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Housing, Communities and Local Government Committee

High streets and town centres in 2030

Eleventh Report of Session 2017–19

Report, together with formal minutes relating to the report

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Housing, Communities and Local Government Committee

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Contacts

All correspondence should be addressed to the Clerk of the Housing, Communities and Local Government Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 4972; the Committee’s email address is hclgcom@parliament.uk.

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Summary

The six months over which our inquiry took place appeared to be the most turbulent for the high street so far. Barely a week went by without headlines pronouncing the ‘death of the high street’ or a major retailer announcing a restructuring or a fall in profits.

An enormous change has taken place in retail in recent years. The traditional pattern of making purchases in physical stores, both in and out-of-town, has been profoundly disrupted by the growth of online shopping. The impact of this on our high streets and town centres in the form of store closures, persistently empty shops and declining footfall is clear for all to see.

Against this concerning backdrop, we make a set of recommendations to Government, local government, local communities, retailers and landlords to be acted on now. Unless this urgent action is taken, we fear that further deterioration, loss of visitors and dereliction may lead to some high streets and town centres disappearing altogether.

An intervention leading to large-scale structural change

We believe that high streets and town centres can survive, and thrive, by 2030 if they adapt. Our vision is for activity-based community gathering places where retail is a smaller part of a wider range of uses and activities and where green space, leisure, arts and culture and health and social care services combine with housing to create a space based on social and community interactions.

- Achieving the large-scale structural change needed will require an intervention led by the local authority, using all its powers and backed by cross-sector collaboration. However, given the financial pressure faced by local authorities, central government funding will be needed for this, as well as significant private sector investment.

- The Government’s £675 million Future High Streets Fund is aimed at trying to kick-start this intervention and, based on the evidence we received, we believe it reflects the right approach. However, given the scale of the challenge, its funding needs to be enhanced and, for this, we recommend that the Government considers using revenue generated from the reforms to business taxation that we propose.

But the Future High Streets Fund is only one part of the solution. Local intervention, while essential, needs to be accompanied by further action by central government and at local level, as well as by retailers and landlords, to create the conditions for high streets and town centres to flourish in the future.

Central government action

High street retailers are paying more than their fair share of tax, while online retailers are not contributing enough: we heard that Amazon UK’s business rates amounted
to approximately 0.7% of their UK turnover,\(^1\) while high street retailers are paying considerably more, with business rates as a proportion of turnover ranging from 1.5% to 6.5%. The Government has announced the introduction of a Digital Services Tax in April 2020 to address issues related to historic avoidance of corporation tax. However, this does not address the imbalance between online and high street retailers. The Government needs to go further and move faster to level the playing field between online and high street retailers.

- **We recommend that the Government urgently assesses the main proposals that we received in evidence, including a sales tax, an increase in VAT, an online sales tax and ‘green taxes’ on deliveries and packaging, and make recommendations for change to provide fast relief to high street retailers.**

- The revenue raised should be used to support the high streets in the following ways:
  - A reduction in business rates for retailers in high streets and town centres;
  - A 12-month holiday for high street retailers from rates increases which result from investments to improvements in property; and
  - An increase in the funding available to local areas through the Future High Streets Fund.

Planning is crucial to high street and town centre transformation. Given this, the Government should ensure that planning powers are fit-for-purpose, sufficiently responsive and up-to-date and undertake a comprehensive review of planning as it pertains to the high street. **In particular, we believe that permitted development rights (PDRs) risk undermining the strategic vision that a community has developed for its high street or town centre.**

- The Government should suspend any further extension of PDRs, pending an evaluation of their impact on the high street. Policies should reflect the wide variety of local circumstances. Councils should be actively encouraged to develop town centre masterplans and use their powers positively to renew their town centres. Where PDRs conflict with particular designations in the Local Plan or other established planning documents, councils should be given greater freedom to suspend PDRs in the affected area.

The Government has announced that the Future High Streets Fund will be accompanied by the creation of a Future High Streets Task Force, which the Minister described as a “national re-source” and “a central knowledge base”. **The Task Force should be much more than a ‘talking shop’ and, in combination with the Fund, must provide real and tangible support directly to local areas.** Among other things, we recommend that it should:

- Be staffed by experts with front line experience, including academics, planners, lawyers and developers;

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\(^1\) This is an approximate figure based on the 2017 total revenue figure and 2018 business rates figure given to us by Amazon UK.
High streets and town centres in 2030

Second experts to provide direct support to local areas on all aspects of high street and town centre transformation, as well as providing advice and support in writing or over the phone;

Collate data, good practice examples, case studies and guidance for local areas to access, but also proactively disseminate this information and advise local areas on how to interpret and apply it to their own circumstances; and

Provide advice and support to all stakeholders involved in high street and town centre transformation, including retailers and place management partnerships and Business Improvement Districts (BIDs), and to all areas regardless of whether they have received funding from the Future High Streets Fund.

Local action

We recommend that action is taken at local level to create visionary strategies for high streets and town centres which have the backing of the local community, to support local traders, to facilitate parking and to develop the role of place partnerships.

Local Plans must be living documents, regularly updated to capture and reflect changing trends, and must be forward looking, anticipating what will happen in five years’ time. They should be supplemented with dynamic strategies covering specific high streets and town centres. We recommend that all local areas should also develop an overarching vision setting out the direction for the future of their high streets and town centres.

We were attracted by the idea that BIDs should be replaced with community improvement districts but recognise that legislative changes might be needed to implement this. We encourage the Government to consider how this might be done and, in the interim, recommend the appointment of community representatives to BID panels in order to encourage a more balanced approach in their work.

Retailers

With online shopping only set to grow in the future, we heard that, to compete and be successful, high street retail needs to carve out a separate role, focusing on providing “experience” and “convenience”.

We recommend that retailers make an asset of their physical retail space and their staff by creating opportunities to interact with customers that cannot be found online. In addition to being well-stocked with interesting products, this could include providing personal shopping services, advice and consultations, using social media and investing in staff training and the store itself.

In many places, store opening hours do not reflect the fact that many people need and want to be able to shop at the end of the day after they have left work. If they cannot shop on the high street at their convenience, they will shop online or at an out-of-town retail centre instead. Retailers should conduct...
research with shoppers to find out whether their opening hours are meeting people's needs and adjust them in accordance with the results on a local, shop-by-shop basis.

Landlords

Landlords are often the least visible stakeholders in high streets and town centres but are among the most important. We heard that disparate property ownership and lack of landlord engagement are key barriers to high street and town centre transformation and that high rents are affecting retailers’ profitability.

- We encourage all landlords to recognise that the retail property market has changed and to take an active approach, providing their tenants with good quality properties on a flexible basis and investing in and reconfiguring properties for new uses. Further, we encourage them to fully engage in local partnerships working on high street and town centre transformation and to consider the potential for further investment to help bring plans to fruition.

- We recommend that, in the next twelve months, the Government task the Law Commission with reviewing the Landlord and Tenant Act 1954, Part II, assessing in particular whether the law as it currently stands is impeding the emergence of a landlord tenant relationship which is more appropriate for the current retail environment.

- Property-owner BIDs could play an important role in bringing landlords into local discussions about high street and town centre transformation. We recommend that the Government revives the legislation needed to create such a body at the earliest opportunity.

Conclusion

We firmly believe that our high streets and town centres can have a better and more balanced future ahead of them if our recommendation are followed. This will require a shift from the retail focused activities of high streets and town centres today to new uses and purposes which foster greater social interaction, community spirit and local identity and characteristics. With a properly planned strategic intervention led by the local authority, with the backing of local stakeholders and the wider community, we can redefine our high streets and town centres and ensure their long-term sustainability for future generations to come.
Introduction

1. Much time and effort has been spent in recent years considering the declining health of our high streets and town centres and how this might be reversed. Rightly so. These familiar, useful and fondly-regarded places play an important role in bringing citizens together and providing a social and community focal point for people all ages. The sight of unkempt, vacant shops and empty streets understandably arouses concern. Wanting to build on the work already done, we decided that this inquiry should be forward looking in its approach and set out a positive vision for the future of our high streets and town centres and the interventions needed to achieve this.

2. As it turned out, the six months over which the inquiry took place appeared to be the most turbulent so far. Barely a week went by without headlines pronouncing the ‘death of the high street’ or a major retailer announcing a restructuring or a fall in profits. Particularly high profile were the ongoing closures by Marks and Spencer of over 100 stores by 2022 and Debenhams’ plans to close almost a third of its 166 stores. While employment is not part of our remit as a Committee, we were deeply concerned to hear that 70,000 jobs were lost in the retail sector in 2018.

3. Not long after we launched our inquiry in May 2018, the Government also began a programme of work on the future of the high street. An Expert Panel chaired by the retailer Sir John Timpson was appointed in July 2018 to “diagnose issues that currently affect the health of our high streets and advise on the best practical measures to help them thrive now and in the future”. The Expert Panel proceeded to gather evidence, providing interim recommendations in the Autumn and reporting in full on 20 December 2018. The interim recommendations—the creation of a Future High Streets Fund and Future High Streets Task Force—were accepted by the Government and formed part of a package of measures on the high street which were announced in the Budget on 29 October 2018.

4. We recognise the need for swift and substantive action and welcome these announcements as a first step to addressing the challenges faced by the high street. Fortunately, we were able to ask our witnesses about the Future High Streets Fund and the Task Force in our later evidence sessions. Based on what they said and the rest of the evidence we gathered, we have assessed these measures and offer recommendations which we intend should inform their set-up, structure and operation. We urge the Government to take these recommendations, as well as the others we have made, into account and respond both to our report and the Expert Panel’s report in a holistic and joined-up way.

5. In chapter one, we consider the challenges facing high streets and town centres today and explore our vision for what they might look like in 2030 and how that might be achieved in the following two chapters. In chapters four to seven, we consider what further action needs to be taken by central government and at local level, as well as by retailers and landlords, to create the conditions needed for high streets and town centres to flourish in the future. Finally, in chapter eight, we examine the role of the Future High Streets Task Force.

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2 Expert panel appointed to advise on the future of the high street, Ministry of Housing, Communities and Local Government (MHCLG) press release, 16 July 2018
3 Expert Panel on the High Street, The High Street Report, 20 December 2018
4 HM Treasury, Budget 2018, October 2018
6. We are grateful to everyone who contributed to our inquiry. We received 90 submissions from local authorities, traders and their representative organisations, place management groups, academics, think tanks and members of the public. The sheer breadth of the issues and the range of stakeholders required eight oral evidence sessions. We are very grateful to the retailers who came to give evidence in December during their very busy Christmas period and to the Treasury Committee with whom we held a joint session with the Financial Secretary to the Treasury.

7. We visited towns tackling the issues, travelling to the North East to visit Stockton-on-Tees and Darlington. These are areas at different stages—Stockton completed its town centre regeneration programme in 2011 although other work continues, while Darlington is at an earlier stage in responding to the challenges faced. We found the discussions we had—as well as the roundtables with local stakeholders—a useful opportunity to put many of the issues we had heard about in evidence in a practical context. We are grateful to Stockton Council and Darlington Borough Council and the Association of Town and City Management for arranging these visits and to the councillors, council officers, traders, landlords, residents and others who took time out of their day to take part in our roundtables.

8. Finally, we thank our specialist advisors, Christine Whitehead, Emeritus Professor of Housing Economics at the London School of Economics and Political Science and Kelvin MacDonald, Senior Fellow at the Department of Land Economy, Cambridge.
1 High streets and town centres today

9. Retail has become the dominant activity in high streets and town centres where in the past civic and community functions would have had a larger role. Roddy Bushell, whose role as Estate Manager at Fitzwilliam Malton Estate followed a career in asset and property management, told us “That was the 20th century […] Town centres became places where value could be extracted at this retail party that was going on”. Consequently, consumer and economic trends in the retail sector affect high streets and town centres, for the better and worse.

10. In the 1980s and 1990s, supermarkets, megastores (both in- and out-of-town) and retail parks emerged as the first significant competitors to high streets and town centres and were widely blamed for their decline. Professor Alan Hallsworth, who studied the impact of out-of-town shopping on Waterlooville in Hampshire, said that the building of successive superstores and a retail park had detracted from the high street and led to the town being “over-shopped”. Although our planning witnesses agreed that out-of-town retail posed less of a threat now than online shopping, Dr Julian Dobson, Director of Urban Pollinators, said “The damage has been done […] [they] are established centres that have become hubs in their own right”.

11. UK consumers have taken to online shopping with enthusiasm, spending more online (€77.63 billion in 2017) than any other European country. Since 2006 online sales have been growing each year, reaching 20% of total retail sales in December 2018 and 21.5% around Black Friday. Andy Mulcahy, Strategy and Insight Director at IMRG, described the attraction of internet shopping and the competition it poses to high street shops: “a small shop could stock perhaps 200 products […] and then you have the internet, which provides complete and utter choice nationally and even internationally”. Furthermore, goods sold online are often significantly discounted. The way people shop has changed, with some visiting a “showrooming shop” to look at an item and then buying it online either at home or on the move, often at a discount. Many retailers have become ‘multichannel’, combining physical stores and an online offer.

12. Tony Ginty, Head of Public Affairs at Marks and Spencer, described the growth of online shopping and the accompanying change in people’s shopping habits as a “major structural transformation” in retail and “by far the biggest” challenge faced by the sector. This view was shared by Tom Ironside, Director of Business and Regulation at the British Retail Consortium, who called it a “radical transformation”. Of course, this has led to major changes in our high streets and town centres, the most visible effects of which are stores closing, empty shops and fewer shoppers. The Local Data Company, which regularly surveys high streets, retail parks and shopping centres, reported in November 2018 that:

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5 Q155
6 Professor emeritus Alan Hallsworth (HST0005)
7 Q178
8 Centre for Retail Research, Online Retailing: Britain, Europe, US and Canada, 2017
9 Office for National Statistics, Internet sales as a percentage of total retail sales (ratio) (%), release date 18 January 2019
10 Q433
11 Q433
12 Q9
13 Q306
14 Q41
• The number of store closures increased by 16.9% in the first half of 2018 compared to the same period in 2017, while the number of store openings dropped by 2.1%, equating to a net loss of 4,402 units across Great Britain;

• The vacancy rate on high streets across Great Britain for the first half of 2018 was 11.1%;

• The vacancy rate was 10.4% in the South East and 16.1% in the North East in the same period; and

• For the first nine months of 2018, footfall on the high street was down by 8.1%.\textsuperscript{15}

13. The Centre for Retail Research monitors the numbers of medium and large retailers going into legal administration. They report that, since 2008, 34 medium and large retailers have gone into administration—8 of which were in 2018—affecting 12,997 stores and 178,576 employees.\textsuperscript{16} Among these are well-known national chains, such as HMV, House of Fraser, Maplin, Poundworld and Toys ‘R’ Us. As noted, Marks and Spencer and Debenhams, two major and long-established retailers have announced that they will be restructuring and closing 100 and 50 of their stores respectively.\textsuperscript{17} And profits at the John Lewis Partnership, despite an increase in sales, may well not be sufficient to pay a staff bonus in 2019, the first time since 1953.

14. Furthermore, several retailers—including New Look and Carpetright—have agreed Company Voluntary Arrangements (CVAs) this year. A CVA enables a company in financial difficulties, while continuing to trade, to enter into a legally binding agreement with its unsecured creditors in which the company’s debts are compromised.\textsuperscript{18} This may involve delaying or reducing payments of debt, capital restructuring or an orderly disposal of assets. Richard Collyer, Chief Financial Officer at New Look, explained why they agreed a CVA: “The simple fact is that New Look would have run out of money […]. The CVA […] enabled us to address [our] fixed cost base”.\textsuperscript{19} The landlords we heard from voiced strong concerns about the misuse of CVAs by retailers who they believed were seeking to reduce rents and end leases.\textsuperscript{20} They also told us that CVAs were causing nervousness among international investors in the retail property market in the UK which was probably the “worst-performing sector in the market at the moment”.\textsuperscript{21}

15. The type of shops that make up high streets and town centres has also changed, with those offering services that cannot be obtained online faring better. According to The Local Data Company, the only retail category growing in the first six months of 2018 were independent service retailers, including barbers (net increase of 349 units, building on 624 store net increase in 2017), beauty salons (a net increase of 160), shoe repairs (122), tobacconists (vaping) (94) and mobile phones (77).\textsuperscript{22} Conversely, the declining retail categories in the first six months of 2018 included pubs (a net loss of 692 units), electrical goods (a net loss of 223 units), estate agents (211), women’s clothing (171) and newsagents (160).

\textsuperscript{15} Local Data Company, \textit{Retail and Leisure Market Update: H1 2018}, November 2018
\textsuperscript{16} Centre for Retail Research, \textit{Who’s Gone Bust in Retailing 2010–19}, updated January 2019
\textsuperscript{17} Q308; Q442
\textsuperscript{18} Company Voluntary Arrangements (CVAs), House of Commons Library Briefing Paper, May 2018
\textsuperscript{19} Q338
\textsuperscript{20} Q338
\textsuperscript{21} Q128
\textsuperscript{22} Local Data Company, \textit{Retail and Leisure Market Update: H1 2018}, November 2018
16. Mike Ashley, Chief Executive of Sports Direct Group and owner of several town centre chains, gave us a very bleak assessment: “the biggest thing that has killed the high street is not the high street itself but the web. Be absolutely crystal clear: the web has killed the high street”. And William Grimsey, Chair of The Grimsey Review and The Grimsey Review 2, two independent reviews of the high street, told us in nearly as stark terms:

The tipping point has arrived. It kicked off the year. We have seen the worst performance in many years for high street retailers, and we have reached that tipping point [...] It is quite clear that we are faced with the biggest challenge that we have ever had.

17. We do not believe that the high street is dead—indeed we outline our vision for the future in the next chapter—but we do agree that a tipping point has been reached. An enormous change has taken place in retail. The traditional pattern of making purchases in physical stores, both in and out-of-town, has been profoundly disrupted by the growth of online shopping. High streets and town centres need urgently to adapt, transform and find a new focus in order to survive. We consider how high street and town centre transformation might be achieved in chapters two and three.

**Four systemic issues**

18. The structural change in retail has brought to the fore several systemic issues which were less evident when high street retail was enjoying success. Now the market has evolved, these systemic issues appear to be acting as barriers to change. We have identified four main issues which we outline in the remaining part of this chapter, returning to them in the later chapters of this report to consider how they might be overcome.

