and food and beverage offer. The council are being supportive, but the shopping centre owners and BID manager need to drive this initiative forward. A strong town centre would support the Eden Project and St Austell Brewery in attracting visitors to the area.

## 5.8 DIGITISING THE HIGH STREET

Despite online shopping having a direct impact on retailer requirements for space, it can also influence high street footfall in other ways. While online shopping can be delivered direct to the customer's home this is not always convenient for the working population. Delivery to a self-service collection point can bring people into the town centre, as can the return of unwanted goods.

Click and collect is another popular means of delivery and although the collection point is typically from the retailer's own property, it can also draw shoppers into the town centre. Ensuring these tasks can be undertaken conveniently; with readily available low priced short-term parking helps integrate town centres into the online shopping process.

What is clear is that the technological revolution in retail is well and truly underway. Javelin Group<sup>16</sup> states the current revolution is now in its third major 'wave' since the birth of online in 1995. Retailers have made clear progress over recent years integrating an online offer with stores enabling consumer's access to maximum ranges in a multi-channel platform. The role of the mobile device (smartphones and tablets) in connecting these elements and converting them into a seamless experience will deliver the omni-channel era. Developments in smartphone technology is driving a new wave of retailing, with 20% of UK online retail sales occurring through a mobile phone and 84%<sup>17</sup> of smartphone shoppers now using their phones when in store to assist shopping.

**Retailer: "Whilst we accept that the internet is here to stay and will play a significant role in our future performance, we are informed by our customers that they will still be turning up at our shops. The physical experience of 'shopping' can't be replicated online and we see the internet and the associated logistics as our biggest short term challenge."**

<sup>16</sup> Javelin Group, *The Technology Revolution*, September 2013.

<sup>17</sup> Google.



Examples are emerging from around the world where the combination of precise geo-location, intelligent contextual marketing and flexible payment functions are delivering hosted platforms to support loyalty and spending in town centre environments from Mainz and Wiesbaden in Germany, to Rome and Florence in Italy through to Atlanta in the United States.

In the United States, omni-channel retailing – in which mobile, online and in-store experiences complement rather than compete with one another – is having the effect of leading retailers to invest in new urban/high street flagships. Retailing is moving from transaction based to relationship based and in this seamless omni-channel world, retailers are recognising the importance of their physical stores matching the image portrayed online, in terms of range and service. If this trend flows through to the UK, then town centres could benefit from new investment. Town centres need to prepare themselves for the requirements of this digital age.

### Solutions

The advent of eCommerce (B2B and B2C) and the evolution towards multi-channel shopping has generated different property requirements to traditional retailing, and town centres must position themselves to meet these requirements and the demands of today's multi-channel consumer in order to achieve a thriving retail market.

The distinction between e- and m-commerce along with high street retail has become less important to consumers. With faster speed and capacity on smartphones through the launch of 4G, retailers can provide m-commerce services with more flexibility than traditional e-commerce. Advantages such as contactless payments and price comparison are already available to the consumer. 4G will allow mobile retail to grow further in the coming years.

The new wave of customer oriented transformation provides opportunities for all of our stakeholder groups: retailers, landlords and local authorities. Contextual marketing provides a platform for retailers to target specific offers, to specific customers in specific locations and inherently has the ability to target all customer groups across the full spectrum of retail locations. Companies like HighStreet13.com and Social Retail.co.uk provide an online learning platform and support for independent retailers wishing to improve their online presence and digital skills. Twitter has been shown to be a valuable tool in promoting independent shops, events and in driving new footfall.

Hosting a town centre website as a promotional and information platform for occupiers (both multiple and independent) and businesses will become fundamental to restoring footfall, loyalty and spend in towns as the consumer demands a seamless multi-channel approach to retailing. The platform could be integrated with the provision of mentoring and advice on marketing, use of social media and website maximisation for independent retailers and small businesses, perhaps funded through improvement grants. This type of platform would also have the advantage of allowing appropriate stakeholders insight into the customer base, would provide an untapped revenue stream and would be brand enhancing. It is town centres that embrace and integrate these and future advances in technology that will reap the reward.

It is clear that the growth of multi-channel shopping has been a driving factor behind change in our sample towns, with 31% of our stakeholder group citing this change as a key factor. The pace of change in some of these towns has been rapid and they now face the task of adapting their retail offer and rebranding in order to attract footfall back into the town centre. Findings from our research indicate that LGA's (29%) cite this as an issue to be addressed. Six of our sample towns made direct reference to generating positive PR and rebranding to improve the health of their respective centres. An accomplished online presence for town centre destinations will play an important part of town rebranding/PR, enabling towns to better engage with the consumer and to attract footfall back onto high streets. Mansfield BID has been successful in establishing free in-town Wi-Fi (sourced via crowdfunding) along with the launching a new website, including an interactive town map and a town centre app. The town has since witnessed a 98% increase in website hits along with 10% increase in footfall and 7.4% increase in town centre expenditure.

It is evident that branding or rebranding and PR must be seamless through both physical and online platforms for town centres to witness an improvement to footfall levels. Diversifying the physical offer within town centres was cited in 15 of our towns, to reposition the offer for more social and community uses. This shift in dynamic provides towns with the opportunity to add a key USP, giving a town centre an experience that online retail cannot provide for today's consumer.