**Too much retail space**

19. We were often told, including by retailers, that there was too much retail. There are several different aspects to this. Firstly, high streets and town centres are retail-focused, with retail acting as the “main anchor” in most places. Secondly, there is “too much retail space” —for example, Richard Roe, Corporate Director of Place at Trafford Council, said that Altrincham’s centre had “expanded over time”, resulting in peripheral areas with reduced footfall and empty shops. We also heard that some individual shops were now too large; Mike Ashley, Chief Executive of Sports Direct Group and owner of House of Fraser, told us that the 500,000 square foot House of Fraser in Birmingham was “too much and too big”, suggesting that the upper parts could be converted to residential. Thirdly, high streets and town centres across local authority areas are in competition, as explained by Mr Roe:

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23 Q300
24 Q2
25 Q13
26 British Retail Consortium (HST0029); Savills (HST0025)
27 Q187
28 Q298
Altrincham is one of four town centres we have. Not only are those town centres competing with Manchester city centre, the Trafford Centre and other town centres within Greater Manchester; they are also competing with each other.29

‘Fragmented ownership’

20. The second issue relates to the complexities of high street and town centre property ownership. Mark Williams, Director of the Hark Group, an asset management company, described the pattern:

In terms of scale, pension funds, insurance companies, private equity owned by pension funds typically own large assets, so shopping centres or part of a town […] Institutions traditionally own single-let high street shops but, over the last 10 to 15 years, they have been reducing that holding in most places, shrinking down to what we would call cathedral towns and cities. The majority of smaller towns and medium towns—probably 75% of the market—are migrating on individual shops with individual owners. It could be in their SIPPs—their pension funds—or individuals such as the local dentist who has bought it […] Large assets, though, are held by what are called professional commercial owners.30

According to the Property Industry Alliance, overseas investors owned 29% of UK commercial properties held as investments in 2016.31 The British Property Federation said that this disparate ownership—often referred to as ‘fragmented ownership’—created “a barrier to a coordinated response” to the challenges faced by high streets and town centres.32 We heard that this was particularly the case in smaller towns where ownership was more diverse: Roddy Bushell, former Estate Manager at Fitzwilliam Malton Estate, said that “finding something that speaks to them all is almost impossible […] It is really difficult to work with them in any sort of cohesive way.”33 In contrast, Mr Williams said “when you have single ownership, you can take long views and views in the interest of estate management”.34

21. This situation is exacerbated by the varying interest and involvement of individual landlords in what is happening in the area. Richard Roe of Trafford Council told us:

Whether they are local or national is not necessarily the issue. There are just some landlords that are more interested and engaged and there are some landlords who are less so. We work with landlords who have portfolios across the country but are very active, very engaged and work closely with us. We have other landlords who have smaller portfolios and are less active.35
We also heard that contacting landlords, necessary for example where a property needed to be acquired for redevelopment, could be very difficult. The Government’s announcement of a public beneficial ownership register by 2021 is therefore very welcome.

**Retailers’ high fixed costs: business rates and rent**

22. We received a very significant amount of evidence from retailers, large and small, about the burden of business rates. We heard that they were “a very significant cost”, “very burdensome” and, for pubs, “punishing” and “crippling”. In terms of the proportion of business rates paid by retailers, we were given the following figures:

- The retail sector accounts for 5% of Gross Domestic Product (GDP) and pays 25% of business rates;
- The hospitality sector pays 10% of the total business rates bill and represents 3% of economic activity;
- Pubs account for 0.5% of total rateable turnover and pay 2.8% of total business rates.

Kate Nicholls, the Chief Executive of UKHospitality, made the following point:

If we are talking about who is investing in our high street and who is bringing those empty shops back into usage, who is making sure you have well invested night-time economies, they need the headroom to be able to invest. While you hammer them with business rates, they simply cannot do that.

23. Rents were also reported to be very high. Clayton Hirst, Group Head of Corporate Affairs at John Lewis Partnership, said that they had “a very large rent bill”, for Debenhams rent was “very burdensome” and, for Marks and Spencer, it was a “significant cost”. For the hospitality sector, rents were “out of kilter with commercial reality […] leading to exorbitant costs”. We heard that long leases with ‘upward-only rent reviews’ had caused rents to rise to a level that no longer reflected the market; Kevin Frost, Property Director at Cineworld, explained the “trap”: 

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36 Thame Town Council (HST0037)
37 Q628
38 Q323
39 Q442
40 British Beer and Pub Association (HST0007)
41 Q351
42 Q73
43 UKHospitality (HST0075)
44 Q101
45 Q102
46 Q414
47 Q442
48 Q332
49 UKHospitality (HST0075)
It exists at a number of our cinemas where rents have been set at the very latest record rent in the marketplace, but that is not the marketplace tone. If rents fall away, as they have done over the last two to three years, we are then stuck at an artificially high rent level.\textsuperscript{50}

As a result of upward-only rent reviews, two-thirds of Debenhams’ stores had above market rents which we were told was a “big problem”.\textsuperscript{51} We also heard that very long leases were common to department stores.\textsuperscript{52} We consider lease structures in more detail in chapter seven.

24. We asked the retailers who gave evidence for their business rates and rent as a proportion of their turnover. These are set out in the table below:

<table>
<thead>
<tr>
<th>Business rates as proportion of turnover (%)</th>
<th>Rent as a proportion of turnover (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon UK\textsuperscript{53}</td>
<td>0.7</td>
</tr>
<tr>
<td>John Lewis</td>
<td>1.5</td>
</tr>
<tr>
<td>Marks and Spencer</td>
<td>2</td>
</tr>
<tr>
<td>Nando’s</td>
<td>2.5</td>
</tr>
<tr>
<td>Sports Direct Group</td>
<td>“2.5 or 3”</td>
</tr>
<tr>
<td>“If business rates are 3%, rent is 6%”</td>
<td></td>
</tr>
<tr>
<td>Debenhams</td>
<td>3</td>
</tr>
<tr>
<td>Lakeland Leathers\textsuperscript{54}</td>
<td>5</td>
</tr>
<tr>
<td>Fuller’s</td>
<td>5</td>
</tr>
<tr>
<td>Cineworld</td>
<td>6</td>
</tr>
<tr>
<td>New Look</td>
<td>6.5</td>
</tr>
<tr>
<td>Some pubs</td>
<td>7 or 8</td>
</tr>
<tr>
<td>Vue International</td>
<td>21 (combined rent, rates and service charges)</td>
</tr>
</tbody>
</table>

Andrew Goodacre, Chief Executive of Bira, pointed out that, when margins were tight, “you cannot vary fixed costs such as a pre-agreed rent or business rates”.\textsuperscript{55} Katharine Wynne, Director of Investor Relations at Debenhams, said that the implications of this for the company were that:

> If we do not achieve improved terms on what is a very burdensome rent and rates cost base for our stores, which, like every other retailer, are seeing pressure on footfall, up to 50 stores will eventually become unprofitable.\textsuperscript{56}

In the context of our later recommendations on business rates and rents, we note the relationship between the two and that fluctuations in one will influence the other.

25. Mid-way through the inquiry, the Chancellor announced that business rates bills would be cut by one-third for retail properties with a rateable value below £51,000 for two

\textsuperscript{50} Q449
\textsuperscript{51} Q447
\textsuperscript{52} Q129
\textsuperscript{53} See paragraph 28 for further details.
\textsuperscript{54} A 15-store independent retail business located in the Lake District.
\textsuperscript{55} Q51
\textsuperscript{56} Q442
years from April 2019. This will benefit up to 90% of retail properties. We welcome this announcement, which follows moves by the Government in 2017 to reduce the impact of rates through Small Business Rate Relief and the switch from RPI to CPI. However, we note the muted response to it by Martin Foster, the Chief Executive of Lakeland Leathers, a 15-store independent retail business:

It saves us £40,000 against the last rateable value increase. In reality, it is about £32,000 so somewhere in the region, against our current rates bill, of about 8%. It is nice to have. It does not change my view as to whether I would open a new store at the moment because it is only hanging around for two years and, to be frank, the cost base of opening a store is high.

And, as noted by Katherine Wynne, larger retailers like Debenhams “will not benefit at all”.

**Business taxation**

26. The fourth issue related to business taxation. Business rates are a property tax, levied on business properties on the basis of their rateable value and the national multiplier. Mel Stride, the Financial Secretary to the Treasury, explained that the advantages of the tax were that it was very stable, that because it was linked to property it was “difficult to avoid” and that it has a “very important link between raising revenue from a business in a particular locality and local authority and the purposes to which that tax is being put to use”.

27. However, we heard from many witnesses that a property-based tax was no longer fit-for-purpose; for example, Tony Ginty of Marks and Spencer said “It […] was designed and developed in the past. You now have a quite different future and [it] is going to be much more digital-orientated”. Indeed, in this new ‘digital’ era, business rates are widely seen as giving a competitive advantage to online retailers which tend to have less property at lower rent per square foot and hence at lower rateable value in comparison to high street retailers but, in some cases, much higher turnover. This is often also the case for properties in out-of-town retail parks.

28. We asked Lesley Smith, Director Public Policy, UK & Ireland at Amazon UK, to write to us with figures for Amazon UK’s total UK sales and business rates, among other things. Her letter dated 7 January 2019 stated:

Amazon breaks out its total revenue for the UK in its SEC10-K report. For 2017 this figure was $11,372 million (£8.77 billion). This figure includes Amazon’s net sales through our UK website and aggregate revenues from other activities in the UK (such as fees charged to third party seller for listing and fulfilment) before expenses […]

57 HM Treasury, Budget 2018, October 2018
58 Q327
59 Q355
60 The rateable value of a property reflects the annual rent that it could have been let for on the open market. The multiplier is set by the Government for England. The basic business rate liability for a property is calculated by multiplying the rateable value of a property by the multiplier.
61 Q471
62 Q326
63 New West End Company (HST0033); Q101
We pay business rates on some 94 buildings and on our locker sites across the country. For 2018 year to date this amounts to £63.4 million.\textsuperscript{64} Based on these figures, Amazon UK’s business rates amount to approximately 0.7% of their UK turnover.\textsuperscript{65} The graph below compares Amazon UK’s business rates as a proportion of turnover with the high street retailers who gave evidence to our inquiry.

When we asked Jake Berry, the Minister for the Northern Powerhouse and Local Growth at the Ministry for Housing, Communities and Local Government (MHCLG), whether Amazon UK paid a fair share of business rates in relation to its turnover, he said “it does not seem that that is creating a level playing field to me”.\textsuperscript{66} We agree. The Government must take steps to level the playing field between online and high street retailers and we set out our recommendations in relation to this in paragraphs 72 to 79.
2 High streets and town centres in 2030

29. William Grimsey, Chair of The Grimsey Review and The Grimsey Review 2, told us that “the 21st century town is about an activity-based community gathering place”.

This description reflects much of the evidence we heard and we consider that it offers some broad principles for high streets and town centres to follow for the future. We also received a great deal of evidence about the need for high streets and town centres to create their own identity, based on local characteristics—for example, “heritage, history and culture”—and to “develop in line with the DNA or personality of the area and the community”.

Again, Mr Grimsey summed things up well: “There is no silver bullet and there is no single solution […] There are some guidelines, but the solutions are local”.

Activity-based

30. As we have discussed, one of the systemic issues is that our high streets and town centres are too retail-focused and have ‘too much retail’. We heard that this needed to be “unpicked”. Mr Grimsey said “retail is not the main anchor any more for the 21st century, and it needs to be replaced with other activities”. Trafford Council was doing this by “keep[ing] the retail core to a reasonable size” and “encourag[ing] a more compact town centre, so that footfall does not have as far to go, to encourage that spend”. Even retailers agreed, Tony Ginty of Marks and Spencer said that:

Town centres cannot rely on retailing as they have done in the past. They will only succeed in the future if they get the right balance between retailing, leisure, hospitality, health, social care, services and indeed the residential links.

The activities outlined by Mr Ginty reflect much of the evidence we heard. For example, Wiltshire Council said that what brings people into towns is “mainly employment, cinemas, parks, libraries, events, festivals, leisure activities and other services”. They said they were investing £80 million in locating public services closer to the town centre. Professor Cathy Parker, Chair of the Institute of Place Management, told us that “anything that generates footfall and is congruent with the overall offer is a good thing to have”.

31. The representatives of the two cinema chains from whom we took evidence saw their cinemas as the hubs of town centres in the future. Tim Richards, Chief Executive of Vue International, said this was because “We are a safe harbour. We create jobs. We create a safe destination hub for families and others”. We heard that pubs have a similar potential; Simon Emeny, Chief Executive of Fuller’s, said he wanted to see areas “filled with community interest” and the pub at the “hub of social community”.

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67 Q4
68 Q20
69 Q20
70 Q20
71 Q13
72 O187
73 O312. See also British Retail Consortium (HST0029)
74 Wiltshire Council (HST0054)
75 Q19
76 Q436
77 Q355
32. We heard that investing in the arts and culture and events would create opportunities for interaction, as would other “cultural anchors”, such as theatres, libraries and museums. We learnt that Stockton Council had devised a year-round programme of events to keep bringing local people and those from further afield into the town.

33. Reference was often made to the need to create more residential accommodation in town centres. Richard Roe of Trafford Council said this could be of real benefit to a place as you “bring in potential spend and activity”. And the Royal Town Planning Institute said it was “well documented” that this could “increas[e] footfall and improv[e] vitality”. Others, however, were concerned that increasing residential occupancy could have the opposite effect; for example, the Federation of Small Businesses who were concerned about the impact on local economic activity: “fewer commercial units puts pressure on those remaining, in terms of demand for commercial space, the affordability of space and also reduced footfall”. In 2015, the Government introduced a Permitted Development Right, allowing for change of use without planning permission from retail and office to residential. We discuss the impact of this on high streets and town centres in chapter four.

Community

34. High streets and town centres are at the heart of the community and, as Jake Berry, the MHCLG Minister for the Northern Powerhouse and Local Growth, put it, are our “original social network”. London Councils described how they fulfil this role:

[They] provide a space in which communities are able to mix freely. This is especially important for more vulnerable or isolated groups, such the elderly, young people and recent immigrants, who are all more likely to rely on the ‘informal offer’ that social infrastructure and shops on the high streets provide. This can be moments as simple as sharing a conversation or as impactful as being made aware of job opportunities in the area […] High streets and town centres act as a focal point for community activity, and are part of how areas perceive and understand themselves.

35. We were told that high streets and town centres needed to become “the intersection of human life and activity”, particularly when, as identified by Sir John Timpson, Chairman of the Expert Panel, “in an internet age […] there is going to be less and less face-to-face communication [and] humans want places to meet.” Mr Grimsey expanded on this, saying that they could be “community and public health assets”:

Providing public space that is inclusive of people of all backgrounds and ages, and is accessible to people of all levels of mobility. They can provide a centre for people to gather, to feel relaxed and to connect with others socially. They are therefore important both for physical and mental wellbeing.

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78 Association of Town & City Management (HST0060)  
79 Q187  
80 Royal Town Planning Institution (HST0046)  
81 The Federation of Small Businesses (HST0063)  
82 Q635  
83 London Councils (HST0071)  
84 Association of Town & City Management (HST0060)  
85 Q591  
86 Q39
Many of the arts, cultural and other activities described above promote social interaction and foster a sense of community. In addition, Joe Harrison, Chief Executive at NMTF, told us that “markets have “tremendous community value. There is buy-in [for them] from the community and people wanting to uphold community values within the places where they live”.

**Gathering places**

36. Quite simply, the activities and community interaction described above will need a central place in which to happen: “public spaces for gathering and socialising, and parks and green spaces for recreation and wellbeing”. We saw this first-hand on our visit to Stockton-on-Tees where the high street had been redesigned to create a flexible ‘amphitheatre-style’ performance space with sound and lighting for staging events but which also served as a central focal and meeting point for people to gather or relax. Altrincham, winner of the 2018 Great British High Street ‘town centre’ award, has also invested in the public realm—with “landscaping, street furniture and planting […], ‘Enhanced/Pedestrian Prioritised Streets”—which we heard had proven very beneficial.

**Future proofing**

37. While we can respond to the current challenges and create a new role for high streets and town centres, as the Association of Town and City Management pointed out, potentially “radical and far-reaching change” still lies ahead:

> Through the growth of the Internet of Things, Artificial Intelligence, robotics, digital traceability, augmented and virtual reality. By 2030, there will be significant development in autonomous vehicles and drones, 3D printing, and Blockchain. Each development on its own is significant, together they will be revolutionary.

Given this, any plans made now must build in flexibility to respond to changes still to come and ensure that places are “future proof”. Professor Cathy Parker of the Institute of Place Management summed up the necessary approach as being “like gardening […] it is constant”.

**Conclusion**

38. We are convinced that high streets and town centres will survive, and thrive, in 2030 if they adapt, becoming activity-based community gathering places where retail is a smaller part of a wider range of uses and activities. Green space, leisure, arts and culture and health and social care services must combine with housing to create a space that is the “intersection of human life and activity” based primarily on social interactions rather than financial transactions. Individual areas will need to identify
the mix that best suits their specific characteristics, local strengths, culture and heritage. Fundamentally, community must be at the heart of all high streets and town centres in 2030.
3  How we get there

39. As we have highlighted in the preceding chapters, it is clear that high streets and town centres need to adapt, transform and find a new focus beyond retail in order to survive. To achieve this transformation, most will need to undergo large scale structural change. In the first part of this chapter, we consider how to bring this about. Against this, we assess the Future High Streets Fund, which the Government states will co-fund “transformative, structural changes” in local areas, and the sufficiency of the £675 million of funding that accompanies it.

**Strong local leadership and collaboration**

40. There was a consensus that strong local leadership was needed to drive high street and town centre transformation.94 We heard very often that local authorities should provide that leadership and be the “catalyst” for change.95 Mark Williams, Director of the Hark Group, an asset management business which works with councils on town centre regeneration, said:

> We are transient owners. We are there for a period of time, whereas the local authority represents people who are there forever […] Leadership must come from the local authority […] it is their town and it should give very clear direction as to what it wants.96

Sometimes this leadership came from a particular individual within the local authority—the Leader of the Council, another councillor or an officer—who “takes hold of the issue […] and really drives forward a vision that can inspire others to get behind it”.97 Drawing an analogy with business, Mr Grimsey emphasised the role of the chief executive: “It is clearly [their] job to drive the strategy for the company, to present [it] to the board and have it scrutinised by the non-executive directors, who prod, poke, question, analyse and add to it”.98

41. Most importantly, local authorities possess significant powers, including planning and compulsory purchase, which can be deployed to drive transformation in high streets and town centres.99 They also have other levers, like parking policy and provision of business rates discounts, which can be used to promote economic growth.