57% of our local authority respondents rated both cultural offer and quality of public realm as poor – scoring 2/5 (where 1 is low). These areas of town centre provision will be increasingly in the spot light as towns look to differentiate themselves from neighbouring destinations and online.

**Shopper:** "I know I can buy my shirts online, but I like the experience of browsing in a number of different shops and trying on the various options."

**Local authority:** "We have now provided free Wi-Fi across the whole of the town centre. We have to attract a full range of facilities for all our visitors and the ability to dwell in the town centre and the use of tablet and mobile technology is vital if we are to retain the spend in the town centre."

**Local authority:** "Being somewhat isolated, the internet and the click and collect technologies are very important to the future vitality of the town centre. The main problem is that the vast majority of our customers can't get to the town centre to collect their goods. They order online and have them delivered – huge spend is seeping to other centres and to the internet."

**Architects:** "We need joined up place branding and marketing for a location, facilitated by a BID."

**Shopping centre manager:** "The town needs to be better promoted as a destination by the local authority."



Furthermore, it is recognised that, where possible, investing in the heritage offer provides a unique USP by linking key environmental assets, heritage properties and town history. Historic buildings can add character to town centres, or parts of centres and act as a lure in their own right. Bath town centre is an attraction in its own right irrespective of its shopping offer. The physical characteristics of The Lanes in Brighton have encouraged the creation of a distinctive retail and leisure environment, which is also an attraction to both locals and visitors.

Elsewhere, however, the rigid protection of heritage assets can deter investment and prevent the creation of shop units of sufficient size to meet non-retail requirements. A pragmatic approach is necessary to allow town centres to continue to reinvent themselves. A balance needs to be struck between heritage protection and maintaining a commercially viable town centre with the focus on protecting those heritage elements which are most important. Stockport, Tamworth and Rochdale were all examples of towns using heritage to help create an identity while towns such as Whitstable and Rotherham are creating their own specialist identity through clustering of independent stores. This would inherently improve the feeling of place and assist in repositioning a town centre offer with social/community uses.

A number of our sample towns have looked to hosting festivals and events as a means of 'putting the town on the map', generating footfall and improving town centre vibrancy. This has been particularly successful in Hounslow where the council have received approximately £1 million funding from the Arts Council to support further outdoor events off the back of a successful trial. Evesham and Edgware have also looked to support further events/community use space as a key USP over local town and online competition. Wolverhampton is investing significantly in theatre, art galleries and museums as attractors while Stockton-on-Tees hosts the annual International Riverside Festival (street theatre, dance, circus, music and pyrotechnics). Both Stockton-on-Tees and Rochdale are making efforts to reconnect their town centres with the river frontage via walkways and leisure routes as a means of improving the quality of the general town environment.

### CASE STUDY: HOUNSLOW

The London Borough of Hounslow bid successfully for funds from the first two rounds of the Mayor of London's Outer London Fund. The funds awarded under Round One had to be spent on revenue projects which could be delivered during an eight month period.

This money was used to kick start a new programme of outdoor events including new decorative lighting for Christmas and Diwali, local markets, outdoor cinema and outdoor fashion shows in conjunction with the University of West London. These events were so successful that they attracted additional Arts Council funding for the provision of additional events. Round Two funding is for capital projects and will be used on townscape improvements including the creation of good quality outdoor events spaces and to establish a world food market. Again, the Council has been successful in leveraging this funding and has secured additional monies from Transport for London to improve linkages to the two tube stations serving the centre.

## 5.9 FUNDING

Post financial crisis, the traditional funding models for town centre redevelopment are no longer fit for purpose. There is an urgent need to consider mechanisms to address the funding gap. Below are a number of options for funding the kind of future town centre redevelopment that we believe is required to enable town centre renaissance.

### Town centres as infrastructure

New major funding programmes such as the Growing Places Fund, Infrastructure Guarantee Scheme, Local Infrastructure Fund or the Regional Growth Fund do not appear to be designed to invest in town centres.

The government published the National Infrastructure Plan in October 2010, outlining its vision for the future of UK economic infrastructure. The plan emphasises the new role of government as a co-investor and guarantor rather than a grant administrator. It is based on traditional infrastructure. There is an emphasis on creating economic dynamism by investing in enabling infrastructure such as roads and existing rail. The Growing Places Fund, administered by LEPs, reinforces this traditional thinking on infrastructure.

Infrastructure funding could also be channelled into town centre regeneration (essentially an amalgam of many development sites) to help improve a place, grow base values and stimulate demand from the bottom up. As it is one of the key engines of any local economy, could the definitions of infrastructure be expanded to start thinking about town centres as the infrastructure of places as much as road and rail? Questions about the viability of developments become less important because, in so many instances, space is already there (vacant) and small-scale mixed-use infill schemes might get readily funded.

In the Treasury Guidance Green Book Appraisals, it is not easy to provide an appraisal that demonstrates investing in a town centre will deliver x new jobs and y square metres of new development but it is well known that it has a positive impact.

Investment in the public realm, creating more attractive places, draws more visitors and shoppers. It lifts an area and makes it more attractive for prospective residents, employers and inward investors. Albeit at the higher-value end of the scale, Grosvenor has recently bought into this concept and is delivering public realm works across its estate, recognising that it can reduce voids, sustain commercial activities and increase base values. Investment in unlocking brownfield sites can provide a catalyst for change over an entire neighbourhood, fundamentally improving its performance and contribution to a sub-regional economy.