42. We heard that strong leadership needed to act in partnership with local stakeholders and that “partnerships and collaboration [were] essential components of any town centre or high street rejuvenation”.100 Professor Cathy Parker of the Institute of Place Management explained that insights from a wide range of people who understood the town were needed to ensure that the “right decisions get taken”,101 and Ed Cooke, Chief Executive of Revo, said that “the third sector, the private sector, the public sector and the community” all

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94  Q91; Q142; Q232; Q313
95  Q7
96  Q143
97  Q232
98  Q31
99  Q601
100 Institute of Place Management (HST0061)
101 Q27
needed to be involved.\footnote{Q142} Ojay McDonald, Chief Executive of the Association of Town and City Management, explained why a broad range of actors was so important in the high street and town centre context:

[Its] a very different location to most others, because you have this mix of activity and mix of uses. Lots of different stakeholders all have a vested interest […] whether it is different departments within a local authority, transport operators, police, the businesses, property owners, educational establishments or leisure operators. A whole range of different people have a vested interest in the town centre, but no one actually has control over that town centre.\footnote{Q215}

**An intervention**

43. Achieving large-scale structural change will require an intervention normally led by the local authority, backed by cross-sector collaboration. Mark Williams, Director of the Hark Group, said he would strongly advocate local authority intervention, particularly in the case of economically deprived places.\footnote{Q136}

44. Such work will involve acquisition and assembly of land usually through compulsory and voluntary purchase, work on the public realm and supporting changes of use, all undertaken with a strategic vision for the future developed in partnership with the local community. In addition, use of compulsory and private purchase will allow local authorities to reduce the problem of fragmented ownership, which as we identified in chapter one, is a significant barrier to high street and town centre regeneration. As Mr Williams explained:

Where you have a failing town […] in fragmented ownership the reality is the private sector system has broken. Therefore, some form of intervention will be needed […] Ultimately, it may well need compulsory purchase to bring these assets into public ownership and to regenerate them.\footnote{Q136}

45. We heard that such interventions were often being funded by a combination of public and private investment. Richard Roe of Trafford Council said that, in Altrincham, which is noted for its successful regeneration:

We have been successful in working with the private sector and other parts of the public and community sectors in the regeneration of Altrincham […] Where we can use our investment to leverage greater private sector investment, that is the approach we are trying to take. The public sector cannot do it on its own.\footnote{Q182}
Similarly, we heard that the private sector alone could not be relied upon to kick-start regeneration. From a private investor’s point of view, Mark Williams told us that “The reality of delivering this is not that the public sector has to pay for all of it, but there has to be some form of intervention”.

46. Recently, we have seen several examples of local authorities purchasing shopping centres. Concerns have been raised at the use of public funds in this way given the current retail climate and whether local authorities have skills, knowledge and awareness of trends to make the most of this kind of investment. We note the Government is considering this issue. However, Mr Roe explained that, in the case of Altrincham, purchasing the shopping centre was an important intervention for two reasons:

We bought it as part of our investment strategy, so we make a financial return from it, but it was […] in the part of Altrincham that is in the greatest need of regeneration at this point, so we bought it deliberately. Whilst it provides an investment return to us, we would look to redevelop it on the basis that it is underutilised at the moment and is a poor part of the offer.

He also emphasised the importance of investing in the public realm, saying that it had been “really beneficial” to the regeneration of Altrincham, but highlighted the fact that there was no direct investment return on this, unlike investing in commercial property where the returns cover the costs of borrowing from the Public Works Loan Board.

**Resources**

47. As many of our inquiries in this and the preceding Parliament have highlighted, local authorities’ budgets are under significant pressure. The Local Government Association (LGA) said:

Local authority services face a funding gap in excess of £5 billion by 2019–20. Between 2010 and 2020, local authorities will have seen reductions of £16 billion to core Government funding. In the face of such financial pressures, the ability of councils to proactively support their town centres is constrained as they prioritise their resources on vital and statutory services.

Our local authority witnesses echoed this, saying that spending on high streets had to be balanced against “the investment, both revenue and capital, that we are putting into other front-line services”. We heard that staffing for this type of work was minimal: Trafford Council has two full-time staff members working across four town centres and East Riding of Yorkshire Council has seven staff covering six towns and other areas.

48. We heard that local authorities’ planning departments had been particularly affected by the spending reductions with the result that tasks involving national metrics, such as development control and speed of decision-making, were being prioritised over the
“place-based intervention, partnership-building and land-assembly function”, integral to high street and town centre regeneration work.115 Peter Geraghty, Chair of the Planning, Housing and Regeneration Board at ADEPT, said that planning teams had reduced in size and the “specialist skills of regeneration, heritage and urban design expertise that would support the delivery of regeneration have tended to be lost, in numbers, quality and experience”.116 As discussed, compulsory purchase powers are an essential tool for local authorities to use in high street and town centre transformation. However, we were told that local authorities had neither the funds nor the staffing capacity to use them.117

**The Future High Streets Fund**

49. On 29 October 2018, on the recommendation of the Expert Panel on the High Street, the Government announced a £675 million Future High Streets Fund (the ‘Fund’). Although they had not seen the detail of the proposal, our witnesses welcomed the Fund, saying it was a “very positive step forward”,118 and “potentially exciting”,119 drawing favourable comparisons with the Coastal Communities Fund.120

50. The call for proposals, published on 26 December 2018, gave us a clear sense of the aims of the Fund and the kind of work it is intended to support.121 It states that the Fund is aimed at helping places make “transformative, structural changes”, making it clear that “light touch interventions” or “surface level projects” were not envisaged and that the following types of structural work were expected:

- Investment in physical infrastructure;
- Acquisition and assembly of land including to support new housing, workspaces and public realm;
- Improvements to transport access, traffic flow and circulation in the area;
- Supporting change of use including (where appropriate) housing delivery and densification; and
- Supporting adaptation of the high street in response to changing technology.

51. Projects are expected to be co-funded by the public and private sector and the Fund will contribute up to a maximum of £25 million. Our witnesses raised doubts about the size of the Fund; for example, Richard Roe of Trafford Council said:

> It is the scale of the funding against the scale of the challenge, so £675 million is a lot of money, but it is a maximum of £25 million per town centre. If everyone goes for the maximum, 27 town centres will get the financial benefit from it.122
Ojay McDonald of the Association of Town and City Management said that it was “no alternative to adequately resourced local planning authorities that can help drive forward change in town centres”. When we asked Jake Berry, the MHCLG Minister, whether he was confident that the Fund would make a meaningful difference, he said that he hoped it would and that “obviously [it] cannot do everything everywhere at the same time, but it would be impossible for any Government to set that out as an ambition”. Sir John Timpson, the Chair of the Expert Panel said that the funding should be spent “much more on the planning stage, supporting [areas] to get it moving”. The Expert Panel's report had stated that local authorities “do not have the resources to produce and finance a professional comprehensive plan that would achieve a step change and future-proof their town centres”.

52. The call for proposals is very clear that bids must cover town centre areas facing “significant challenges” and that, although local authorities are felt to be best-placed to bid for funding, proof of engagement with and support of community stakeholders is required.

53. We consider the Future High Streets Task Force, the second key part of the Government’s Our Plan for the High Street, in chapter eight. We consider the evidence explored in chapters four to seven to be relevant to the Future High Streets Task Force and therefore we have decided to cover it at the end of this report.

**Conclusion**

54. Achieving the large-scale structural change needed for our high streets and town centres to survive will require an intervention led by the local authority, using all its powers and backed by cross-sector collaboration. However, given the financial pressure faced by local authorities, central government funding will be needed for this, as well as significant private sector investment.

55. The Future High Streets Fund aims to kick-start this sort of intervention and, although the results have not yet been evaluated, based on the evidence we received, we believe it reflects the right approach. The requirement for bids to demonstrate local stakeholder support, strategic vision and, above all, transformative, structural change, as well as its focus on high streets and town centres that are facing the most significant challenges, are to be commended. We recommend that strong local leadership should be one of the key criteria by which bids are assessed.

56. However, given the scale of the challenge and the fact that local authorities are unlikely to able to contribute much of their own resources to this work, a total of £675 million with a maximum grant of £25 million per applicant will inevitably mean that the vast majority of high streets and town centres will miss out on the funding they need to adapt for the future. Funding for the next round of the Fund needs therefore to be enhanced and we recommend that the Government considers using revenue generated from the reforms that we recommend to business taxation for this purpose. We consider options for how this funding could be raised in chapter four.

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123 Q229
124 Q603
125 Q572
126 Expert Panel on the High Street, *The High Street Report*, 20 December 2018
57. Further, given that planning teams have been particularly affected by local authority spending reductions, we recommend that the funding is made available to resource the planning stages of the project which may require additional staff and expert help.

58. Successful applicants should be supported by the Future High Streets Task Force in bringing their vision to fruition. We recommend that the Task Force takes on a more proactive, ‘enabling’ role than is currently envisaged and set this out in more detail in chapter eight.

59. But the Future High Streets Fund is only one part of the solution. Local intervention, while essential, needs to be accompanied by further action by central government and at local level, as well as by retailers and landlords, to create the conditions for high streets and town centres to flourish in the future. We consider what action is needed in the remaining chapters of this report.
4 Central government action

60. At the 2018 Budget, the Government announced Our Plan for the High Street, comprising a welcome and timely acknowledgement of the significant challenges faced and a set of measures aimed at helping high streets and town centres to meet them.\textsuperscript{127} As previously noted in chapter one, the measures included a two-year long cut in business rates by a third for up to 90% of retail properties and a consultation proposing reforms to high street planning,\textsuperscript{128} as well as the Future High Streets Fund and Future High Streets Task Force. While this action by the Government is welcome, the evidence we received strongly suggested that more fundamental changes to the business rates system, to business taxation and to planning are required if local areas are to successfully effect structural transformation and the long-term vitality of high streets and town centres is to be ensured.

Business taxation

The business rates system

61. In addition to the burden of business rates on retailers, which we considered in chapter one, our witnesses identified other problems with the business rates system, often emphasising their dissatisfaction in very strong terms. We heard, for example, that the system was “broken […] It needs binning straightaway”\textsuperscript{129} and, highlighting the wide disparity in the rates payable across his different stores, Martin Foster of Lakeland Leathers said “it does not work.”\textsuperscript{130} The main issues raised were the complexity of the system, its failure to incentivise investment in property and issues arising from business rates retention.

Complexity

62. Over the years, the Government has introduced various permanent and temporary rate reliefs to ease the burden on ratepayers; the retail property relief announced in the 2018 Budget being the latest example. Tom Ironside of the British Retail Consortium said that the result of this was that:

These have layered on top of one another, almost like sediment, until you end up with a very complex system that is not transparent and where no one feels that they have a responsive feel for what they are paying and why.\textsuperscript{131}

Andrew Goodacre of Bira, the independent retailers’ association, suggested that the reliefs, and the administrative burden they create for retailers, should be “stripped out […] and replace[d] with a straightforward and simple allowance”, similar to an income tax allowance for individuals.\textsuperscript{132} In addition, we heard the reliefs described as “sticking plasters” and “short-term fixes” to a system that needed to be completely reviewed.\textsuperscript{133} We

\textsuperscript{127} HM Treasury, Budget 2018: Our Plan for the High Street, October 2018
\textsuperscript{128} MHCLG, Planning Reform: Supporting the high street and increasing the delivery of new homes, October 2018
\textsuperscript{129} Q10
\textsuperscript{130} Q323
\textsuperscript{131} Q73
\textsuperscript{132} Q74
\textsuperscript{133} Q323
note that, of the two million rateable hereditaments on the Valuation Office Agency’s (VOA) rateable list, over 50% of these were in receipt of mandatory, discretionary or small business rate relief (or a combination of all three) as at 31 December 2017.134

Incentivising investment in property

63. Another issue raised was the fact that the system does not encourage businesses to invest in their property to the extent that improvements lead to a rates rise. Brigid Simmonds, Chief Executive of the British Beer and Pub Association, said “If you make a capital investment in a pub, you immediately have a ratings officer standing on your doorstep wanting to put up your business rates”.135 This was described as “penalising success”,136 and was acknowledged by the Rt Hon Mel Stride MP, the Financial Secretary to the Treasury, who admitted there was “an inherent disincentive to improve business property”.137 Simon Emeny, Chief Executive of Fuller’s, pointed out: “If you were looking for areas to be regenerated, some sort of longer-term relief on capital developments on business rates would be a good idea”.138 We note with interest that the Scottish Government has recently introduced a ‘Growth Accelerator’ that enables businesses to delay increases in business rates bills for 12 months to help businesses to recoup their investments.139

Business rates retention and the high street

64. Business rates are an important source of income for local authorities. Since 2013, they have retained 50% of business rates revenue, as well as up to 50% of business rates growth raised during the retention period (2013–20) and, from 2020–21, this will increase to 75%. The system is intended to encourage local authorities to use local policy to grow their local economies and to be rewarded for doing so with extra revenue. However, significant growth in business rates can only be generated by constructing new buildings or increasing net floor space, which, as the Federation of Small Businesses explained, has implications for high streets and town centres:

The move towards increased local retention of business rates has somewhat altered the incentives for local authorities to protect small businesses in their high streets. There is a danger that local authorities will have a perverse incentive to support new large out of town developments, as the business rates generated […] is far greater compared to most small businesses located on high streets.140

Conversely, the system may also discourage local authorities from reconfiguring their high streets and town centres in a way that would encourage footfall and vitality but might reduce rateable value as a result of reductions in retail space. However, we were reassured to hear Richard Roe of Trafford Council say:

It is the type of debate we have […] all the time. We deal with it by ensuring that our colleagues in finance and in the business rates team are part of the

134 Letter from the Financial Secretary to the Chairs of the HCLG and Treasury Committees on business rates and high streets, dated 8 January 2019
135 Q101
136 Q102
137 Q471
138 Q371
139 Association of Convenience Stores (HST0039)
140 The Federation of Small Businesses (HST0063)
team that is looking at regeneration and place-shaped activities so they are taking decisions in the round, so we understand if there is a business rates impact of a decision that we take, and we factor that into the business case. We also look at the upsides. There may be a business rates impact but you might have a council tax increase impact, because you are converting retail and office space into residential units.  

**Tax reform**

65. In chapter one we identified the differential impact of business rates on online and high street retailers as a systemic issue in need of a solution. Sir John Timpson, Chair of the Expert Panel and Chief Executive of the nationwide retailer Timpsons, reflected what we heard from many others when he said “It is quite clearly the right thing […] to do, to level the playing field between bricks-and-mortar retailers and internet retailers. There is far too much of an advantage for internet shopping”.  

As previously noted, when presented with the fact that Amazon UK’s business rates amount to 0.7% of its turnover, Jake Berry, the MHCLG Minister agreed that there was not a level playing field. “We received many suggestions for how this might be achieved.

66. The Association of Convenience Stores (ACS) suggested that a solution could be found through reform to the existing business rates system, saying that the Government should explore:

> How the business rates system could recognise businesses which predominately trade online by applying a different rating methodology to the property they use, for example distribution centres delivering direct to consumers. The use of different rating methodologies to establish market rental value is common in other important sectors where the economic value of the business is not reflected in property values as traditionally determined in the rating system, such as pubs, restaurants and petrol forecourts, which are based on the receipts and expenditure model.

And Matthew Griffiths, a retail chartered surveyor, suggested that the business rates of online distribution warehouses should be doubled.

67. However, most often we received proposals for alternative taxes to business rates, including a 1% or 2% sales tax and an increase in VAT, or for measures which would supplement business rates, including a revenue-based tax for online retailers where 80% of turnover is generated online, a digital sales tax and “green taxes”, charges on deliveries and packaging. In addition, acknowledging that his own business would be
affected, Mike Ashley of Sports Direct Group proposed a 20% tax on retailers which made more than 20% of their sales online, saying that this would encourage retailers to keep high street stores open or to open stores in the first place.\(^\text{152}\)

68. The other retailers we spoke were less keen on a digital sales tax. Tom Ironside of the British Retail Consortium, whose members include both high street and online retailers, said:

Retail accounts for 5% of the economy, so 5% of GDP; we account for 10% of business taxation and we account for 25% of business rates. We fail to see how adding additional new taxes to the industry is really going to resolve the challenges we currently face.\(^\text{153}\)

Clayton Hirst, Group Head of Corporate Affairs at the John Lewis Partnership, wrote to us to express concerns about an online sales tax, saying “Rather than helping the high street, this would actually have a detrimental effect. Our high streets need successful retailers with both a physical and online presence to meet consumer demand”.\(^\text{154}\) Further to this, we note the point made by Martin Foster of Lakeland Leathers that, for many independent retailers like himself, online trading widened the customer base and that care was needed to ensure it was not curbed as a result of taxation.\(^\text{155}\) We also note that Amazon’s marketplace (and others such as eBay) enables many small independent retailers to trade online and grow their businesses.\(^\text{156}\)

69. We asked the Financial Secretary to the Treasury for his assessment of the proposal we had received from Mr Ashley for a digital sales tax and he wrote to us after the session with more information, saying that there was a “high risk” that it would breach EU State aid rules but that legal and factual analysis was required for a definitive assessment.\(^\text{157}\) After writing again to ask for more detail about the State aid implications of similar taxes, he replied saying “State aid assessments are dependent on the tax framework in that country and the facts and impacts at play with that particular tax”.\(^\text{158}\) We note that, upon the UK leaving the EU, the Government intends to introduce a domestic state aid regime and, at the end of the implementation period, EU State aid rules will no longer apply.\(^\text{159}\)

70. In the 2018 Budget, the Government announced that a Digital Services Tax (DST) would be introduced in April 2020.\(^\text{160}\) Jake Berry, the MHCLG Minister, told us that the DST was “in some way, to try to ensure that we can level that playing field”. However, we note that the Treasury consultation on the DST states it is “not a tax on online sales” and that we understand it is a narrowly-targeted 2% tax on the UK revenues of digital businesses that are considered to derive significant value from the participation of their

\(^{152}\) Q273
\(^{153}\) Q73
\(^{154}\) Letter from Partner & Group Head of Corporate Affairs at John Lewis to the Chair of HCLG regarding high streets, dated 14 January 2019
\(^{155}\) Q325
\(^{156}\) Q359
\(^{157}\) Letter from the Financial Secretary to the Treasury to the Chairs of the HCLG and Treasury Committees on business rates and high streets, dated 8 January 2019
\(^{158}\) Letter from the Financial Secretary to the Treasury to Chair regarding Business Rates and the High Street, dated 28 January 2019
\(^{159}\) Letter from the Minister for Small Businesses, Consumers and Corporate Responsibility to Chair, dated 4 February 2019
\(^{160}\) HM Treasury, Budget 2018, October 2018
users, for example online marketplaces, social media platforms and search engines.\textsuperscript{161} The Financial Secretary to the Treasury explained that State aid compliance had been considered in the process of designing the DST and that the Government was confident that it was compliant.\textsuperscript{162}

71. We heard many calls for a fundamental review of business rates and the wider business taxation system.\textsuperscript{163} For example, the opinion expressed by Clayton Hirst of John Lewis Partnership reflected the views of many: “there is a need to look at business taxation in the round […]. It is fair to say that the UK business taxation system is probably designed for an analogue era and we are now very much in a digital area”.\textsuperscript{164} However, the Government undertook such a review in 2015–16, finding that the majority of respondents were “in favour of retaining a property-based tax […] agreeing with the Government’s view that property-based taxes were easy to collect, difficult to avoid and that they had a clear link with local authority spending”.\textsuperscript{165} We note that the Treasury Committee recently launched an inquiry into the impact of business rates on businesses and will consider, among other things, alternatives to property-based business taxes.\textsuperscript{166} Furthermore, when we asked him whether a fundamental review was needed to look at alternatives tax bases, the Financial Secretary to the Treasury said:

We did have a fundamental review of business rates back in 2015–16. The conclusion from that was that there was no ideal way of taxing businesses. There are pros and cons to the current rates system […] In the short term, the likelihood that the Treasury is going to be looking at doing something radical of that nature [of a land value tax] is quite slim.\textsuperscript{167}

Conclusion

72. Business rates, a property tax in a digital world, as currently designed are increasingly outdated and far from ideal, and we heard many calls for complete review and reform of the system. We note that the Government undertook a fundamental review of the business rates system in 2015–16, concluding that business rates should remain. However, given the rapid changing retail environment, we welcome the Treasury Committee’s timely inquiry into the impact of business rates on businesses.

73. Notwithstanding the forthcoming findings of the Treasury Committee’s inquiry and the Government’s response to it, we recommend that the complexity surrounding rate reliefs and the administrative burden they create for retailers should be addressed and the suggestion we received for an allowance, similar to an income tax allowance, should be considered.
The burden of business rates falls unfairly. High street retailers are paying more than their fair share of tax, while online retailers are not contributing enough. We welcome the fact the Government has attempted to reduce the burden with rates discounts for retailers and the move from RPI to CPI but more needs to be done.

The Government announced the introduction of a Digital Services Tax in April 2020 to address issues related to historic avoidance of corporation tax. However, this does not address the imbalance between online and high street retailers. The Government needs to go further and move faster to level the playing field between online and high street retailers. This is essential to securing the future of the high street and the retailers which will always be an important part of it.

We believe that a change in the current tax system is needed to do this and recommend that the Government conducts an assessment of the main proposals that we received in evidence:

- Introducing a specific ratings methodology for the warehouses of online retailers which is based on turnover above a certain threshold;
- Replacing business rates for retailers with a sales tax or an increase in VAT;
- Introducing an online sales tax that would supplement the existing business rates system; and
- ‘Green taxes’ on deliveries and packaging.

In conducting this assessment, the Government should have particular regard to the connection between business rates and local areas and the Government’s wider devolution agenda. In addition, we note that each of these proposals would have the benefit of building on the existing business rates system, as opposed to requiring the wholesale reform of business taxation. We request that the Government reports to us with its findings by October 2019.

We recommend that the Government explores how an online sales tax could be designed, including undertaking the full legal and factual analysis needed, to ensure compliance with State Aid rules. Whatever tax solution is found, it is imperative that it is implemented at speed to provide fast relief to high street retailers.

We recommend that the revenue raised should be used to support the high streets in the following ways:

- A reduction in business rates for retailers in high streets and town centres, which would have the additional effect of balancing competition from out-of-town shopping centres;
- A 12-month holiday for high street retailers from rates increases which result from investments to improvements in property; and
- An increase in the funding available to local areas through the Future High Streets Fund.
79. In due course, there may be a need for the Government to undertake a wider review of business rates and business taxation, which should consider complete alternatives to business rates.

Planning

80. As discussed at the beginning of this chapter, as part of Our Plan for the High Street, the Government published a consultation on planning reform setting out some specific proposals on permitted development rights and use classes in the high street and town centre context. The evidence we received, which we consider in this section, suggested that a more comprehensive government-led review of local authorities’ planning powers is needed.

Compulsory Purchase Orders

81. The Government has made it clear that funding from the Future High Streets Fund will be awarded to local areas planning “transformative, structural changes” to their high streets and town centres, involving among other things the acquisition and assembly of land. Key to this is the ability of local authorities to purchase sites compulsorily which are integral to transformation with ease and efficiency. As Jake Berry, the MHCLG Minister, noted Compulsory Purchase Orders (CPOs) are “the ultimate local tool to take control of estates”. As discussed in chapter one, such powers will be essential in many high streets and smaller towns where the fragmented nature of property ownership impedes regeneration.

82. However, much of the evidence we received suggested that the CPO process as it is currently operating is often hindering local authorities’ efforts to regenerate high streets and town centres. We were told that CPOs were “very cumbersome, expensive and time consuming” and “difficult, controversial and expensive”. Having recently considered this issue in our inquiry on land value capture, these criticisms were familiar to us. Given that the retail environment for high streets and town centres is changing so rapidly, the length of time needed to complete the process is of particular concern. Stockton Council told us that it took 2.5 years to CPO a property key to a wider redevelopment, and the Royal Town Planning Institute said that “embarking on a CPO-led city regeneration [is] a 10-year programme”. Given the shortcomings of the process, we were not surprised to be told by the Association of Town and City Management that local authorities use CPO powers sparingly.

83. We were pleased to hear the Minister say the Government intended to review the CPO process and that it would look at whether it was “fit for purpose”, particularly as

168 MHCLG, Planning Reform: Supporting the high street and increasing the delivery of new homes, October 2018
169 Q631
170 Q199
171 Local Government Association (HST0056)
172 House of Commons Housing, Communities and Local Government Committee, Tenth Report of Session 2017–19, Land Value Capture, HC 776
173 Royal Town Planning Institute (HST0046)
174 Association of Town & City Management (HST0060)
175 Q626
176 Q631
in our September 2018 land value capture report we recommended that the Government should consider ways in which the process can be further simplified to make it faster and less expensive for local authorities.\textsuperscript{177}

\textit{‘ Town centre first’}

84. The National Planning Policy Framework (NPPF) sets out measures aimed at protecting town centres from the threat of out-of-town development.\textsuperscript{178} Known as ‘town centre first’, local authorities are required to apply two tests—a sequential test, and an impact assessment test—to planning applications for main town centre uses located out-of-town. Under the sequential test, local authorities should require such applications to be located first in town centres, then on the edge of centres. Only if suitable sites are not available (or expected to become available within a reasonable period) in these locations, should out-of-centre development be permitted. Under the impact assessment test, local authorities should require an impact assessment if a proposed development is over a locally-set floor space threshold.

85. While we heard broad support for the aims of the policy, for example, from Julian Dobson of Urban Pollinators who told us it was “right […] helpful and should stay”,\textsuperscript{179} criticisms were levelled at how effectively it was operating. For example, the Association of Convenience Stores referred to their research from 2014 which found that 76% of retail floor space was allocated out of town during the first two years of the NPPF.\textsuperscript{180} The Institute of Place Management said local authorities needed to do “much more” to make the policy work.\textsuperscript{181} Richard Roe of Trafford Council said he thought the policy’s original intention had been “watered down through case law”.\textsuperscript{182}

86. The policy was first developed in the 1980s and 1990s in response to the growing trend for out-of-town retail development. We heard that there was potential for it to be updated to reflect more recent retail trends. The Institute of Place Management suggested that it should be applied to store rationalisation so that, as major retailers merge or consolidate, “the more peripheral store is closed and a more central one is kept trading”.\textsuperscript{183} In the same vein, Julian Dobson of Urban Pollinators, said that, as retail space in town centres shrinks:

\begin{quote}
The question then […] is about what other uses we need within the town centre to make it a viable place […] we should be thinking about the public facilities and public services that should be in town centres, what should be there in terms of health and education facilities, […] public space, and what other things that make up the town centre would give it viability and vitality in the future.\textsuperscript{184}
\end{quote}

\begin{flushleft}
\textsuperscript{177} House of Commons Housing, Communities and Local Government Committee, Tenth Report of Session 2017–19, \textit{Land Value Capture}, HC 776
\textsuperscript{178} MHCLG, \textit{National Planning Policy Framework}, July 2018
\textsuperscript{179} Q178
\textsuperscript{180} Association of Convenience Stores (HST0039)
\textsuperscript{181} Institute of Place Management (HST0061)
\textsuperscript{182} Q212
\textsuperscript{183} Institute of Place Management (HST0061)
\textsuperscript{184} Q178
\end{flushleft}
We note the caution expressed by Craig Rowbottom of Birmingham City Council who pointed out that these new uses can be "land-hungry", requiring playing fields, parking and drop-off, and therefore finding a suitable town centre site could potentially pose a challenge.\(^{185}\)

87. Jake Berry, the MHCLG Minister, told us that town centre first was "quite a good protection" and local authorities were "best placed to determine, against their local plan, what appropriate development is in their area".\(^{186}\) However, we were told by Richard Roe of Trafford Council that it was "quite difficult to defend [...] against interested developers"\(^{187}\) and we note that the Minister himself said, when discussing resourcing in planning departments, "they may not have dealt with an application for a supermarket for five, 10, 15 or even 20 years. They then come up against a planning lawyer and barrister who were doing one a month on behalf of major supermarket chains".\(^{188}\)

**The Use Class Order**

88. The Government’s consultation, *Planning Reform: Supporting the high street and increasing the delivery of new homes*, is gathering views on how the use classes "could better support the high street in a changing retail environment" and "greater flexibility", in particular whether the traditional high street A use class should be changed, simplified or merged.\(^{189}\) The consultation closed on 15 January 2019 and, at the time of writing, the response has not been published.

89. The evidence we received certainly revealed a desire for use classes to be updated and made more flexible. Tom Ironside of the British Retail Consortium explained why:

> Bookshops want to be able to offer coffee at the back of the store and [...] a yoga studio upstairs. In order to get to that stage, theoretically [...] you need to satisfy the requirements of three use classes rather than a single one, and this is one of the areas where the planning system or regulatory framework is lacking what is required. You need greater flexibility.\(^{190}\)

The Federation of Small Businesses said that "current planning conditions seek to regulate every type of floor space, from sale space to a gym floor [...] drastically reduc[ing] businesses flexibility and adaptability, reducing their ability to compete".\(^{191}\) We note that the desire for more flexibility was also shared by local authorities, including London Councils who said use classes should “reflect the increasing multi-uses of high street premises”.\(^{192}\)

90. However, Craig Rowbottom of Birmingham City Council made the important point that flexibility needed to be balanced against local authorities’ ability to control uses in line with the plans they had developed for their high streets and town centres:

> Use classes are there to serve a purpose and there are different impacts from different uses [...] like local amenity impacts or where you have over-
concentrations of various uses. Those are the sorts of things that planning needs to make sure are being considered in appropriate ways. You would not want them grouped too widely; they have to have a focus where necessary.\textsuperscript{193}

We were not confident that the Government fully appreciated this: Jake Berry, the MHCLG Minister, told us that, while he would not want to pre-judge the results of the consultation, “deregulation and merging of the use class orders seems to be the most appealing”.\textsuperscript{194} We note, however, that he confirmed that hot food takeaways “will always require planning applications”.\textsuperscript{195}

91. Some of the planning experts we took evidence from expressed a desire for a more fundamental review of use classes than the approach taken in the consultation. Peter Geraghty, Chair of the Planning, Housing and Regeneration Board, ADEPT, said:

\begin{quote}
Use class orders have been in place since 1987 and have been amended slightly since then […]. My personal view is that the use class order is due an overhaul, because the nature of the uses that we now find in the town centre is much different from what was originally intended. Therefore, it is right that we look at that again, to understand it in the modern context.\textsuperscript{196}
\end{quote}

He also noted that the complexity introduced to the system by permitted development rights and general permitted development orders further underlined the need for a broad review. Going further, Julian Dobson of Urban Pollinators suggested that the way to achieve the flexibility needed may in fact require “rewrite[ing] the use classes order from scratch”.\textsuperscript{197}

\textbf{Permitted development rights}

92. Permitted development rights (PDRs) allow certain types of development, notably changes between the different use classes, to take place without the need for planning permission. The PDRs which feature in the high street and town centre context, and on which we received a substantial amount of evidence, allow a change of use from retail to residential and a change of use from offices to residential.

93. The Government consultation, \textit{Planning Reform: Supporting the high street and increasing the delivery of new homes}, has proposed the introduction of three new PDRs and the extension of an existing PDR as follows:

\begin{itemize}
\item To allow shops (A1) financial and professional services (A2), hot food takeaways (A5), betting shops, pay day loan shops and launderettes to change to office use (B1);
\item To allow hot food takeaways (A5) to change to residential use (C3);
\item To allow development of additional self-contained homes by extending certain premises upwards;
\end{itemize}
High streets and town centres in 2030

- To extend the existing PDR for temporary change of use from two to three years and for it to permit changes to community uses, such as a public library, exhibition hall, museum, clinic or health centre; and
- To demolish and redevelop existing commercial sites as residential accommodation.

The consultation highlights that PDRs have the dual role of “helping the high street adapt and meeting our housing aspiration”. Jake Berry, the MHCLG Minister, told us that PDRs had made a “significant contribution: 42,000 homes since April 2015”.

The evidence we received revealed little support for PDRs, save for Richard Roe of Trafford Council who said that, in his local authority area, the conversion of offices to residential was “very positive”. Far more common were strongly worded submissions expressing concern about the impact of the existing PDRs on high streets and town centres, leading to recommendations that they should be “deleted”, “removed” or “amended immediately”. The LGA summed up the unintended consequences of PDRs:

Reduction in availability of commercial premises in town centres and no contributions towards infrastructure, housing that does not meet local need, housing in unsustainable locations, and reduced levels of affordable housing. Permitted development rights undermine communities' trust in the planning system and can put communities off new development. This also has the effect of depopulating town centres during the day, which impacts on retail and service sector businesses.

In addition, with particular reference to the high street and town centre setting, ADEPT said they had resulted in “loss of retail, community uses and employment that is harmful to the character and vitality of areas”. Although outside the scope of this inquiry, we note with concern the evidence we received relating to the poor quality of the housing being brought forward.

We were often told that PDRs undermined the plans developed by the local authority in consultation with the community, that they did “not always have reference to the spatial element and what we are trying to achieve in these town centres”. In addition, Peter Geraghy of ADEPT said:

If you have a planning process, a planning team and a planning service […] that is where the matter should be considered […] The impacts of those changes are not adequately considered in terms of the permitted development process, understanding what residents or local citizens’ views may be, the impacts of car parking and perhaps environmental impacts […] Why not just consider an application as it comes forward? Look at it in its

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198 MHCLG, Planning Reform: Supporting the high street and increasing the delivery of new homes, October 2018
199 Q653
200 Q187
201 ADEPT (HST0057)
202 Local Government Association (HST0056)
203 Love Wimbledon BID (HST0038)
204 Local Government Association (HST0056)
205 ADEPT (HST0057)
206 Royal Town Planning Institute (HST0046); Q175
207 Q175
entirety […] What we should be doing is properly resourcing local planning departments with the right people with the right skills, and making it clear that they need to deliver in terms of making the decisions that the community wants to see.\textsuperscript{208}

Jake Berry, the MHCLG Minister, would not accept our suggestion that permitted development risked undermining the ability of local areas to implement their community-led vision for a place,\textsuperscript{209} saying that they enabled the planning system to follow the dynamism of the market and vacant units to be filled.\textsuperscript{210}

96. It is possible for local authorities to remove PDRs across an area of any size on a temporary or permanent basis by making an Article 4 Direction. Approval of the Secretary of State is not required, but he must be informed and can cancel or modify Directions at any time, and, for a period of 12 months, compensation is payable by the local authority to the developer for refusals of planning permission which would otherwise have been permitted development (unless 12 months’ notice of the impending Direction is given).

97. Wimbledon Business Improvement District said that their local authority, Merton Council, had protected its commercial space by very promptly making a Direction in the town centre.\textsuperscript{211} However, the evidence we received from local authorities suggested that the process was less efficient. London Councils said that it was “cumbersome” and that the requirement to give notice to avoid claims for compensation meant most boroughs had implemented Article 4 Directions “with a year’s delay, during which time more office space and more potential affordable housing contributions were lost”.\textsuperscript{212}

Conclusion

98. Planning is crucial to high street and town centre transformation. Given this, the Government should ensure that planning powers are fit-for-purpose, sufficiently responsive and up-to-date. To this end, we recommend that the Government undertake a comprehensive review of planning as it pertains to the high street, focusing in particular on the following elements: Compulsory purchase orders, the ‘town centre first’ policy, use classes and permitted development rights.

- Compulsory purchase is an essential tool for local authorities acquiring and assembling land as part of high street and town centre regeneration. However, the process is cumbersome, expensive and time-consuming, making it too slow to be of real use in a retail environment that is changing so rapidly. \textit{The review of the Compulsory Purchase Order process promised by the Government is welcome, but we recommend the review begins immediately and focuses in particular on how the process could be speeded up.}

- The ‘town centre first’ policy was first developed in the 1980s and is little changed since then. \textit{We recommend that the Government consider whether the policy should be updated to reflect better the non-retail uses, for example health, education and leisure services, that will become increasingly important}
in the future. Notwithstanding the outcome of the review, we believe that, where appropriate sites are available, public bodies should take the lead and locate health, education, leisure, administrative office and other services in town centres first.

- High street and town centre activities are becomingly increasingly diverse and it is therefore right for the Government to consider in its current consultation whether use classes need to be updated and made more flexible. However, we believe that the approach taken needs to be much bolder and we recommend a complete overhaul and rewrite of the Use Class Order, which dates from 1987, with the needs of the modern high street, and the need for flexibility and building a more coherent and sustainable mix of uses, in mind.