### CASE STUDY: STOCKTON-ON-TEES

Stockton-on-Tees is investing £25 million of its own money and the total investment to date, including private sector money, is £38 million. This money is being spent on, amongst other things, high quality public realm in the town centre and making improvements to the walking links between the centre and its riverfront.

The Council accepts that the town cannot compete in retail terms with Tees Valley or Middlesbrough, but instead wants to attract a proportion of these visitors into Stockton-on-Tees by providing a complementary offer as a family orientated leisure destination. There has been considerable investment in traditional and specialist markets. The town's market was historically referred to as the 'Queen of the North' and this reputation has been revived as the town repositions itself as a Heritage Market Town. There is also a cultural vibrancy in the town. A new Arts Centre has been built, a cultural festival attracted 10,000 visitors, and the Council has invested over £1 million in bringing the art-deco Globe Theatre back into use.

Independent retail is also being supported. The council is supporting an 'Enterprise Academy' for start-up businesses in the old Burton's unit on the high street, where six businesses are trading for six months at a rent of £10 per week. All companies must leave for new accommodation after six months.

With a 2,500 student campus for Durham University and plans for restaurants and new town centre housing, Stockton-on-Tees is delivering a vital and vibrant town centre for the future.



The development industry is looking to invest only in places that are perceived as safe and attractive bets, with strong and resilient residential and employment markets. This is driven by much more than roads and developable plots. It is driven by the vibrancy, energy and popularity of a place, which in turn is driven by its town or city centre. As such, Government should establish a High Street Infrastructure Platform (HSIP), with key providers of capital to identify the conditions that would need to be created for them to invest in town centre commercial property.

#### Tax Increment Finance (TIF)

The UK TIF model is based on reinvesting a proportion of future business rates from an area back into infrastructure and related development. It applies where the sources of funding available for a scheme to deliver economic growth and renewal cannot cover the cost of infrastructure required by the scheme.

The taskforce advocates a developer-led TIF model, the Local Tax Re-Investment Programme (LTRIP). This would allow projected increases in business rates revenue created by new development to be used to secure private sector investment in public infrastructure. These can include anything from car parks, sewers and public space, to theatres, courts and police stations.

The revenue raised would be used to finance debt or repay equity used to fund these works, bridging the viability gap and allowing developers to start work on new or stalled schemes. Schemes will return this increased business rate income to local authorities after the term of agreement between the two parties has expired.

As a first step to implementing LTRIP, the Government's interpretation of public accounting rules that developer-led TIF schemes have to be classified as Government borrowing, as they relate to a Government income stream – business rates. LTRIP transfers the risk entirely to the developer if the additional business rate income is not realised or the costs of construction exceed projections. There is no reason for any debt to appear on the public balance sheet.

#### Single Local Growth Fund (SLGF)

The SLGF will offer a pot of money for places to spend on growth enhancing projects and programmes. The Fund will create the platform for cities to align finance and projects with the geography at which people live, work, go to school and spend their free time – the city-region.

The National Infrastructure Plan emphasises the new role of government as a co-investor and guarantor rather than a grant administrator. This means giving greater flexibilities to all cities, including greater power over regeneration and infrastructure spending.

Government should allocate a proportion of the SLGF to LEPs to provide capital for distressed towns to enable necessary remodelling. In turn, Whitehall should give local government more powers and freedoms to act in the same way. This includes providing local funding streams which local authorities can leverage for investment.

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**“The Government announced in last December’s Autumn Statement that an extra £5 billion was to be made available to invest in the UK’s infrastructure to support economic growth by 2015. But the Office for Budget Responsibility (OBR) forecasted that around half of this money will not be spent. To address this underspend, and support growth, the Government should make city centres a key priority within its National Infrastructure Plan. It should allocate a portion of its earmarked spend on infrastructure to address the physical and digital infrastructure requirements to support business growth within city centres.”<sup>18</sup>**

### Pooling land assets

Fragmented property ownership and a consequent divergence of interests have been highlighted as a key barrier to the regeneration of town centres in many of the towns surveyed in this research. It was also a key finding of a recent study by Peter Brett Associates<sup>19</sup>, and work is currently being developed through the Government's Future High Streets Forum. This taskforce is supportive of the approach being taken by leading figures from the property sector on this. We hope this will ultimately lead to the establishment of a Government supported expert working group to advise on the best way to create a local property vehicle to own and manage properties in the high street, including fiscal incentives (High Street Property Company), and explore how to set up a new investment fund, supported by financial institutions and public funds, to provide loans to the local property vehicles (High Street Investment Fund). This may include consideration of things like the use of tax breaks, for example exemptions from Stamp Duty Land Tax (SDLT) on pooling if pooling is workable.

In Colliers International's primary research, the use of tax breaks as a means of incentivising private investment was highlighted by Middlesbrough Council, which advocated that such credits are used as a means of deferring payment on capital allowances. Using cities on the eastern seaboard of the United States as an example, the council also felt that tax breaks and VAT exemption initiatives could be used to reduce voids and bring empty premises back into use.