- We believe that permitted development rights (PDRs) risk undermining the strategic vision that a community has developed for its high street or town centre. While we understand that PDRs provide much needed housing—which we see as a key aspect of high street and town centre sustainability—a planned approach, with Local Plans identifying where housing should be situated, is far preferable.

- The Government should suspend any further extension of PDRs, pending an evaluation of their impact on the high street. Policies should reflect the wide variety of local circumstances. Councils should be actively encouraged to develop town centre masterplans and use their powers positively to renew their town centres. Where PDRs conflict with particular designations in the Local Plan or other established planning documents, councils should be given greater freedom to suspend PDRs in the affected area. As they currently operate, Article 4 Directions do not give councils adequate ability to remove PDRs quickly and without liability to pay developers compensation.

We hope that the Government will take into account this report, the evidence we received and our recommendations in both its current planning reform consultation and the future review of the Compulsory Purchase Order process.
5 Local action

Creating a plan for the future

99. High streets and town centres need to be curated, and their regeneration planned, in accordance with a strategy. This should be formed around the broad principles we considered in chapter two: activities; community; places to gather and future proofing. The Local Plan, the local authority’s overarching planning document, which sets the “long-term, overall, strategic direction” for an area over a 15-year period\(^{213}\) and is produced in consultation with the community is a key vehicle for this. In addition, it has an important, related role in attracting private sector development and “getting them interested in why that place is low-risk but high-potential”.\(^{214}\)

100. We heard, however, that the lengthy plan-making process meant that Local Plans were often “geared to the market as it was five years ago”.\(^{215}\) This poses a problem in the context of high streets and town centres where rapid changes are underway, with the practical implications being that the plan may no longer meet the challenges faced. East Riding of Yorkshire Council said it was having to fully review the retail policies in its Local Plan which needed updating in line with the market and lifestyles.\(^{216}\) To guard against this, we were told that Local Plans needed “continuous review and adjustment”\(^{217}\) and be constructed in such a way as to have “flexibility to take these different changes into account”.\(^{218}\)

101. Supplementary planning documents (SPDs) sit alongside the Local Plan and focus on small geographical areas or specific issues. Craig Rowbottom of Birmingham City Council suggested that these documents should contain the detail of high street and town centre strategies, and said that this was the approach taken by his council.\(^{219}\) Although he supported the use of the Local Plan, Peter Geraghty of ADEPT suggested taking a “particular approach to town centres, if there is an added degree of flexibility to allow policies to flex and change”.\(^{220}\) Julian Dobson of Urban Pollinators suggested that an overarching strategy, sitting above Local Plans and SPDs, was needed:

You need something that is much more punchy and visionary for your towns and communities as a whole, that says, “This is the direction we aspire to go in. We realise that all sorts of things might happen on the way that will derail that vision and it will need to flex and accommodate those.” You need something that sets a goal and an aspiration, and the local plans, because they are trying to do so many things in such detail, are not able to do that.\(^{221}\)
‘Place branding’

102. Whatever form it takes, the plan, strategy or vision for a high street or town centre should be “embedded […] in the place” and formed around the “local narrative”. Although often referred to as “place branding”, we were told that it was much more than a “just a branding exercise”, requiring “authenticity” and input and backing from the public, private and community sectors, without which it risked being a “cynical exercise”. We heard that “place branding can be right, but you have to have something that you can brand”.

103. Altrincham, which has had a market since 1290, decided to brand itself as “a modern market town” and, because this was a brand that “everyone understood”, it had proven very successful. However, as Richard Roe of Trafford Council cautioned, “you cannot just lift it, shift it and say the model that worked there can just be put down somewhere else […]. The hook will be something different”. For Malton in North Yorkshire, the hook was food. Because of its significant holding in the town centre, the Fitzwilliam Malton Estate had played a key role in leading the regeneration of the town which had included developing a reputation for good food. Roddy Bushell, the former Estate Manager said:

   Towns need […] to perk up, work out what they can do well, do it and wave a flag. Malton chose food, because it had credibility in food production and food retail, and that has been incredibly helpful for people to understand what is going on; otherwise, it is very difficult to focus people on doing that.

104. Meanwhile, we heard that towns needed to “understand what function [they] [are] playing, not just in [their] local catchment but also how [they] relate to other locations”. This is an important point: if, for example, too many nearby towns chose food as a theme, they would be in direct competition with one another. It is also relevant to the retail offer; as Edward Woodall of the Association of Convenience Stores explained in the future a “hierarchy” would develop:

   Big retailers are going to consolidate […] stores, and probably push them into centres and those top hierarchy towns. Smaller, secondary towns are going to offer more opportunities for independent businesses to offer something a bit more different and diverse, which has a different convenience or experience overall.

This also applies to other events and activities designed to attract people into towns from a wider regional area.

105. It was not evident, however, that these strategic, regional-level discussions were consistently taking place. Tony Ginty of Marks and Spencer said that “a greater level of
co-operation between individual local authorities would be massively helpful. There is a tendency to look after your own patch […] but […] some things […] transcend those patches”. The evidence from Thame Town Council is a good example of this:

Our neighbouring planning authority’s evidence base, including their Settlement Hierarchy report declares that 1,200 homes, committed, allocated or under construction, will be reliant on Thame’s retail, service, education and health infrastructure yet no conversation has been sought by neighbouring planning authorities about whether Thame can meet their needs […] The retail studies that underpin each authority’s evidence do not reflect the other authority’s housing allocations, significantly under reporting the impact on Thame’s retail and service sector.

Aided by the merging of council boundaries, Cambridgeshire and Peterborough Combined Authority said they planned to produce an industrial strategy which would consider “how their towns were connected with each other, as well as being economic hubs in their own right”.

**Conclusion**

106. Change is happening at a rapid rate in high streets and town centres and, as currently formulated, Local Plans cannot keep up. We note that if online sales continue to grow at their current rate, they could account for around 30% of all retail sales by 2030. A Local Plan created five years ago will therefore be completely out-of-date and, quite simply, useless. *Local Plans, which we urge all local authorities to adopt, must be living documents, regularly updated to capture and reflect changing trends, and must be forward looking, anticipating what will happen in five years’ time. We recommend that they should also be supplemented with dynamic strategies covering specific high streets and town centres. In addition, we recommend that all local areas develop an overarching vision setting out the direction for the future of their high streets and town centres. Successful applicants to the Future High Streets Fund bids must have a bold, visionary strategy prepared in consultation with the community.*

107. *Whatever form it takes, the strategy for the high street should be formed around local characteristics, strengths, culture and heritage and, most importantly, it should have the backing of the public, private and community sectors. In addition, local areas should develop their plans in consultation with the areas around them and consider how high streets and town centres can complement one other within a wider spatial hierarchy.*

**Supporting local traders**

108. Many local authorities are active in supporting local businesses as part of promoting local economic growth. Stockton Council has an array of such schemes devised to enhance and support retail and further the council’s long-term vision for the town centre. These

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231 Q347
232 Thame Town Council (HST0037)
233 Cambridgeshire and Peterborough Combined Authority (HST0066)
include grants and business rates discounts for new or expanding businesses occupying vacant space within the town centre, a mentoring and start-up scheme and an ‘Enterprise Arcade’ for fledgling retail businesses.

109. All local authorities may grant business rates discounts in accordance with their own criteria as Stockton Council has done but, unlike the reliefs granted by the Government which are fully reimbursed, local authorities bear 50% of the costs. Accordingly, the LGA said that “most councils will need to consider the affordability of providing such targeted support”, and Newcastle-under-Lyme Business Improvement District said that, for its local authority, provision of such a discount would have a consequent impact on spending on services.

110. We were particularly impressed with Stockton’s Enterprise Arcade which we visited on our tour around the town. It provides an ‘incubating’ space for up to 16 retailers who are new in business, allowing them to test trading in a supportive, low-cost, low-risk environment. We heard that it had played a role in establishing several independent local retailers which had gone on to diversify the retail offer in the town centre and were encouraging footfall.

111. *Local authorities should consider the long-term benefits for their high streets and town centres of providing targeted support to local traders with business rates discounts and other schemes.* We were particularly impressed with Stockton’s Enterprise Arcade which supports fledging retail businesses with a view to them diversifying town centre retail once established. We believe that a similar scheme could be successful in many towns. However, we recognise that for many local authorities such spending may not be a priority given the financial pressures under which they are operating and the necessity of prioritising statutory services.

**Parking**

112. For many, particularly in rural areas where people are more reliant on their cars, visiting the high street or town centre entails finding a space and paying a fee. A comparison was often made with out-of-town retail parks which invariably have ample, free parking, thus increasing the competition they pose. Roddy Bushell of Fitzwilliam Malton Estate said that introducing two-hours free parking in the main car park in Malton town centre had been very effective:

> It is a signal both to the people who use the town that things have changed—“We want your custom”—and for us it was a signal to the retailers and service providers in the town that the estate was business-like, on their side, and understood the things that impacted on them.

We were told by Kevin Frost of Cineworld that parking was one of the factors his company looked at when opening new cinemas and by retailers that, as well bringing shoppers onto the high street, it encouraged the use of footfall-promoting click and collect.

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234 Local Government Association (HST0056)
235 Newcastle-under-Lyme BID Ltd (HST0064)
236 Q13; Q131
237 Q131
238 Q436
239 Q309
113. However, we also heard that “two hours of free parking is not the solution in all locations” and that local authorities needed to experiment and collect data to determine whether it was the right intervention for that particular place.\(^{240}\) The local authorities we heard from were clearly experimenting with different parking charges, assessing their impact on footfall in the town and “try[ing] to strike a balance”.\(^{241}\) However, we heard it is “difficult to work out that balance […] we do not have the answer”.\(^{242}\) Furthermore, we note that parking revenue is an important source of income for local authorities: Peter Geraghty of ADEPT said “there is absolutely no doubt about that, and we have to maintain, monitor and enforce proper use of car parks”.\(^{243}\)

114. Jake Berry, the MHCLG Minister, said that this was an issue for local authorities to determine in consultation with their business community, but that it seemed like “good sense to provide some element of free parking in town centres”.\(^{244}\) We agree with the Minister that some free parking is bound to have a positive effect on high street footfall. It would also enable towns to compete more effectively with out-of-town retail centres. However, parking is very place specific, depending also on the public transport available. We believe that local authorities should test the impact of different levels of parking charges on footfall and collect data, as well as consulting with local businesses, to understand which interventions will be most effective for that particular place.

**Place partnerships**

115. As discussed in chapter two, wide community collaboration is essential to high street and town centre regeneration. In many places the vehicle for this will be a place partnership. These can take many forms, from informal associations of residents, traders and local government officials to formal organisations such as Business Improvement Districts (BIDs),\(^{245}\) with successful partnerships combining public, private and voluntary interests.\(^{246}\)

116. We heard that some areas did not have a partnership, perhaps because they were too small for one to be sustainable or they were just “relying on the goodwill of community activists”.\(^{247}\) Consequently, in such places it is difficult to achieve the “collective vision and that energy that allows the town centre to evolve”.\(^{248}\) The Institute of Place Management said that local and national understanding of partnerships was poor, recommending that a national register of BIDs be drawn up and a census of partnerships regularly conducted.\(^{249}\) We note that the £500,000 Business Improvement Districts Loan Fund, the 11th tranche of which was announced by the Government on 24 January 2019, will have a role in enabling BIDs in new locations to develop.\(^{250}\)

117. The Institute of Place Management also recommended that more training and support should be provided for place partnerships, highlighting that there were “no standards or
requirements for place leaders to join a professional body, undertake training or regular
development.\textsuperscript{251} Ojay McDonald, Chief Executive of the Association of Town and City
Management, explained why more support was crucial:

Place management is a very challenging industry […] think about the
number of things you need to be able to understand to drive forward
change within a town centre. You need to understand the retail economy.
You need to understand how local government works. You need to have a
decent understanding of planning policy, safety and security. Maybe it is
things like tourism and how the local economy works, but also how that
sits within the broader national economy. When you start putting all these
various skillsets together, not least things like stakeholder management as
well, there is a lot to understand.\textsuperscript{252}

118. In practice, most partnerships take the form of a BID, a partnership between the local
authority and local businesses funded by a levy on business ratepayers in the BID area.
There are some 300 BIDs in towns and cities across the UK.\textsuperscript{253} The funding is ring-fenced
for use in that area and can be spent on improvements to the public sphere, including safety
measures, cleaning, greenery, transport incentives, marketing and promotions.\textsuperscript{254} British
BIDs, a membership organisation for BIDs, said that they had moved beyond “crime and
grime and street beautifying” and were now working on wider, strategic issues such as
curating the high street, engaging in planning issues and developing a cultural offer.\textsuperscript{255}

119. The representatives of two BIDs that we spoke to said that their work was orientated
to their members’ needs. Christina Rowe, Director of Operations at Bedford BID, said
that the BID was “predominantly about generating footfall in the businesses that we have
in the town centre”\textsuperscript{256} and Jonathan Newman, Town Centre Manager at Great Yarmouth
Town Centre Partnership (GYTCP) said that it “exists primarily for the […] business
members […] Much of our delivery is based around a uniform presence within the town
centre, crime reduction schemes and a radio link for retailers to use”.\textsuperscript{257}

120. William Grimsey, Chairman of The Grimsey Review, told us that “by definition [BIDs]
are there to improve business and not necessarily to look at the long-term development
of the place”\textsuperscript{258} and that they should be replaced by “community improvement districts”,
more in line with the evolution of high streets and town centres.\textsuperscript{259} We were interested
to hear that GYTCP, now a BID for funding reasons, decided to retain the original
town centre partnership entity as it was more community facing, running projects and
workshops with local groups.\textsuperscript{260}

\textsuperscript{251} Institute of Place Management (HST0061)
\textsuperscript{252} Q233
\textsuperscript{253} British BIDs (HST0050)
\textsuperscript{254} Savills (HST0025)
\textsuperscript{255} British BIDs (HST0050)
\textsuperscript{256} Q220; Q240
\textsuperscript{257} Q223
\textsuperscript{258} Q237
\textsuperscript{259} Q30
\textsuperscript{260} Q243
121. The BID member retailers that we spoke to were generally supportive of BIDs, although we heard that their remit should be “extended” and that there should be more sharing of best practice, knowledge and skills between them; Martin Foster of Lakeland Leathers said:

They seem to work in isolation. In Cumbria, there are four different BIDs in operation. [...] I know that the BID that they have in Chester seems to be a wee bit more proactive than the one in Northallerton; those are two areas I have seen. I do not see them sharing ideas, sharing resource and working across platforms.

In addition, he said “Financially, they make no sense to me. Take York and its budget; it is £800,000 from its BID. For Kendal, it is £140,000 from its BID. Which of those two cities needs the most help?”.

122. Wide community collaboration is essential to high street and town centre regeneration and, in many local areas, place partnerships will be a key vehicle for this. We are concerned that a truly collective vision will be hard to achieve in areas where they do not exist. While we welcome the recently announced 11th tranche of the Business Improvement District (BID) Loan Fund which could have an important role in enabling BIDs to develop in new locations, we believe the Government should take further steps to encourage wider coverage of place partnerships. To start with, we recommend that the Government creates a register of BIDs and undertakes a census of place partnerships to identify areas without one in place. The Future High Streets Task Force should then play a role in helping areas to establish such a structure.

123. In addition, we recommend that the Task Force facilitates the creation of a local authority-wide network of BIDs and encourages them to share resources, knowledge and expertise with each other. Particular effort should be made to encourage well-funded BIDs to share resources with less well-funded BIDs nearby.

124. We were attracted by the idea that BIDs should be replaced with community improvement districts but recognise that legislative changes might be needed to implement this. We encourage the Government to consider how this might be done and, in the interim, recommend the appointment of community representatives to BID panels in order to encourage a wider, more balanced approach in their work.
6 Retail

125. As we have noted, a significant structural change has taken place in retail in recent years. In this chapter we consider the consequences for high streets and town centres in terms of store closures, as well as the future of retail; while there will always be a role for retail on our high streets and town centres, this will inevitably be reduced and will require a focus on providing experience and convenience. We have already highlighted some of the most prominent closures and the impact on jobs in earlier chapters.

Store closures

126. The most visible consequence of the structural transformation in retail is, of course, store closures; with a net loss of 4,402 units in the first half of 2018, most high streets and town centres will have already been affected and, unfortunately, the trend is likely to continue.

127. We know from our experience that the loss of a shop—particularly a long-established ‘anchor’ store—can be crushing for a place; the impact was described to us as “massive” and the empty space that remained a “scar”. The surrounding shops are also affected by the loss of a “pull” into the town centre.

128. William Grimsey, Chair of The Grimsey Review and The Grimsey Review 2, spoke forcefully about the ongoing closures of Marks and Spencer stores:

If you look at the closures on the Marks & Spencer list, they are town-centre-based, most of those buildings were built specifically for Marks & Spencer 70, 80 or 90 years ago. When you drill for oil, you have to restore the environment once you have finished. For a company like Marks & Spencer just to up sticks and leave a gaping big hole in a community and walk away puts into perspective what corporate social responsibility should be. We need to be asking certain questions about how this is able to happen.

129. The retailers we spoke were clear that the decision to close a store was not taken lightly and that their primary responsibility was to their employees. Richard Collyer, Chief Financial Officer at New Look, said it was “never the first choice” and an “incredibly difficult decision”. Tony Ginty of Marks and Spencer said that, after redeploying staff, his company’s second priority was to ensure that the store remained vacant for as little a time as possible, both for financial reasons and for the “look and feel of the town itself”. He described working closely with the local authority on this.

130. During our visit to Stockton and Darlington we were told that Marks and Spencer had chosen to close its stores in the town centres and open a new store nearby out-of-town. When we asked Mr Ginty why, he said:

\[\text{Q22}\]
\[\text{Q24}\]
\[\text{Q311}\]
\[\text{Q22}\]
\[\text{Q310}\]
\[\text{Q317}\]
Do we put stores elsewhere and do they sometimes have an impact upon others? Absolutely, but that is part and parcel of building an estate for the future. If you did not do that, you would end up keeping the estate that you currently have. That, frankly, is guaranteed disaster in the current economic climate that you actually face. It is the same with Warrington. People say, “You have built Gemini”, which actually is not very far from Warrington, but it was absolutely the right commercial decision.\textsuperscript{271}

131. However, we heard of cases where stores earmarked for closure had been saved as a result of collaboration between the stakeholders involved. Darlington Council told us how they had worked with Sports Direct Group to keep the House of Fraser in the town centre open, and Katharine Wynne of Debenhams said, with regards to a particular store earmarked for closure: “The local authority and the landlord have got together and put together a regeneration plan […] They are prepared to invest behind our store in that location to anchor it.”\textsuperscript{272} In other instances, creative solutions had been found, for example, converting the upper parts of the House of Fraser store in Bath to residential accommodation to ensure the retail part beneath stayed viable.\textsuperscript{273}

132. The closure of a shop, particularly a long-established ‘anchor’ store, can be crushing for the community and blight the wider high street or town in which it is situated. Such effects are particularly stark in smaller towns where large chains often decide to make closures first. We believe that such smaller towns, which lose stores to neighbouring large towns, cities and out-of-town retail parks, are particularly affected yet less well placed to respond in terms of their resources, capacity and their ability to attract redevelopment.