### Build to Rent Fund

The Build to Rent Fund was launched in 2012 to stimulate the development of purpose-built private rented accommodation by reducing up-front risk in a relatively un-tested market. It is hoped that the development of innovative demonstration projects will attract new institutional investment into the sector. The Government's investment is either by way of equity participation or loan. Developers in receipt of funding can use it to cover land, construction or management costs. The loan is either repaid or passed on when development is sold to an investor or refinanced in the commercial markets. As a consequence, the fund allows Government to share risk or provide bridge finance to allow schemes to be built, managed and let but should be a fully recoverable, commercial investment. After an overwhelming response to the initial fund of £200 million, the Chancellor increased the available funding to £1 billion in the 2013 Budget.

The first 45 projects to receive funding were announced on 16 April 2013. In all, these schemes are expected to support the construction of between 8,000 and 10,000 new private rented homes, a quarter of which will be in London. They were chosen on the basis of their deliverability, value for money, local housing need and clear exit strategy. The second round of bidding closed on the 31 October 2013 with the short-list of proposals being announced in early 2014. This round had a minimum of £400 million available. The Build to Rent Fund could be hugely beneficial in attracting new residential development to town or edge-of-town opportunities.

### Income strip

Of late, there has been a sequence of 'income strip deals' by institutional investors. This is essentially a traditional forward funding deal whereby typically an investor, such as a pension fund, in conjunction with a developer, delivers new accommodation. Upfront a council, or other government body, commits to the development by agreeing to take, on practical completion being achieved, a long lease for usually between 35 and 45 years on a non-assignable basis. Rents are fixed and subject to annual increases linked to RPI, often with a cap and collar arrangement. Importantly, at the expiry of the lease term, the council has an option to acquire the freehold (and thus the asset) for £1. Liability for repair and the running of the accommodation rests with the council; hence the fund landlord just strips the income out of the asset.

This approach has recently been used in Stockport town centre to fund a new car park and it is also being considered by Tamworth Borough Council as a means of funding their projected Public Sector Hub building on the Gungate site.

### Funding strategies in practice

Of the local authorities interviewed during the primary research, it was the Greater Manchester authorities (Stockport and Rochdale) which were most advanced in their thinking on how to deliver a new structure to their town centres.

The GMCA Town Centres Project has authorised officers to develop work on an investment fund for driving long-term change within town centres. It also authorises officers to continue to deliver a Greater

<sup>19</sup> Peter Brett Associates, *Town Centre Investment Management*, May 2013.

Manchester wide delivery plan, along with individual plans for each of the eight town centres. Town centres are identified as the focus of local economies and have the potential to drive employment, growth and tax take in town centres over the long term; rather than on short to medium term returns on which current funding regimes are based.

The priority at the Greater Manchester scale should be to enhance the capacity of districts to deliver by focusing on:

- > boosting investment for town centre schemes that are closest to being viable, through the Greater Manchester Investment Framework (GMIF)
- > developing a new investment approach for programmes of town centre schemes that have the potential to bring wider benefits to Greater Manchester and develop a return over the longer term; and
- > finding the capacity and skills to enable rapid delivery on a number of Greater Manchester wide policies or support measures that strengthen the position of Greater Manchester towns against competition.

The report recognises the difficulty of investing in long-term projects under current economic appraisal guidelines and funding programmes. It asserts that Greater Manchester needs to create a new investment fund to support long-term change within town centres. There must be a clear, criteria based strategy for this investment; both within town centres and to support prioritisation of Greater Manchester resources. The fund created will be revolving and capable of recycling investment at local and sub-regional levels over the long term. It should also have the capacity to invest in projects that have more indirect economic benefits, rather than the traditional GVA, new floorspace and number of jobs created.

Sources of funding may include variations on the 'Earn Back' model developed through the GMIF; the single fund approach being developed by the Homes and Communities Agency; New Homes Bonus and prudential borrowing. This money can be used to unlock wider investment schemes in which the GMCA may be able to invest Regional Growth Fund/Growing Places Funding or other funds that may be created in the future.

#### Local leadership and criteria for investment

GMCA has suggested the following as criteria against which investment will be judged; individual districts need to demonstrate that:

- > the local authority has the capacity to support the propositions being developed, in terms of high level commitment at senior levels
- > an agreed strategic plan for their town centre is in place. This plan needs to be a up to date, strategic town centre plan encompassing retail, housing, leisure, commercial and cultural dimensions
- > work on town centre transformation is already underway and other interventions are identified
- > they can identify a number of specific town centre schemes that cannot attract funding
- > the propositions are deliverable, in terms of land assembly, planning permission, development partners and any other key elements in place
- > the council's own contribution and support can be measured
- > economic benefits can be measured – this includes direct benefits such as GVA and jobs, plus indirect benefits such as the creation of quality places and the confidence that this can create
- > they can identify some means through which returns on investment could be generated and captured and over what period of time (e.g. through business rates repayment, tax increment financing, prudential borrowing); and
- > any investment propositions, as well as other interventions led by the district, are well matched to address issues and priorities set out in local and city-region strategies.

## 6. Conclusions

**A national response led by central Government is required in order to address the problems facing our town centres. While the role of central Government will be to set a clear direction and to facilitate local agencies in developing local solutions, it is understood that for many local authorities there is a resourcing issue and lack of funding. It is consequently necessary to make the available funding stretch as far as possible through the pooling of skill sets, services and facilities and the capture of best practice examples. This requires both public and private sector support.**

A more commercially realistic approach to planning for town centres is crucial to their future success. An appreciation of what the retail sector is seeking and the future role of individual town centres, recognising individual town centre positions in the new hierarchy, will be key to planning for an achievable future. The approach to Local Plan preparation needs to be modified to ensure retail patterns are looked at over a wider area, which will require joint working between authorities, so that realistic assessments of future demand can be made.

Planning policy also needs to be flexible, to minimise uncertainty and blight as this can have significant adverse impacts on town centres. Within town centres, there will need to be increased flexibility. In some, this will mean reducing the retail footprint by allowing, and even encouraging, the conversion of secondary retail areas to non-shopping uses. These uses could be employment or residential based, as both will help generate footfall within the centre.

Even within the retained retail area, a more flexible approach will be required to the mix of uses to enable alternative attractions, which are likely to be leisure based, to be developed to support the retail function. The better use of external space to create function and market areas can also add new attractions that will draw footfall at different times of the day.

The local planning authority will need to support the evolution of town centres through a flexible planning policy framework and through decisions on planning applications. Of particular importance will be the creation of larger shop units to meet modern retailer requirements. This approach may require compromise with other policy objectives however for the immediate future the promotion of the primary retail destination in a town centre should be given great weight. Adding protection by amending the National Planning Practice Guidance for retail impact assessments so that impact effects have to be considered over longer than a five year period is considered appropriate in the circumstances our town centres now face. In order to develop the new Practice Guidance, it is suggested that a panel of experts from public and private sectors are convened to review both retail capacity and impact assessment models.

In many towns, the departure of national multiples is creating an opportunity for independent retailers. These businesses bring different offers and attractions and again should be welcomed and encouraged. Many could, however, benefit from local business support, marketing, online and social media advice and assistance with their shop front treatment. Enabling town centres to compete online through the creation of a virtual representation of their high street provides a way to promote the town as a whole. It also allows individual retailers, especially independents, to display their products, to attract custom and retail online and to make customer offers by taking advantage of the greater combined brand weight of the town centre as a whole.

Online retailing has generated different property requirements and town centres must position themselves to meet the demands of today's multi-channel consumer. Establishing free in-town Wi-Fi ensures that towns are well placed to meet the connectivity expectations of the modern consumer.

The Government is a key employer in many towns. Situating national and local government offices in town centres generates footfall and expenditure from both employees and visitors. There are opportunities to boost regional town centres through the decentralisation of national Government functions and the retention, or return, of local government offices.

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Car parking is an emotive issue and a balance has to be struck between creating congestion and overcharging for spaces which deter shoppers. When setting a pricing structure, the primary objective must be to attract shoppers to a town centre. Other considerations should be secondary. The pricing structure can be used to encourage parking at different parts of the town centre or at different times of the day so as to provide support for retailers by generating footfall. The quality of parking is also important, with ease of use and safety being important factors.

Traditional funding sources for regeneration are no longer available or appropriate. The funding gap needs to be addressed and, while there are many different sources of funding, our town centres miss out on many as they are not designated as 'infrastructure'. However, town centres are clearly key to our urban and social structure and investment in them can create many benefits for an area. It is recommended the Government should establish a HSIP with the providers of capital to rectify the conditions immediately created for investment in town centre commercial property.

In order to secure other sources of funding, we advocate a developer-led tax increment funding model – the Local Tax Re-Investment Programme (LTRIP), which would allow projected increases in business rates revenue from new developments to be used to secure private sector investment in public infrastructure. This would include anything from car parks, sewers and public space to theatres, courts and police stations. In addition, central Government should allocate a proportion of the SLGF to LEPs to provide capital to enable the necessary re-modelling of town centres.

Fragmented property ownership and the non-alignment of property interests have been identified as a key barrier to the regeneration of many town centres. To address this issue, central Government should pilot a joint venture vehicle where owners of high street properties pool their assets, which are swapped for equity and incentivised by tax breaks and SDLT exemption on pooling, in order to allow the assets to be managed as a single entity by a professional asset manager.

Institutional investors are proposing income strip deals, which is essentially a traditional forward funding deal where an investor, in conjunction with a developer delivers new accommodation. A council or other Government body commits to the development by agreeing to take, on practical completion, a long lease on a non-assignable basis. Rents are fixed and subject to annual increases linked to RPI and at the expiry of the lease term, the council has an option to acquire the freehold for £1. Liability for repair and running of the accommodation rests with the public body with the rent providing an income to the fund landlord which meets its financial commitments.

Occupational costs for retailers need to be re-based, with business rates now representing a disproportionate level of total costs. Without an overhaul of the tax structure, more frequent revaluations are required and there is a need to establish fairness in the balance of taxation levied on physical and pure online retailers.

The rules of retailing have changed. The internet and the evolving use of multi-channel shopping has influenced, and will continue to influence, town centres, diverting consumer expenditure and polarising retailer representation. However, our town centres are resilient and the emphasis must be on ensuring that they are positioned to meet the retail, leisure and commercial demands and uses of tomorrow. The retail core of town centres must be protected and provide the quality and scale of space that retailers need.

At the same time, the contraction of secondary and tertiary retail floorspace will create opportunities for a range of other uses. A flexible planning approach to change will ensure that these opportunities are realised.

However, slow natural progression and market reaction to change will further endanger some towns. Intervention and proactive land assembly will be required to surmount issues of fragmented ownership and to provide the catalyst for large scale, long-term regeneration to reposition the function of town centres for the 21st century. Access to a combination of public and private sector funding packages will be essential to bringing forward long-term strategic change.