133. Retailers clearly need the flexibility to respond to the significant changes in the industry by closing and restructuring stores and, from what we heard, these decisions are never taken lightly. While a focus on redeploying staff is absolutely correct, we encourage retailers to consider that their corporate social responsibility extends beyond this to helping to find a future for the empty property they have left behind.

134. We believe that retailers considering closing a large long-established ‘anchor’ store should contact the local authority as soon as possible and explore with them, the landlord and the Business Improvement District or place management partnership whether a creative solution can be found for its future. This might include finding a new use for the empty property or putting together a plan to save the store which might require reducing its size or converting it partly to residential accommodation.
Focus on empty properties

As discussed in chapter one, there has been a wave of high street and town centre store closures in recent years. The Local Data Company, which gathers data on “persistent vacancy”, reports that 3.5% of high street units across Great Britain are staying vacant for more than three years, and that there is a “clear north/south divide” with the North East and North West having the largest percentage of long-term vacant units. London Councils described the impact of empty shops on the high street:

[They] are not only a symptom of a struggling high street, they are also a cause. Empty shops can cause a ‘negative feedback loop’, which means they discourage investment, decrease the ‘offer’ on the high street, keep consumers from visiting and contribute to a general sense of decline and neglect.275

The reasons why units stay empty are complex and we could not delve deeply into the specifics in this inquiry. It is clear that there is now too much retail space on most of our high streets and town centres compared to demand. But Jonathan Newman of Great Yarmouth Town Centre Partnership, a town particularly affected by vacant units, said that it was also because landlords had not appreciated that the retail environment had changed and were “holding out for the next big retailer to come along”.276

A core issue raised by Professor Cathy Parker of the Institute of Place Management concerned the inflexible nature of many properties. She said the fact that “half of the BHS stores are still empty after two years, so that tells you that there is an issue with adaptability”.277 We note that, as at March 2018, 71% of BHS stores were still empty (102 properties). Wanting to explore how empty properties could be brought back into use, we asked Kevin Frost of Cineworld whether it might be possible to open a cinema in a department store. He told us that “there is a real structural challenge around getting the auditoria right […] It can be done, but it is very expensive. Therein lies the problem”.278 Richard Roe of Trafford Council said that he was currently considering how to use empty shops to “get community uses into the town centre”.279 We note that the Government is also working on this issue and has launched the Open Doors Pilot, which will match landlords struggling to find tenants for their empty properties with community groups looking for space. The launch by the Government of a pilot register of empty properties, collated by local authorities, is also welcome.

274 Local Data Company, Retail and Leisure Market Update: H1 2018, November 2018
275 London Councils
276 Q239
277 Q247
278 Q464
279 Q197
Another issue raised was the treatment of empty property in terms of business rates. Further, as discussed in chapter seven, the wider financial context in which landlords operate is also relevant. On the one hand, speaking from a landlord’s perspective, Mark Williams of the Hark Group said:

We are penalised when a shop is empty. We are picking up the rates. We are paying a tax for leaving it empty, so we are already contributing and we are doing the best we can in terms of investment, trying to remodel or bring in different uses. We have a big financial interest in trying to do something.\textsuperscript{280}

However, Mel Stride, the Financial Secretary to the Treasury, told us that he thought that empty property rates were “slightly perverse” and a “disincentive to the landlord to get [the property] occupied as quickly as possible”.\textsuperscript{281} Owners of empty property are afforded a three-month exemption from business rates from the date the property become empty, and the empty property must only be occupied for six weeks before a further three-month exemption can begin.

The Greater London Authority (GLA) and London Councils recommended that empty property relief should be made discretionary, so local authorities could decide how best to apply it according to local circumstances, and should also be supplemented with “retail reoccupation relief”. According to the GLA, reintroducing the retail reoccupation relief scheme, which operated in England in 2014–15 and 2015–16, would provide “a direct incentive for businesses to reoccupy vacant or derelict former retail premises”.\textsuperscript{282} As discussed in chapter five, Stockton Council provides a range of business rates-linked incentives for retailers opening in the town centre.

The reasons why some high street properties remain empty for extended periods of time appear to be complex. This is an issue which merits further investigation. We recommend that the Government commission research into why some high street properties remain vacant for long periods of time or have rapid turnover of occupants while some are refilled quite quickly. This should include an assessment of the impact of empty property rates and exploration of other measures which would encourage landlords to find new tenants, such as retail reoccupation relief. The Government should report its findings to us by October 2019.

The Future

135. With online shopping only set to grow in the future, it is clear to us that, to compete and be successful, high street retail needed to carve out a separate role, focusing on providing “experience” and “convenience”.\textsuperscript{283} We envisage that this would be complemented by changes to the public realm and the ‘place branding’ activities discussed in chapters two and five which would improve the wider area.

\textsuperscript{280} Q150
\textsuperscript{281} Q479
\textsuperscript{282} Greater London Authority/Mayor of London (HST0053)
\textsuperscript{283} Q42; Q332
Experience

136. We heard that there were two main ways that retailers could create an experience, through a unique and interesting offer in store and making an asset of their physical retail space and staff by creating opportunities to interact with customers that could not be replicated online. For example, Clayton Hirst of the John Lewis Partnership said that, in addition to trialling new services across 15 stores, one of which was personal styling, they had trained 300 of their partners in theatre skills, recognising that the “human element when you go into a store really helps to drive sales and drive the experience for our customers”. Debenhams were making their stores as “strong and attractive [...] as they possible can be”, including making beauty a focus of their new Watford store and alongside this providing advice, consultations and treatments.

137. We believe that department stores are well-placed to offer this kind of expanded experience. Despite the financial difficulties faced by some, Mike Ashley of Sports Direct Group told us that the “concept of the department store was actually correct” and that they needed to “evolve”. Clayton Hirst of the John Lewis Partnership told us that his company was “the process of trying to reinvent the department store for this century”.

138. Lakeland Leathers, a much smaller, independent chain store, was also moving into personal shopping and was planning fashion shows in store broadcast via Facebook Live and Instagram Live and linked to their online offer. However, as Martin Foster, the Chief Executive, noted, “we need a level of profitability to be able to invest in those [opportunities] and access them”. We note the evidence we heard that independent retailers were particularly able to adjust to the market, be “nimble and agile” with their stock and “add a character to any high street, any town centre”.

139. For this reason, Stockton Council is encouraging growth of independent retail in the town centre with a range of support schemes and business rates discounts.

140. We also heard that tailoring the store’s offer to the characteristics and needs of the local area was an important part of providing an experience. While often inherent to the business model of an independent retailer, we heard that this was often neglected by larger chain stores. Professor Cathy Parker of the Institute of Place Management explained:

We have had a very concentrated retail sector in this country, which means we have a lot of multiple retailers in most of our locations. They are controlled by head office as to the merchandise they offer, how their store fronts look and what type of retailers they are. They are not very good at adapting locally. It goes back to understanding your local data and your local catchment, and then making sure that your offer is absolutely right.
Convenience

140. We were told that high street retailers also needed to try and match the convenience offered by online shopping. Opening hours are clearly key to this; Mike Ashley of Sports Direct Group said:

Say a store used to open at 9 o’clock. There are no customers on the high street at 9 o’clock anymore. Say stores need to open at 12 o’clock now. That person’s contract would have to move. Maybe shoppers want to come in and pick up their internet parcels after work, so whereas a store used to shut at 6 o’clock or 5.30, maybe it needs to stay open later.

Responses to our questioning on this suggested that, while opening hours are more flexible than they used to be, retailers need to explore this opportunity more fully. We heard that Stockton Council were having to encourage local retailers to stay open late while events were on in the town centre which could potentially bring in customers. Jake Berry, the MHCLG Minister, told us that retailers should base these decisions on customer data and this was “the sort of new expertise that we could see embedded in the task force”.

141. Click and collect has a dual role of providing convenience for the shopper, namely avoiding the irritation of not being in to receive a delivery, while increasing footfall on the high street. Clayton Hirst of the John Lewis Partnership, explained:

More than 50% of online sales through John Lewis & Partners is actually collected in one of our estates, which is either one of the John Lewis stores or one of the Waitrose & Partners stores. We find that our customers really like that service because there is a convenience of going into a Waitrose store, picking up your groceries and collecting the goods you have bought online.

We heard that one in three online sales for a multichannel retailer uses click and collect and were told that “if people have that option, they will go and use it”. We note that large online-only retailers often provide customers with a range of click and click locations, which in Amazon’s case include Amazon Lockers. Kate Nicholls of UKHospitality said that, in the future, there would be “more hybrid operations” suggesting, for example, that a hotel could provide space for picking up parcels out of hours. When we asked representatives of Fuller’s and Nando’s whether they might consider accommodating this in their pubs and restaurants, they were not keen.

142. Yet, click and collect is a key way of supporting the high street. Andy Mulcahy of IMRG described its potential:

If you think of a small high street where you have 30 shops or something, it is very difficult for that to be competitive today because it does not have...
the choice or availability. If you could engineer a scenario where anybody living anywhere could get access to anything, that would be the kind of high street that makes quite a lot of sense. That infrastructure just is not there at the moment, but there are a lot of empty shops.\textsuperscript{302}

He suggested that empty shops could be used as “inventory hubs” where people could collect their parcels and try on or test purchases at the same time.\textsuperscript{303}

143. Hive is example of an online retailer whose business model has been developed to support independent high street book shops via click and collect. Interested to hear more, we invited Julie Howkins, eCommerce Development Manager of Hive, to give evidence. She explained that, in addition to giving book shops a percentage of sales made on their website:

One of Hive’s USPs is the fact that we offer the option of free collection in store, which is driving footfall to independent bookshops. We have a small network, compared to Amazon, of just under 300 bookshops. The customer can choose to collect their order from a bookshop, increasing footfall to the store. The bookshops quite like the fact they are engaging with customers they would not normally have access to.\textsuperscript{304}

Conclusion

144. Retail will always be a part of high streets and town centres in the future. \textit{But to remain competitive, attract custom and add to the vibrancy of a place, we encourage retailers to consider how they could update their practices.}

145. \textit{Retailers should make an asset of their physical retail space and their staff by creating opportunities to interact with customers that cannot be found online. In addition to being well-stocked with interesting products, this could include providing personal shopping services, advice and consultations, using social media and investing in staff training and the store itself.} Of course, we recognise that this is only possible if retailers have some headroom to invest which is why we have recommended that business rates for high street retailers be reduced.

146. In many places, store opening hours do not reflect the fact that many people need and want to be able to shop at the end of the day after they have left work. If they cannot shop on the high street at their convenience, they will shop online or at an out-of-town retail centre instead. \textit{Retailers should conduct research with shoppers to find out whether their opening hours are meeting people’s needs and adjust them in accordance with the results on a local, shop-by-shop basis.}

147. In addition, we encourage more retailers to offer and host click and collect, providing their customers with convenience while supporting high streets and town centres through increased footfall. \textit{We were attracted to the idea of turning empty shops into an ‘inventory hubs’ where people could collect parcels at their convenience and we encourage local stakeholders looking for new uses for such properties to consider whether this might be appropriate for their local area.}
7 Landlords

148. Landlords are perhaps the least visible stakeholders in high streets and town centres but are nevertheless extremely important. As discussed in chapter one, disparate property ownership, and lack of landlord engagement, are key barriers to high street and town centre transformation and high rents are affecting retailers’ profitability. In this chapter, we consider the relationship between landlords and tenants, before turning to consider the formal, contractual basis of that relationship, leases.

149. At the outset, it is helpful to bear in mind that there are huge variations between landlords, which range from pension funds down to individual owners, more common in high streets and small towns. They can be based in the UK or overseas with the property managed by a UK-based asset manager. Naturally, we heard that landlord-tenant relationships varied just as widely. Matthew Griffiths, a retail chartered surveyor said:

   The affordability of the retail operation in a High Street shop is of no relevance and no interest to a property owner until a lease comes to an end and a retailer walks away, or unless a retailer enters into Administration or a CVA (Creditors Voluntary Arrangement).

However, Ed Cooke, Chief Executive of Revo, which supports businesses in the retail property and placemaking sector, said that landlords were “very interested” in their tenants’ trading performance and were “motivated to try to support [them] in their operations”.

Similarly, Roddy Bushell of Fitzwilliam Malton Estate, which has a large holding in Malton in North Yorkshire, said:

   In smaller towns, the tenants have a lot less resilience if things are not going well. A landlord now has to be interested in helping, because if he is not, he will end up without a business paying rent in the property, and he may not have many options for somebody to take it on. He knows his real position is that he needs to be helpful to that tenant.

150. He went on to say:

   Landlord and tenant is a partnership by any other name, trammelled by a lot of historic terminology that is unhelpful. One of the parties is called a “land lord”. That is not helpful. When the tenancy comes to an end, it is “surrendered”. It is a partnership. That stuff needs to be consigned to history. People need to understand that it is just a business partnership, and if one of your partners is struggling you need to get involved and help.

That “historic terminology” has its origins in Part II of the Landlord and Tenant Act 1954, which as Matthew Griffiths noted was “devised pre-internet and bears no resemblance to the retail market on the High Street” and was “not fit for purpose”. We were also told it was an “extremely outdated Act unfit for modern retail”.

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305 Matthew Griffiths (HST0017)
306 Matthew Griffiths (HST0017)
307 Matthew Griffiths (HST0017)
308 Matthew Griffiths (HST0017)
309 Matthew Griffiths (HST0017)
310 Matthew Griffiths (HST0017)
311 NewRiver (HST0087)
151. Ultimately, the landlord-tenant relationship is put to the test when the tenant is experiencing financial difficulties and consequently seeks to renegotiate their lease. We took evidence from four large retailers, with long leases and upwards-only rents, who were facing that situation; Katharine Wynne of Debenhams, for example, said the company was “looking to negotiate with our landlords in order to ensure that we have a viable store proposition going forward”.\textsuperscript{312} The extent to which landlords were open to this seemed to vary. Tony Ginty of Marks and Spencer said:

> We continue to have the conversations in terms of trying to get landlords to recognise the changing shape of the high street and the changing demands and challenges that are faced there, and in some cases they are prepared to have that conversation and think about it; in some cases, they are not prepared to do that.\textsuperscript{313}

Mike Ashley of Sports Direct Group said:

> Everybody wants to say, “Greedy landlords”. I accept some landlords are being greedy, but the vast majority of landlords want to sit down and work something out. They do, but then we get into timeframes, investments and how we are going to do it.\textsuperscript{314}

We also heard that, because of the changing retail climate, parties were increasingly likely to be having an “open dialogue” and a “grown-up conversation”.\textsuperscript{315}

152. However, in the case of investor landlords, their own financial arrangements often limited their ability to re-negotiate existing leases with upwards-only rent reviews. Kevin Frost, Property Director at Cineworld, explained:

> The upwards-only rent review machinery is a key ingredient for any landlord investor. They would struggle, probably, with the amount of capital investment that goes into property if their income was no longer guaranteed in the way it is. The challenge with that model, though, is that it does not react to the economic challenges that a tenant may face.\textsuperscript{316}

[...]

> The upwards-only rent review debate is not a new debate. It has been raised by other tenants for some time. There is a huge vested interest among the landlord community to prevent anything happening to upwards-only rent reviews. As a 30-year veteran and chartered surveyor, I have no doubt that, if upwards-only rent reviews were somehow controlled or even banned in the leisure market, landlord behaviour would change overnight.\textsuperscript{317}

Upwards-only rent reviews were banned in Ireland in 2010 and, in 2004, the then Government consulted on banning upwards-only rent reviews but, in the end, decided

\begin{footnotes}
\item[312] Q442
\item[313] Q332
\item[314] Q267
\item[315] Q335
\item[316] Q453
\item[317] Q452
\end{footnotes}
not to do so.\textsuperscript{318} We note that the wider financial context in which publicly listed landlords operate, in particular the impact of reducing rents on investor confidence and share price, is also relevant.

153. From now on, Tony Ginty of Marks and Spencer said that new leases would better reflect the realities of the retail environment: “it is an entirely different scenario. There will be no long leases signed, and there will be lease breaks built in”.\textsuperscript{319} We heard from Mark Williams of the Hark Group that most leases were now ten years long with a break clause at five years, with the effect that upwards-only rent reviews are no longer relevant.\textsuperscript{320} Mike Ashley of Sports Direct Group suggested that a mechanism on which to base a lease could be “a percentage of turnover with a base rent”.\textsuperscript{321} Kevin Frost of Cineworld said, where possible, his company would seek CPI geared rent reviews,\textsuperscript{322} and Mr Griffiths advocated rent based on profits not turnover.\textsuperscript{323}

154. Martin Foster, Chief Executive of Lakeland Leathers, told us that when a lease was no longer affordable and risked creating losses, there were only a couple of options: “You either do a CVA [Company Voluntary Arrangement], an administration, or you go to the landlord with a pot of cash and try to buy yourself out of the lease. In reality, if you are making losses you probably cannot do the latter”.\textsuperscript{324} Several retailers have agreed CVAs this year and, as referred to in paragraph 14, we heard evidence from both retailers and landlords about the relative merits of the use of CVAs and the CVA process.