# Appendices

## APPENDIX 1 – SURVEY RESULTS

Colliers International gathered data from over 70 interviews and online survey responses from retailers, local authorities, landlords, and other stakeholder organisations involved in town centre retailing across a sample of 27 towns in England. The main objectives of the primary research were to canvass opinion on the key issues impacting on the retail health in town centres and to establish possible solutions based on evidence and best practice. A full list of contributors is set out in Appendix 2.

The list of sample towns is set out at Appendix 4.

### Strength and vibrancy

The survey responses indicate a long-term trend of weakening town centres, with the South sample towns showing an historic improving/vibrant picture pre 2000. The weakening of centres accelerated in the early 2000's and continued through the recession. In 2013 the position seems to be stabilising, albeit there is an even split in sentiment between those centres which continue to worsen and those where there is perceived improvement. Looking forward five years there is significantly more optimism that centres will improve across all regions.

Retailers as a group are the less optimistic, with 47% considering that centres are weakening today, roughly the same proportion as at the start of the recession. While the total proportion of centres in decline falls to 42% in 2018, there are more considered to be deteriorating faster than in 2013. At the same time there is also a slight increase in expectation that some centres will improve with the 14% of retailers expecting some centres to improve.

Landlords and local government are more optimistic for the future. While they perceive that the decline started earlier they are also more optimistic about today with a greater number considering centres to be improving. This trend is expected to accelerate over the next five years, with all landlords and 94% of local government respondents expecting centres to be improving or vibrant by 2018.

### Driving factors behind change

No single factor was identified as dominant in driving change, however there were a number of factors which affected the centres and a trend at a regional level.

Across all stakeholder groups, competitor openings (45% cites within all interviews) and lack of investment (42%) were the factors most frequently mentioned by respondents. Other frequently mentioned factors were national (32%) and local (37%) government policy; internet shopping (31%); high business rates (31%); general economic environment (31%); and high parking charges (26%).

In terms of ranking, of the eight most frequently cited drivers behind change in our sample towns, the economic environment received the highest average ranking of 1.9 (out of 6), followed by competitor openings (2.3) and national government policy (2.38).

The different respondent groups (retailer, landlord etc.) demonstrated a different perspective on these factors, ranking them differently and highlighting alternative factors as having the main impact. For retailers, a lack of investment (53%), the impact of competitor openings (47%) and high business rates (40%) were most commonly cited as the main drivers behind change in our sample towns. Local government policy (27%), internet shopping (27%) and high rents (27%) were also cited as key issues. In contrast, landlords considered the economic environment (44%), lack of investment (31%), competitor openings (31%) and local government policy (25%) to be the main factors. They also identified a broader range of other issues impacting on town centres such as loss of anchor stores (25%). Local authorities, on the other hand, also agreed that the economic environment (63%) was the main factor, followed by lack of investment (50%), local government policy (46%), competitor openings (42%), the quality of parking (38%), national government policy (38%). However, of the top six factors cited by local authorities, competitor openings received the highest average rank of 1.9 (out of 6) closely followed by economic environment at 2.0.

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Conversely, our additional group of stakeholders, including industry bodies and professionals, cited online/internet shopping as the key driver behind change (86%) and receiving an average rank of 2.3. Our additional stakeholder group then equally cited (79%) competitor openings alongside high business rates and national government policy as key drivers of change.

There are also a number of regional trends to note. Both London and the South show a lack of investment as the most common cause behind the change in their towns, cited in 44% and 63% of the interviews respectively. Local government policy was also cited as a key driver for change in both of these regions, cited in 33% of London interviews and 56% of interviews regarding towns in the South.

By contrast, in the Midlands and the North, the economic environment is the most commonly referenced driver behind change, North (82%) and Midlands (55%). Competitor openings were also frequently mentioned – 73% and 55% in the Midlands and North respectively.

### Competitor openings

When considering the impact of competitor developments on our sample towns, the responses indicate that out-of-town retail park development was the most commonly quoted competitor impact – by 86% of all interviewees.

However, it is apparent that respondents consider that all developments have had their own part to play, with shopping centre development, large format supermarkets and out-of-town regional malls referenced by 65%, 49% and 26% respectively. This broad based perception that all competing developments have played a role in town centre change is supported by the average rank score, with out-of-town retail parks receiving an average rank of 2.1, with both large format supermarkets and out-of-town regional malls at 2.3 and 2.1 respectively and shopping centre development at 2.6 (out of 6).

At a regional level, the impact of competitor openings is seen to be varied. Respondents state that out-of-town retail park development has been the primary catalyst behind change in the South (78%). Shopping centre development is perceived to have had a stronger impact in the Midlands and the North, (55% and 64% respectively), while London shows an even split between all types of competitor developments.

### Strengths and weaknesses of the sample towns

All the respondents rate range and quality of retail offer in the sample towns as poor, with an average score of 2/5 (where 5=Strong). London and the Midlands score poorly for leisure provision with an average score of 2/5 and 1/5 respectively amongst all respondents.

The North scores poorly for cultural offer and evening economy averaging 1/5. The Midlands towns scored poorly for alternative uses - community uses (2/5), office space (2/5) and educational provision (2/5) average scores.

Surprisingly, parking scores relatively well across the board, receiving an average score of 4/5 for availability and cost in both London and the North. Parking charges were ranked as average (3/5) in the South with the Midlands scoring 3/5 for charges. The implication is that in our sample towns the availability of parking was generally quite good and that parking charges were not prohibitive.

## APPENDIX 2 – INTERVIEWEES AND SURVEY CONTRIBUTORS

Interview and online survey respondents	Stakeholder type
AL Marketing	Other
Association of Convenience Stores	Other
ATCM	Other
Bloor	Housebuilder
Boots	Retailer
Bouygues Development	Landlord / Developer
Bridgewater Shopping Centre Management	Landlord / Developer
British BIDs	Other
Brunel Shopping Centre	Landlord / Developer
Business in The Community (BiTC)	Other
Calderdale Council	Local Government
Capital & Regional	Landlord / Developer
Centre for Cities	Other
CGL Architects	Other
Compulsory Purchase Association	Other
Cornwall Council	Local Government
Dan Thompson from Empty Shops Network	Other
Economic and Social Research Council	Other
Edgware Town Team	Local Government
First Ark Group	Social Landlord
Geofutures	Other
Glaven Land Ltd, & Havebury Housing Partnership	Other
Gondola Group	Retailer
GVA	Other
Halton BC	Local Government
Henry Boot Developments Limited	Landlord / Developer
Intu	Landlord / Developer
Kier	Housebuilder
LB Barking	Local Government
LB Barnet	Local Government
LB Hounslow	Local Government
LB Hounslow Town Centre Manager	Local Government
Leslie Jones Architects	Other
M&S	Retailer
Mansfield District Council	Local Government
McCarthy & Stone	Housebuilder
Middlesbrough Council	Local Government
Muse Developments	Landlord / Developer
Neptune Developments	Landlord / Developer
Next	Retailer
Poundland	Retailer
Quidnet Capital	Landlord / Developer
Rochdale Development Agency	Local Government
Rotherham MBC	Local Government
Sedgemoor Council	Local Government
South Kesteven Council	Local Government
St Austell BID	Local Government
St Austell, White River SC	Landlord / Developer
Stevenage Council	Local Government
Stockport MBC	Local Government
Stockton BC	Local Government
Swindon Council	Local Government
Tamworth BC	Local Government
The Georges S.C. (JLL)	Landlord / Developer
The Woolshops	Landlord / Developer
Urban Pollinators	Other
WD Westergate Partners LLP	Landlord / Developer
WH Smith	Retailer
Wirral MBC	Local Government
Wolverhampton City Council	Local Government
Wychavon Council	Local Government

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## APPENDIX 3 – TOWN PERFORMANCE MATRIX

The 2012 Colliers International Town Performance Matrix (TPM) was used as a platform for identifying a sample of towns for further analysis.

The TPM analyses historic and forward looking data sets for 364 towns outside of central London to place towns in to one of five categories: Thriving, Improving, Stable, Degenerating and Failing.

Towns featuring on the Failing and Degenerating categories are often suffering from a range of poorly performing input variables, e.g. high vacancy rates, weak retailer demand, weakening scores in the Javelin VENUESCORE rankings, declining population, planned out-of-town A1 retail park.

The model also indicates a degree of polarisation in the market with strong, dominant centres and smaller more localised centres tending to be in the Improving and Thriving categories. The larger centres benefit from the full retail and leisure experience offer demanded by today's shoppers. The more localised centres benefit from a push back to more convenience and local needs focused shopping supported by regular online grocery shopping.

The TPM is a modelled output and takes no account of qualitative factors.

The steering group asked that the model be overlaid with a range of qualitative factors to establish both the sensitivity of the model and whether making qualitative adjustments would result in towns moving between categories.

The following qualitative factors were added to the TPM model:

- > Attractiveness: general feel for a town, e.g. Stratford-upon-Avon or Runcorn
- > Costs of occupation: rent used as a proxy – town vs regional benchmark
- > Suitability of stock: are there limitations on repositioning due to heritage or listed properties?
- > Diversity: range of independents, café/food and beverage presence (Property Market Analysis (PMA) café index)
- > Town centre support: does the town have support from BID, ATCM, Portas?
- > Ownership structure: PMA managed floorspace; shopping centre(s); is fragmented ownership an issue?
- > Shopping centre debt: is the shopping centre(s) heavily indebted or owned by the bank?

By overlaying the qualitative scores a small number of centres at the fringes of the categories did move across the boundary, but it was clear that a significant weighting would need to be added to the qualitative factors in order to force a large numbers of towns to move categories.

The TPM model was, therefore, used as a basis for discussion by the steering group to select a sample of 27 towns, predominantly from the 'Failing', 'Degenerating' and 'Stable' categories.