155. On a separate but related point, the Local Government Finance Bill, which fell at the 2017 general election, would have allowed for property owners to set up and manage BIDs across the country. Currently, they can only be established in areas where a Business Rate Supplement is in force, which is in London in relation to Crossrail. We heard strong support for the introduction of property owner BIDs,\textsuperscript{325} which we were told would assist in places where there was fragmented ownership and landlords needed to be identified and brought into discussions about high street and town centre regeneration.\textsuperscript{326}

\textbf{Conclusion}

156. Landlords are often the least visible stakeholders in high streets and town centres but are among the most important. While there are many active and engaged landlords who take an interest in their tenants’ businesses and are involved in high street and town centre transformation, there are equally many who do not. \textit{We encourage all landlords to recognise that the retail property market has changed and to take an active approach, providing their tenants with good quality properties on a flexible basis and investing in and reconfiguring properties for new uses. Further, we encourage them to fully engage in local partnerships working on high street and town centre transformation and to consider the potential for further investment to help bring plans to fruition.}

\textsuperscript{318} Office of the Deputy Prime Minister, \textit{Commercial property leases: options for deterring or outlawing the use of upward only rent review clauses}, May 2004
\textsuperscript{319} Q332
\textsuperscript{320} Q129
\textsuperscript{321} Q294
\textsuperscript{322} Q449
\textsuperscript{323} Matthew Griffiths (HST0017)
\textsuperscript{324} Q345
\textsuperscript{325} Q133; Q135; Q346
\textsuperscript{326} Q84; Q135
157. We recommend that, in the next twelve months, the Government task the Law Commission with reviewing the Landlord and Tenant Act 1954, Part II, assessing in particular whether the law as it currently stands is impeding the emergence of a landlord tenant relationship which is more appropriate for the current retail environment.

158. Many retailers are burdened by high rents which, in addition to business rates, are causing them significant financial distress. Upwards-only rent review clauses in long leases have artificially increased rents to a level that no longer reflects commercial reality. We recommend that, given the change in the retail sector, the Government should consult again (as it did in 2004) on outlawing the use of upwards-only rent reviews. While new leases are likely to reflect the current market better, it is important that consideration is given to whether the practice should be curtailed. In the meantime, we recommend that the Government sets up a conciliation service, similar to that provided by ACAS, to facilitate negotiations between retailers in financial distress and landlords who are proving reluctant to engage in discussions or compromise on reducing rent.

159. We heard competing evidence from both retailers and landlords about the use of Company Voluntary Arrangements (CVA) and the CVA process. While we were not able to delve deeply into the issue during the course of this inquiry, we believe that it warrants further consideration by the Government. We ask the Government to provide us with its assessment of the effect CVAs are having on the high street and any consequential reforms that may be necessary.

160. The Government’s announcement that property-owner Business Improvement Districts would be legislated for in the Local Government Finance Bill, which fell as a result of the 2017 general election, was met with enthusiasm. Such a body could play an important role in bringing landlords into local discussions about high street and town centre transformation. We recommend that the Government revives the legislation relevant to this at the earliest opportunity.
8 The Future High Streets Task Force

161. In the very first evidence session of this inquiry, we were told by William Grimsey, Chair of The Grimsey Review and The Grimsey Review 2, that Government should immediately do two things:

Endorse a project to have a central data hub that we can populate with statistics and best practice for people to access, and to put in place a proper education and training model that enables us to get the right leaders into these local authorities, the right business plans in place and to help them drive forward a collective solution.\textsuperscript{327}

Therefore, the announcement in the Budget 2018 that the Future High Streets Fund would be accompanied by the creation of a Future High Streets Task Force was of interest to us. Little detail was provided beyond the statement that it would “provide hands-on support to local areas to develop innovative strategies to help high streets evolve, connect local areas to relevant experts and share best practice”.\textsuperscript{328}

162. Two months later, Sir John Timpson, Chair of the Expert Panel on the High Street, set out his aspirations for such a body; in brief, that it should provide cross-sector support to encourage collaborative place-making; share data; facilitate networks and build skills; share information and stories; provide expert help; boost local authority planning capacity; and find and support a Town Centre Champion. He explained when he gave evidence to the inquiry that the Task Force was an example of “upside down government [… allow[ing] the people close to the problem to go on and solve it for themselves”.\textsuperscript{329}

These aspirations reflected the evidence we received. For example, Mark Williams of the Hark Group told us that there needed to be:

Some form of central resource from Government that allows local authorities to tap into expertise that they need for specific areas and, once it is done, they do not need that resource again.\textsuperscript{330}

When we asked what form central support should take, Julian Dobson of Urban Pollinators said:

Face-to-face dialogue, meetings, discussions and visits are hugely important in terms of people’s learning and understanding about how to apply evidence, and that that is what is needed much more than the provision of another website, another compendium or another set of policy guidelines.\textsuperscript{331}

In addition, we note that Ojay McDonald of the Association of Town and City Management said that the Task Force needed to do more than simply “advis[e] the industry […] about what town centres should look like going forward […]”:

\textsuperscript{327} Q37
\textsuperscript{328} HM Treasury, \textit{Budget 2018: Our Plan for the High Street}, October 2018
\textsuperscript{329} Q569
\textsuperscript{330} Q155
\textsuperscript{331} Q162
They were talking about the need for town centres to find their USPs [at the turn of the century]. I do not think the creation of a taskforce to tell BIDs and town centre managers what they knew 20 years ago will go down particularly well.\footnote{Q229}

163. While we appreciate that plans for the Task Force are still being developed, we felt that the High Streets Minister’s answers to our questions did not match the aspirations of the Expert Panel or align with the type of support that we had heard was needed. Referring to it as a “national resource”, “a central knowledge base”, a “Wikipedia style open source repository of information”,\footnote{Q602} he appeared to be describing a web-based database, rather than the proactive body providing bespoke expert support that our witnesses thought was necessary. When we asked him how the Task Force differed from the Future High Streets Forum, a group of industry experts which meets regularly to advise the Government on the formation and delivery of high street policy, he said “there will certainly be a big difference in scale […] It is of course a national resource, rather than such a narrowly focused resource like the Future High Streets Forum”.\footnote{Q600} He also said, with regards to the Future High Streets Fund, that it was not “a Portas 2.0 that had lots of good ideas but not hundreds of millions of pounds behind it”.\footnote{Q603}

164. We recall that our predecessor committee considered a 2013–15 task force on the private rented sector, which we believe provides an instructive example of how the Future High Streets Task Force could operate.\footnote{Q600} Created by the Government on the recommendation in 2012 of Sir Adrian Montague, the task force acted as an “enabler”, providing expertise and support to stakeholders to overcome barriers to securing institutional investment in the private rented sector.\footnote{Q600} Its role was to be highly pro-active; not only did it work to develop better data and understanding of the financial barriers to investment, it brought together specialists with front line experience who identified potential new actors and investment opportunities and then helped bring them to fruition. Although it only existed for two years, as was the initial intention, in that time it brought about a step change in terms of investment in the private rented sector.

165. We welcome the creation of the Future High Streets Task Force but we have serious reservations about the scale of the Government’s ambition for it. It must be much more than a forum for discussion and avoid becoming a ‘talking shop’ and, in combination with the Future High Streets Fund, must provide real and tangible support directly to local areas on a much greater scale than the Portas pilots. While centrally collated data, best practice and case studies will certainly be needed, given the enormity of the challenge they face, there is a clear need for local areas to have access to proactive expert support.

\footnotetext{332}{Q229}
\footnotetext{333}{Q602}
\footnotetext{334}{Q600}
\footnotetext{335}{Q600}
\footnotetext{336}{Q603}
\footnotetext{337}{In February 2012, the Government announced that it would support 12 ‘Portas Pilots’ and 15 more were announced subsequently. Pilots received funding of up to £100,000; a contact point in government to provide advice and support on local business growth; support from retail industry leaders and access to sector experts; and opportunities to share experiences and lessons learned with fellow pilots.}
\footnotetext{338}{House of Commons Communities and Local Government Committee, First Report of Session 2013–14, The Private Rented Sector, HC 50}
\footnotetext{339}{DCLG, Review of the barriers to institutional investment in private rented homes, August 2012}
Believing the Private Rented Sector Task Force to be an instructive model to follow, we recommend that, in terms of its set up and operation, the Future High Streets Task Force should:

- Be staffed by experts with front line experience, including academics, planners, lawyers and developers;
- Second experts to provide direct support to local areas on all aspects of high street and town centre transformation, as well as providing advice and support in writing or over the phone;
- Collate data, good practice examples, case studies and guidance for local areas to access, but also proactively disseminate this information and advise local areas on how to interpret and apply it to their own circumstances;
- Provide help to local areas to attract private sector investment, including by maintaining a database of interested private sector developers and investors, facilitating meetings, and providing transactional support to local authorities once a deal has been reached;
- Help local areas to apply to the Future High Streets Fund, including developing a business case; and
- Provide advice and support to all stakeholders involved in high street and town centre transformation, including retailers and place management partnerships and Business Improvement Districts, and to all areas regardless of whether they have received funding from the Future High Streets Fund.

The Task Force should be equally wide-ranging in terms of its scope, providing support to local areas on the full range of issues pertaining to high streets and town centre transformation. Based on the evidence we received, we have identified some specific things that the Task Force should do:

- Second planners to local authority planning teams to provide extra resource for local areas developing their high street and town centre strategies and vision for the future, and executing compulsory purchase;
- Support independent retailers to develop an offer based more on individuality and ‘experience’, including, for example, how to use social media to promote their store and assess whether their opening hours should change to meet local needs;
- Help local authorities to collect data on parking and understand how their parking policies affect high street footfall;
- Provide financial advice to local authorities considering purchasing commercial property; and
- Provide access to training and support for place partnerships and to individuals who wish to establish such a partnership.
9 Conclusion

168. Without a crystal ball, we cannot predict what changes lie ahead. But, with online sales having nearly doubled in the last five years, it is almost certain that online shopping will continue to grow, all the while undermining physical retailers and our high streets and town centres.

169. However, we firmly believe that our high streets and town centres can have a better and more balanced future ahead of them. This will require a shift from the retail focused activities of high streets and town centres today to new uses and purposes which foster greater social interaction, community spirit and local identity and characteristics.

170. Achieving this will require significant structural change and concerted effort. But, with a properly planned strategic intervention led by the local authority, with the backing of local stakeholders and the wider community, we can redefine our high streets and town centres and make them sustainable and future proof.

171. We see the possibility of a bright future for our high streets and town centres if our recommendations are followed. The Future High Streets Fund and Future High Streets Task Force have the potential to kick-start transformation but are just a first step and must be accompanied by the more wide-reaching reforms that we have outlined in this report.

172. If action is not taken now we strongly believe that the future will see high streets and town centres with an increasing prevalence of empty shops, dereliction, deteriorating infrastructure and a loss of customers who will take their trade elsewhere. We are concerned that this will lead to some towns centres and high streets effectively closing down altogether, most likely disproportionately affecting people on lower incomes who have less opportunity to shop elsewhere. We therefore urge the Government, local government, retailers, landlords and the local community to act on our conclusions and recommendations now in order to save the high street and ensure its long-term sustainability for future generations to come.
Conclusions and recommendations

High streets and town centres today

1. We do not believe that the high street is dead but we do agree that a tipping point has been reached. An enormous change has taken place in retail. The traditional pattern of making purchases in physical stores, both in and out-of-town, has been profoundly disrupted by the growth of online shopping. High streets and town centres need urgently to adapt, transform and find a new focus in order to survive (Paragraph 17)

High streets and town centres in 2030

2. We are convinced that high streets and town centres will survive, and thrive, in 2030 if they adapt, becoming activity-based community gathering places where retail is a smaller part of a wider range of uses and activities. Green space, leisure, arts and culture and health and social care services must combine with housing to create a space that is the “intersection of human life and activity” based primarily on social interactions rather than financial transactions. Individual areas will need to identify the mix that best suits their specific characteristics, local strengths, culture and heritage. Fundamentally, community must be at the heart of all high streets and town centres in 2030. (Paragraph 38)

How we get there

3. Achieving the large-scale structural change needed for our high streets and town centres to survive will require an intervention led by the local authority, using all its powers and backed by cross-sector collaboration. However, given the financial pressure faced by local authorities, central government funding will be needed for this, as well as significant private sector investment. (Paragraph 54)

4. The Future High Streets Fund aims to kick-start this sort of intervention and, although the results have not yet been evaluated, based on the evidence we received, we believe it reflects the right approach. The requirement for bids to demonstrate local stakeholder support, strategic vision and, above all, transformative, structural change, as well as its focus on high streets and town centres that are facing the most significant challenges, are to be commended. We recommend that strong local leadership should be one of the key criteria by which bids are assessed. (Paragraph 55)

5. However, given the scale of the challenge and the fact that local authorities are unlikely to able to contribute much of their own resources to this work, a total of £675 million with a maximum grant of £25 million per applicant will inevitably mean that the vast majority of high streets and town centres will miss out on the funding they need to adapt for the future. Funding for the next round of the Fund needs therefore to be enhanced and we recommend that the Government considers using revenue generated from the reforms that we recommend to business taxation for this purpose. (Paragraph 56)
6. **Further, given that planning teams have been particularly affected by local authority spending reductions, we recommend that the funding is made available to resource the planning stages of the project which may require additional staff and expert help.** (Paragraph 57)

7. **Successful applicants should be supported by the Future High Streets Task Force in bringing their vision to fruition. We recommend that the Task Force takes on a more proactive, 'enabling' role than is currently envisaged and set this out in more detail in chapter eight.** (Paragraph 58)

8. **But the Future High Streets Fund is only one part of the solution. Local intervention, while essential, needs to be accompanied by further action by central government and at local level, as well as by retailers and landlords, to create the conditions for high streets and town centres to flourish in the future.** (Paragraph 59)

**Central government action**

9. **Business rates, a property tax in a digital world, as currently designed are increasingly outdated and far from ideal, and we heard many calls for complete review and reform of the system. We note that the Government undertook a fundamental review of the business rates system in 2015–16, concluding that business rates should remain. However, given the rapid changing retail environment, we welcome the Treasury Committee’s timely inquiry into the impact of business rates on businesses.** (Paragraph 72)

10. **Notwithstanding the forthcoming findings of the Treasury Committee’s inquiry and the Government’s response to it, we recommend that the complexity surrounding rate reliefs and the administrative burden they create for retailers should be addressed and the suggestion we received for an allowance, similar to an income tax allowance, should be considered.** (Paragraph 73)

11. **The burden of business rates falls unfairly. High street retailers are paying more than their fair share of tax, while online retailers are not contributing enough. We welcome the fact the Government has attempted to reduce the burden with rates discounts for retailers and the move from RPI to CPI but more needs to be done.** (Paragraph 74)

12. **The Government announced the introduction of a Digital Services Tax in April 2020 to address issues related to historic avoidance of corporation tax. However, this does not address the imbalance between online and high street retailers. The Government needs to go further and move faster to level the playing field between online and high street retailers. This is essential to securing the future of the high street and the retailers which will always be an important part of it.** (Paragraph 75)

13. **We believe that a change in the current tax system is needed to do this and recommend that the Government conducts an assessment of the main proposals that we received in evidence:**

- **Introducing a specific ratings methodology for the warehouses of online retailers which is based on turnover above a certain threshold;**
• Replacing business rates for retailers with a sales tax or an increase in VAT;
• Introducing an online sales tax that would supplement the existing business rates system; and
• ‘Green taxes’ on deliveries and packaging. (Paragraph 76)

14. In conducting this assessment, the Government should have particular regard to the connection between business rates and local areas and the Government’s wider devolution agenda. In addition, we note that each of these proposals would have the benefit of building on the existing business rates system, as opposed to requiring the wholesale reform of business taxation. We request that the Government reports to us with its findings by October 2019. (Paragraph 76)

15. We recommend that the Government explores how an online sales tax could be designed, including undertaking the full legal and factual analysis needed, to ensure compliance with State Aid rules. Whatever tax solution is found, it is imperative that it is implemented at speed to provide fast relief to high street retailers. (Paragraph 77)

16. We recommend that the revenue raised should be used to support the high streets in the following ways:

• A reduction in business rates for retailers in high streets and town centres, which would have the additional effect of balancing competition from out-of-town shopping centres;
• A 12-month holiday for high street retailers from rates increases which result from investments to improvements in property; and
• An increase in the funding available to local areas through the Future High Streets Fund. (Paragraph 78)

17. In due course, there may be a need for the Government to undertake a wider review of business rates and business taxation, which should consider complete alternatives to business rates. (Paragraph 79)

Planning

18. Planning is crucial to high street and town centre transformation. Given this, the Government should ensure that planning powers are fit-for-purpose, sufficiently responsive and up-to-date. To this end, we recommend that the Government undertake a comprehensive review of planning as it pertains to the high street, focusing in particular on the following elements: Compulsory purchase orders, the ‘town centre first’ policy, use classes and permitted development rights.

• Compulsory purchase is an essential tool for local authorities acquiring and assembling land as part of high street and town centre regeneration. However, the process is cumbersome, expensive and time-consuming, making it too slow to be of real use in a retail environment that is changing so rapidly. The review of
the Compulsory Purchase Order process promised by the Government is welcome, but we recommend the review begins immediately and focuses in particular on how the process could be speeded up.

• The ‘town centre first’ policy was first developed in the 1980s and is little changed since then. We recommend that the Government consider whether the policy should be updated to reflect better the non-retail uses, for example health, education and leisure services, that will become increasingly important in the future. Notwithstanding the outcome of the review, we believe that, where appropriate sites are available, public bodies should take the lead and locate health, education, leisure, administrative office and other services in town centres first.

• High street and town centre activities are becomingly increasingly diverse and it is therefore right for the Government to consider in its current consultation whether use classes need to be updated and made more flexible. However, we believe that the approach taken needs to be much bolder and we recommend a complete overhaul and rewrite of the Use Class Order, which dates from 1987, with the needs of the modern high street, and the need for flexibility and building a more coherent and sustainable mix of uses, in mind.

• We believe that permitted development rights (PDRs) risk undermining the strategic vision that a community has developed for its high street or town centre. While we understand that PDRs provide much needed housing—which we see as a key aspect of high street and town centre sustainability—a planned approach, with Local Plans identifying where housing should be situated, is far preferable.

• The Government should suspend any further extension of PDRs, pending an evaluation of their impact on the high street. Policies should reflect the wide variety of local circumstances. Councils should be actively encouraged to develop town centre masterplans and use their powers positively to renew their town centres. Where PDRs conflict with particular designations in the Local Plan or other established planning documents, councils should be given greater freedom to suspend PDRs in the affected area. As they currently operate, Article 4 Directions do not give councils adequate ability to remove PDRs quickly and without liability to pay developers compensation.