## Town performance matrix input variables

PARAMETER		DATA	SOURCE	
HISTORICAL	Retail	Rents	Absolute change in Prime Zone A Rent (2007-2012)	Colliers International, 2012
			% change in Prime Zone A Rent (2007-2012)	
			Indexed % change in Prime Zone A Rent (2007-2012)	
		Retail Provision	Absolute change in VenueScore (2010-2012)	Javellin Group, 2011
			% change in VenueScore (2010-2012)	
			Indexed % change in VenueScore (2010-2012)	
	Centre Dominance	Core market share indexed against town class (2011)	CACI, 2011	
		Core market share indexed against GB average (2011)		
	Population	Absolute change in total resident 15 minute drivetime population (2006-2011)		CACI, 2011
		% change in total resident 15 minute drivetime population (2006-2011)		
		Indexed % change in total resident 15 minute drivetime population (2006-2011)		
	Employment	JSA claimant count within 15 minute drivetime (2012)		Nomis, 2012
Change in JSA claimant count rate (2007-2012)				
Bonus	Tourist destination		IPS, 2011 / Colliers International, 2012	

FUTURE	Retail	Supply	% of vacant units (2012)	Local data company 2012	
		Demand	Absolute number of retailer requirements	Co-star Focus, May 2012	
			Retailer requirements % of total units		
		SCDP	Absolute change in shopper population (2011-2016)		CACI, Colliers International 2012
			% change in shopper population (2011-2016)		
			Full market share indexed against town class (2016)		
	Full market share indexed against GB average 2016				
	Population	Absolute change in total resident 15 minute drivetime population (2006-2011)		CACI, 2011	
		% change in total resident 15 minute drivetime population (2006-2011)			
		Indexed % change in total resident 15 minute drivetime population (2006-2011)			
	Employment	% change in Nuts 3 level No. of people in FTE workplace employment (2012-2017)		Experian, Q4 2011	
		% change in Nuts 3 level No. of people in FTE workplace employment (2012-2017)			
		Public sector workers as a % total workforce in LAD		Annual business inquiry 2008 - ONS	
	Bonus	Tourist destination?		IPS, 2010 / Colliers International 2011	
	Bonus	Pipeline open A1 retail park / fashion park planned for town (2010-2015) New sites → 100,000sq ft, with planning permission or under construction, within 15 minute drivetime of town centre		Trevor Woods / PMA 2012	

## APPENDIX 4 – SAMPLE TOWNS

Town	Region /dominant centre	Location type
Rochdale	NW – Manchester	Sub-regional
Stockport	NW – Manchester	Regional
Birkenhead	NW – Liverpool	District
Runcorn	NW – Liverpool	District
Tamworth	WM – Birmingham	Major district
Wolverhampton	WM – Birmingham	Regional
Evesham	WM	District
Hanley	WM	District
Mansfield	EM	Sub-regional
Grantham	EM	Sub-regional
Bishop Auckland	NE	Major district
Middlesbrough	NE	Major regional
Stockton-on-Tees	NE – Middlesbrough	Sub-regional
Halifax	YH – Leeds	Sub-regional
Rotherham	YH – Sheffield/Meadowhall	Major district
Basildon	E – Lakeside	Regional
Stevenage	E	Regional
Aldershot	SE	Major district
Ramsgate	SE – Westwood	District
Chatham	SE – Bluewater	Sub-regional
Bridgewater	SW	Major district
St. Austell	SW	Major district
Swindon	SW	Regional
Barking	GL – Lakeside/Stratford	Major district
Edgeware	GL – Brent Cross	Major district
Hounslow	GL	Sub-regional
Sutton	GL	Regional

Region	Region totals	Location type	Total
E	2	Major regional	1
EM	2	Regional	8
GL	4	Sub-regional	7
NE	3	Major district	8
NW	4	District	3
SE	3	Total	27
SW	3		
WM	4		
YH	2		
Total	27		



## APPENDIX 5 – TASKFORCE MEMBERS

Researched and evidence collected by:



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Adam Pyrke  
Anthony Shapland  
Andy Delaney  
Steve Burnaby

### Authored by the Distressed Town Centre Property Taskforce

Industry bodies represented on the taskforce include the Association of Chief Estates Surveyors (ACES), Association of Property Lenders (APL), Booksellers Organisation, British Council of Shopping Centres (BCSC), British Property Federation (BPF), British Retail Consortium (BRC), Investment Property Forum (IPF), Real Estate Lending Forum (RELF) and Royal Institute of Chartered Surveyors (RICS). Government departments involved in an observational capacity include the Department for Communities and Local Government (DCLG), Her Majesty's Treasury (HMT) and the Department for Business Innovation and Skills (BIS). Further insight was also provided by the Local Government Association (LGA).

From the private sector: Brockton Capital, GL Hearn Limited, Gloucestershire LEP, Hark Group, Legal and General Property, Javelin Group, Next plc, Scottish Widows Investment Partnership and West Register (RBS Investment Company).

### Taskforce members

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Giulia Bunting, Planning Director, GL Hearn Limited  
Martyn Chase, Director, Stanhope (RICS)  
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Liz Peace, CEO British Property Federation (BPF)  
Diane Savory, Chairman Gloucestershire LEP  
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Max Sinclair, Head of UK Division, Wells Fargo (Real Estate Lending Forum (RELF))  
Andrew Varley, Group Property Director, Next plc  
Henri Vuong, Real Estate Finance, Corporate & Institutional Banking, Royal Bank of Scotland plc, Association of Property Lenders (APL)  
Chris Williams, Property Director, WH Smith plc (Booksellers Organisation)  
Edward Cooke, Director of Policy and Public Affairs, BCSC and secretariat  
Davinder Jhamat, Head of Research and Education, BCSC

### Observers

Department for Communities and Local Government (DCLG)  
HM Treasury (HMT)  
Department for Business Innovation and Skills (BIS)



# Beyond Retail

## Redefining the shape and purpose of town centres

November 2013

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