• We hope that the Government will take into account this report, the evidence we received and our recommendations in both its current planning reform consultation and the future review of the Compulsory Purchase Order process. (Paragraph 98)

Local action

19. Change is happening at a rapid rate in high streets and town centres and, as currently formulated, Local Plans cannot keep up. We note that if online sales continue to grow at their current rate, they could account for around 30% of all retail sales by 2030. A Local Plan created five years ago will therefore be completely out-of-date and, quite simply, useless. (Paragraph 106)
20. Local Plans, which we urge all local authorities to adopt, must be living documents, regularly updated to capture and reflect changing trends, and must be forward looking, anticipating what will happen in five years’ time. We recommend that they should also be supplemented with dynamic strategies covering specific high streets and town centres. In addition, we recommend that all local areas develop an overarching vision setting out the direction for the future of their high streets and town centres. Successful applicants to the Future High Streets Fund bids must have a bold, visionary strategy prepared in consultation with the community. (Paragraph 106)

21. Whatever form it takes, the strategy for the high street should be formed around local characteristics, strengths, culture and heritage and, most importantly, it should have the backing of the public, private and community sectors. In addition, local areas should develop their plans in consultation with the areas around them and consider how high streets and town centres can complement one other within a wider spatial hierarchy. (Paragraph 107)

22. Local authorities should consider the long-term benefits for their high streets and town centres of providing targeted support to local traders with business rates discounts and other schemes. We were particularly impressed with Stockton’s Enterprise Arcade which supports fledging retail businesses with a view to them diversifying town centre retail once established. We believe that a similar scheme could be successful in many towns. However, we recognise that for many local authorities such spending may not be a priority given the financial pressures under which they are operating and the necessity of prioritising statutory services. (Paragraph 111)

23. We agree with the MHCLG Minister that some free parking is bound to have a positive effect on high street footfall. It would also enable towns to compete more effectively with out-of-town retail centres. However, parking is very place specific, depending also on the public transport available. We believe that local authorities should test the impact of different levels of parking charges on footfall and collect data, as well as consulting with local businesses, to understand which interventions will be most effective for that particular place. (Paragraph 114)

24. Wide community collaboration is essential to high street and town centre regeneration and, in many local areas, place partnerships will be a key vehicle for this. We are concerned that a truly collective vision will be hard to achieve in areas where they do not exist. While we welcome the recently announced 11th tranche of the Business Improvement District (BID) Loan Fund which could have an important role in enabling BIDs to develop in new locations, we believe the Government should take further steps to encourage wider coverage of place partnerships. To start with, we recommend that the Government creates a register of BIDs and undertakes a census of place partnerships to identify areas without one in place. The Future High Streets Task Force should then play a role in helping areas to establish such a structure. (Paragraph 122)

25. In addition, we recommend that the Task Force facilitates the creation of a local authority-wide network of BIDs and encourages them to share resources, knowledge and expertise with each other. Particular effort should be made to encourage well-funded BIDs to share resources with less well-funded BIDs nearby. (Paragraph 123)
26. We were attracted by the idea that BIDs should be replaced with community improvement districts but recognise that legislative changes might be needed to implement this. We encourage the Government to consider how this might be done and, in the interim, recommend the appointment of community representatives to BID panels in order to encourage a wider, more balanced approach in their work. (Paragraph 124)

27. The closure of a shop, particularly a long-established ‘anchor’ store, can be crushing for the community and blight the wider high street or town in which it is situated. Such effects are particularly stark in smaller towns where large chains often decide to make closures first. We believe that such smaller towns, which lose stores to neighbouring large towns, cities and out-of-town retail parks, are particularly affected yet less well placed to respond in terms of their resources, capacity and their ability to attract redevelopment. (Paragraph 132)

28. Retailers clearly need the flexibility to respond to the significant changes in the industry by closing and restructuring stores and, from what we heard, these decisions are never taken lightly. While a focus on redeploying staff is absolutely correct, we encourage retailers to consider that their corporate social responsibility extends beyond this to helping to find a future for the empty property they have left behind. (Paragraph 133)

29. We believe that retailers considering closing a large long-established ‘anchor’ store should contact the local authority as soon as possible and explore with them, the landlord and the Business Improvement District or place management partnership whether a creative solution can be found for its future. This might include finding a new use for the empty property or putting together a plan to save the store which might require reducing its size or converting it partly to residential accommodation. (Paragraph 134)

30. Retail will always be a part of high streets and town centres in the future. But to remain competitive, attract custom and add to the vibrancy of a place, we encourage retailers to consider how they could update their practices. (Paragraph 144)

31. Retailers should make an asset of their physical retail space and their staff by creating opportunities to interact with customers that cannot be found online. In addition to being well-stocked with interesting products, this could include providing personal shopping services, advice and consultations, using social media and investing in staff training and the store itself. Of course, we recognise that this is only possible if retailers have some headroom to invest which is why we have recommended that business rates for high street retailers be reduced. (Paragraph 145)

32. In many places, store opening hours do not reflect the fact that many people need and want to be able to shop at the end of the day after they have left work. If they cannot shop on the high street at their convenience, they will shop online or at an out-of-town retail centre instead. Retailers should conduct research with shoppers to find out whether their opening hours are meeting people’s needs and adjust them in accordance with the results on a local, shop-by-shop basis. (Paragraph 146)
33. In addition, we encourage more retailers to offer and host click and collect, providing their customers with convenience while supporting high streets and town centres through increased footfall. *We were attracted to the idea of turning empty shops into an ‘inventory hubs’ where people could collect parcels at their convenience and we encourage local stakeholders looking for new uses for such properties to consider whether this might be appropriate for their local area.* (Paragraph 147)

**Empty properties**

34. The reasons why some high street properties remain empty for extended periods of time appear to be complex. This is an issue which merits further investigation. *We recommend that the Government commission research into why some high street properties remain vacant for long periods of time or have rapid turnover of occupants while some are refilled quite quickly. This should include an assessment of the impact of empty property rates and exploration of other measures which would encourage landlords to find new tenants, such as retail reoccupation relief. The Government should report its findings to us by October 2019.*

**Landlords**

35. Landlords are often the least visible stakeholders in high streets and town centres but are among the most important. While there are many active and engaged landlords who take an interest in their tenants’ businesses and are involved in high street and town centre transformation, there are equally many who do not. *We encourage all landlords to recognise that the retail property market has changed and to take an active approach, providing their tenants with good quality properties on a flexible basis and investing in and reconfiguring properties for new uses. Further, we encourage them to fully engage in local partnerships working on high street and town centre transformation and to consider the potential for further investment to help bring plans to fruition.* (Paragraph 156)

36. *We recommend that, in the next twelve months, the Government task the Law Commission with reviewing the Landlord and Tenant Act 1954, Part II, assessing in particular whether the law as it currently stands is impeding the emergence of a landlord tenant relationship which is more appropriate for the current retail environment.* (Paragraph 157)

37. Many retailers are burdened by high rents which, in addition to business rates, are causing them significant financial distress. Upwards-only rent review clauses in long leases have artificially increased rents to a level that no longer reflects commercial reality. *We recommend that, given the change in the retail sector, the Government should consult again (as it did in 2004) on outlawing the use of upwards-only rent reviews. While new leases are likely to reflect the current market better, it is important that consideration is given to whether the practice should be curtailed. In the meantime, we recommend that the Government sets up a conciliation service, similar to that provided by ACAS, to facilitate negotiations between retailers in financial distress and landlords who are proving reluctant to engage in discussions or compromise on reducing rent.* (Paragraph 158)
38. We heard competing evidence from both retailers and landlords about the use of Company Voluntary Arrangements (CVA) and the CVA process. While we were not able to delve deeply into the issue during the course of this inquiry, we believe that it warrants further consideration by the Government. We ask the Government to provide us with its assessment of the effect CVAs are having on the high street and any consequential reforms that may be necessary. (Paragraph 159)

39. The Government’s announcement that property-owner Business Improvement Districts would be legislated for in the Local Government Finance Bill, which fell as a result of the 2017 general election, was met with enthusiasm. Such a body could play an important role in bringing landlords into local discussions about high street and town centre transformation. We recommend that the Government revives the legislation relevant to this at the earliest opportunity. (Paragraph 160)

The Future High Streets Task Force

40. We welcome the creation of the Future High Streets Task Force but we have serious reservations about the scale of the Government’s ambition for it. It must be much more than a forum for discussion and avoid becoming a ‘talking shop’ and, in combination with the Future High Streets Fund, must provide real and tangible support directly to local areas on a much greater scale than the Portas pilots. While centrally collated data, best practice and case studies will certainly be needed, given the enormity of the challenge they face, there is a clear need for local areas to have access to proactive expert support. (Paragraph 165)

41. Believing the Private Rented Sector Task Force to be an instructive model to follow, we recommend that, in terms of its set up and operation, the Future High Streets Task Force should:

• Be staffed by experts with front line experience, including academics, planners, lawyers and developers;

• Second experts to provide direct support to local areas on all aspects of high street and town centre transformation, as well as providing advice and support in writing or over the phone;

• Collate data, good practice examples, case studies and guidance for local areas to access, but also proactively disseminate this information and advise local areas on how to interpret and apply it to their own circumstances;

• Provide help to local areas to attract private sector investment, including by maintaining a database of interested private sector developers and investors, facilitating meetings, and providing transactional support to local authorities once a deal has been reached;

• Help local areas to apply to the Future High Streets Fund, including developing a business case; and
- Provide advice and support to all stakeholders involved in high street and town centre transformation, including retailers and place management partnerships and Business Improvement Districts, and to all areas regardless of whether they have received funding from the Future High Streets Fund. (Paragraph 166)

42. The Task Force should be equally wide-ranging in terms of its scope, providing support to local areas on the full range of issues pertaining to high streets and town centre transformation. Based on the evidence we received, we have identified some specific things that the Task Force should do:

- Second planners to local authority planning teams to provide extra resource for local areas developing their high street and town centre strategies and vision for the future, and executing compulsory purchase;
- Support independent retailers to develop an offer based more on individuality and ‘experience,’ including, for example, how to use social media to promote their store and assess whether their opening hours should change to meet local needs;
- Help local authorities to collect data on parking and understand how their parking policies affect high street footfall;
- Provide financial advice to local authorities considering purchasing commercial property; and
- Provide access to training and support for place partnerships and to individuals who wish to establish such a partnership. (Paragraph 166)

Conclusion

43. Without a crystal ball, we cannot predict what changes lie ahead. But, with online sales having nearly doubled in the last five years, it is almost certain that online shopping will continue to grow, all the while undermining physical retailers and our high streets and town centres. (Paragraph 168)

44. However, we firmly believe that our high streets and town centres can have a better and more balanced future ahead of them. This will require a shift from the retail focused activities of high streets and town centres today to new uses and purposes which foster greater social interaction, community spirit and local identity and characteristics. (Paragraph 169)

45. Achieving this will require significant structural change and concerted effort. But, with a properly planned strategic intervention led by the local authority, with the backing of local stakeholders and the wider community, we can redefine our high streets and town centres and make them sustainable and future proof. (Paragraph 170)

46. We see the possibility of a bright future for our high streets and town centres if our recommendations are followed. The Future High Streets Fund and Future High Streets Task Force have the potential to kick-start transformation but are just a first step and must be accompanied by the more wide-reaching reforms that we have outlined in this report. (Paragraph 171)
47. If action is not taken now we strongly believe that the future will see high streets and town centres with an increasing prevalence of empty shops, dereliction, deteriorating infrastructure and a loss of customers who will take their trade elsewhere. We are concerned that this will lead to some towns centres and high streets effectively closing down altogether, most likely disproportionately affecting people on lower incomes who have less opportunity to shop elsewhere. We therefore urge the Government, local government, retailers, landlords and the local community to act on our conclusions and recommendations now in order to save the high street and ensure its long-term sustainability for future generations to come. (Paragraph 172)
Formal minutes

Wednesday 13 February 2019

Members present:
Mr Clive Betts, in the Chair
Bob Blackman
Mr Tanmanjeet Singh Dhesi
Helen Hayes
Kevin Hollinrake
Andrew Lewer
Mr Mark Prisk
Mary Robinson
Liz Twist

Draft Report (High streets and town centres in 2030) proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 172 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Eleventh Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Monday 25 February at 3.30 p.m.]
Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee’s website.

Monday 10 September 2018

Professor Cathy Parker, Professor of Marketing and Retail Enterprise, Manchester Metropolitan University, Chair, Institute of Place Management, William Grimsey, Chairman, The Grimsey Review and The Grimsey Review 2, and Dr Andres Coca-Stefaniak, Associate Professor, Department of Marketing, Events and Tourism, University of Greenwich

Monday 22 October 2018

Edward Cooke, Chief Executive, REVO, Mark Williams, Director, Hark Group, Roddy Bushell, Estate Director, Fitzwilliam Malton Estate, and Dominic Williams, Director, Hewdon Consulting

Harry Burchill, Planning Policy Officer, Royal Town Planning Institute, Craig Rowbottom, Development and Planning Manager North West, Birmingham City Council, and Dr Julian Dobson, Director, Urban Pollinators

Monday 12 November 2018

Peter Geraghty, Chair of the Planning, Housing and Regeneration Board, ADEPT, Richard Roe, Corporate Director of Place, Trafford Council, and Liz Philpot, Growth Programmes and Policy Manager, East Riding of Yorkshire Council

Ojay McDonald, Chief Executive, Association of Town and City Management, Christina Rowe, Director of Operations, Bedford BID, and Jonathan Newman, Town Centre Manager, Great Yarmouth Town Centre Partnership

Monday 3 December 2018

Mike Ashley, Chief Executive, Sports Direct Group
Tony Ginty, Head of Public Affairs, Marks and Spencer, Richard Collyer, Chief Financial Officer, New Look and Martin Foster, Managing Director, Lakeland Leathers Limited  

Maria Horn, Chief Operating Officer, Nando’s and Simon Emeny, Chief Executive, Fuller’s  

Monday 17 December 2018

Lesley Smith, Director Public Policy, UK & Ireland, Amazon UK, Andy Mulcahy, Strategy and Insight Director, IMRG, Julie Howkins, eCommerce Development Manager, Hive.co.uk, and Clayton Hirst, Group Head of Corporate Affairs, John Lewis Partnership

Katharine Wynne, Director of Investor Relations, Debenhams, Kevin Frost, UK Property Director, Cineworld, and Tim Richards, Founder and Chief Executive Officer, Vue International

Wednesday 19 December 2018

The Rt Hon Mel Stride MP, Financial Secretary to the Treasury, and Mike Williams, Director of Business and International Tax, HM Treasury

Tuesday 8 January 2019

Sir John Timpson, Chair, Expert Advisory Panel on High Streets

Jake Berry MP, Parliamentary Under-Secretary of State for the Northern Powerhouse and Local Growth, Ministry of Housing, Communities and Local Government
Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee’s website.

HST numbers are generated by the evidence processing system and so may not be complete.

1. Abbotts DIY (HST0006)
2. ADEPT (HST0057)
3. Amble Coastal Community Team (HST0015)
4. Arun Estate Agencies Limited (HST0076)
5. Association of Convenience Stores (HST0039)
6. Association of Directors of Public Health (HST0067)
7. Association of Town & City Management (HST0060)
8. Bacta (HST0045)
9. Becker, Mrs Penelope (HST0048)
10. BeemCar Ltd (HST0079)
11. bira (HST0036)
12. Boddington, Councillor Andy (HST0062)
13. The Booksellers Association (HST0028)
14. British Beer and Pub Association (HST0007)
15. British BIDs (HST0050)
16. British Property Federation (HST0059)
17. British Retail Consortium (HST0029)
18. Brown, Mr Paul (HST0001)
20. Buy Rent Commercial (HST0084)
21. Calimport, Dr Stuart (HST0082)
22. Calimport, Dr Stuart (HST0083)
23. Cambridgeshire and Peterborough Combined Authority (HST0066)
24. Carmona, Professor Matthew (HST0086)
25. Centre for Cities (HST0021)
26. Charity Retail Association (HST0018)
27. Child, James (HST0080)
28. Churchill Retirement PLC (HST0078)
29. Citizens Advice (HST0032)
30. Coca-Stefaniak, Dr Andres (HST0008)
31. Cornwall Council (HST0073)
32. East Riding of Yorkshire Council (HST0077)
33. Farnham Place Group (HST0047)
34 The Federation of Small Businesses (HST0063)
35 Future High Streets (HST0011)
36 GFirst LEP (HST0019)
37 Greater London Authority/Mayor of London (HST0053)
38 Griffiths, Matthew (HST0017)
39 Grimsey Review 2 (HST0026)
40 Haggar, Mr Philip (HST0002)
41 Hair Council (HST0070)
42 Hallsworth, Professor emeritus Alan (HST0005)
43 Hallsworth, Univ Portsmouth Alan (HST0014)
44 Heartflood Ltd (HST0013)
45 Hedley, Susan (HST0035)
46 Hewitt, Mrs Jane (HST0003)
47 Howlett, Neil (HST0034)
48 Institute of Place Management (HST0061)
49 itim Limited (HST0040)
50 Leeds City Council (HST0074)
51 Lesniak, David (HST0042)
52 Local Government Association (HST0056)
53 London Councils (HST0071)
54 Love Wimbledon BID (HST0038)
55 Marketplace Sellers Association (HST0089)
56 Maybe* (HST0041)
57 Meaney, Mr Joseph (HST0004)
58 MHCLG (HST0072)
59 National Business Crime Solution (NBCS) (HST0043)
60 National Hairdressers’ Federation (HST0031)
61 National Pharmacy Association (HST0081)
62 New West End Company (HST0033)
63 Newcastle-under-lyme BID Ltd (HST0064)
64 NewRiver (HST0087)
65 NFRN (HST0052)
66 NMTF Ltd (HST0020)
67 Post Office (HST0044)
68 R3intelligence (HST0090)
69 Retailers Against VAT Abuse Schems (RAVAS) (HST0069)
70 Revo (HST0065)
71 Royal Society for Public Health (HST0024)
Royal Town Planning Instution (HST0046)
SaveTheHighStreet.org (HST0058)
Savills (HST0025)
Sidmouth Chamber of Commerce (HST0010)
Square (HST0055)
Sunderland City Council (HST0027)
Ten-Holter, Mr Louis (HST0023)
Test Valley Borough Council (HST0016)
Thame Town Council (HST0037)
Tribes Research Ltd (HST0012)
UKHospitality (HST0075)
Urban Pollinators Ltd (HST0022)
Wandsworth Green Party (HST0049)
Westminster City Council (HST0085)
Wiltshire Council (HST0054)
## List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee’s website. The reference number of the Government’s response to each Report is printed in brackets after the HC printing number.

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