Driving local economic growth through high streets

All levels of government are interested in the economic prosperity and social effectiveness of local town centres, yet despite this, a number of challenges remain. The 2013 Autumn Statement saw a number of announcements that will have an impact on town centres. This briefing sets out the challenges facing town centres, analyses the existing and new interventions and considers the impact these changes might have.

Overview

Town centres face on-going challenges:

- **Lack of local controls.** To date, the government has not provided boroughs with the tools they need to shape the nature of their town centres. For example, boroughs do not have adequate tools to control betting shops clustering on their high streets.
- **Accessibility.** With population increase predicted in London, it is vital that town centres remain accessible and well-designed. A poorly designed public realm and a lack of adequate infrastructure can deter both consumers and investors.
- **Fewer customers and more overheads.** Consumption patterns suggest a move away from the traditional high street and towards other types of commerce. This, combined with heavier indebtedness and tighter lending conditions, has meant that businesses have higher costs and fewer customers.
- **Vacant units.** Empty shops 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 streets, keep consumers from visiting and contribute to a general sense of decline and neglect.
- **The evolving town centre.** Town centres are increasingly expected to be experiential. Boroughs are growing their expertise in developing this type of experience for consumers but with local budgets coming under pressure, non-statutory services such as economic development and culture are being squeezed.
- **Fragmentation.** Some boroughs have seen a reduction in capacity that has led to a withdrawal of town centre management. This is potentially problematic as there is growing evidence that actively managed centres perform better than those that are not managed at all. In addition, the fragmented ownership of town centres can make it hard for strategic development to take place.
- **Lack of funding.** Although boroughs have a number of funding tools that, on paper, allow them to provide support for their town centres, these interventions come at a cost which boroughs will find increasingly hard to meet.

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There are a number of existing policy and practical interventions at the national and regional level targeted at town centres. The analysis section provides an overview of these.

Moreover, recent planning policy decisions could be detrimental to high streets. Planning policy which makes conversion from business premises (B use classes) to residential (C3) possible without permitted development may put pressure on affordable business space and drive up rents on the high street. The government's decision not to grant exemptions to those boroughs that applied for them undermines local democratic decision making and local need.

In addition, boroughs do not have the planning powers to control the spread of betting shops, 'cash for gold' shops and pawnbrokers, protect local pubs or regulate the over-proliferation of cafes and restaurants, or the powers they need to harmonise transport controls and control upgrading work, which can be detrimental to the local economic health of high streets.

Analysis

Central, regional and local government have all been involved in policy reviews and providing funding and support to try and encourage thriving town centres. The next section outlines some of the key policy reviews and funding streams that aim to support town centres. Of particular note are the Portas Review (and subsequent initiatives), regeneration funding from the Greater London Authority (GLA) and governmental changes to permitted development rights allowing office to residential conversion.

Timeline of town tentre interventions: 2011 – Dec 2013

- 2011: Whitehall planning guidance to allow councils to attract shoppers by setting competitive parking charges and provide more parking spaces in town centres is scrapped.
- 2011: The Portas Review – an independent review into the future of the high street - is launched.
- December 2011: The Department for Business Innovation and Skills' report, 'Understanding High Street Performance' is launched.
- 2012: Portas Pilots begin – 27 in total, 3 funded by the GLA for London projects.
- 2012: Town Team Partners and Portas Plus Packages are implemented.
- 2012: A National Markets Day and National Markets Fortnight begins.
- 2012: The GLA identifies a number of town centres in the London Plan as Intensification Areas where the GLA will provide proactive leadership for regeneration.
- March 2012: The Department for Communities and Local Government (DCLG) announces the High Street Innovation Fund (£10 million)
- 2013 (on-going): The GLA provides £221 million in regeneration funding to support high streets and small businesses, including the Outer London Fund, London Enterprise Fund, Mayor's Regeneration Fund and Growing Places Fund. Many of these projects are designed and delivered by local government.
- Summer 2012: The London Assembly investigates vacant shops and launches its 'Open for Business' report.
- November 2012: The Outer London Commission is established by the Mayor of London to advise how Outer London can play its full part in the city's economic success. Much of this work considers the role of town centres.
- March 2013: DCLG launches the Future High Streets Forum.
- May 2013: DCLG announces the High Street Renewal Award winners (Herne Hill in London is named).
- May 2013: Permitted development rights allow offices to convert into residential units without express planning permission. Despite applying for them most London boroughs are not granted exemptions.
- September 2013: The Grimsey Review: An Alternative Future for the High Street is released.

Town centre interventions announced December 2013

The Autumn Statement announced the following:

- a £1,000 discount in 2014 to 2015 and 2015 to 2016 for retail premises with a rateable value of up to £50,000 - including shops, pubs, cafes, and restaurants
- a cap on the Retail Price Index (RPI) increase in bills to two per cent in 2014 to 2015. Businesses were expecting a 3.2 % rise
- an extension in the doubling of the Small Business Rates Relief to April 2015
- a reoccupation relief for 18 months with a 50 per cent discount for new occupants of retail premises empty for a year or more
- businesses to be allowed to pay their bills over 12 months (rather than 10), which will help every firm with their cash-flow.

- Alongside these financial changes, the government announced an £8 million competition, run by the Technology Strategy Board, to support business-led digital town centres. This will be complemented by £4.7 million research funding focussing on e-commerce and digital high street innovation'.

DCLG also announced a consultation which recommends new measures to promote 'common sense rules on parking'. To that end, the government proposes to:

- freeze all parking penalty charges from today until the remainder of this parliament, with immediate effect
- stop CCTV being used for on-street parking enforcement
- introduce a right for communities and businesses to require authorities to review their parking strategies, including the level of parking charges, location of yellow lines
- legislate to allow 'grace periods' before penalties are issued for minor contraventions
- allow the parking adjudicator power to grant appeals where councils have not followed guidance, and highlighting that adjudicators can award costs where appeals are won
- remove disincentives for appeals, by allowing a 25 per cent discount for prompt payment after the appeal if the fine is still payable
- update parking enforcement guidance to advocate a less heavy-handed approach to parking enforcement (including for medical staff on emergencies).

Business Improvement Districts (BIDs)

- in his manifesto, the Mayor committed to supporting up to 50 BIDs in the capital and as a result, the London BIDs steering group was established
- in December, the group announced it was launching its grant programme to support the set-up of new BIDs - each potential new BID can receive up to £30,000
- DCLG also announced its loan programme intended to support new BIDs.

Commentary

The support the Autumn Statement offers small businesses by capping the RPI increase in bills, extending Small Business Rate Relief and offering a business rate discount for small properties is welcome. Boroughs will be pleased to hear that a separate Section 31 grant will be established to ensure these discounts and caps will not impact on the overall level of funding for local government. The reoccupation relief for new occupants of retail premises empty for a year or more could be a helpful tool to help reanimate previously long term vacant units. However boroughs will need to monitor these openings to ensure no one type of business is taking advantage of the discount. Retail mix is a critical part of a thriving high street.

There are concerns that the government's parking consultation does little to tackle the major challenges to local economic growth and focusses instead on instigating unnecessary and bureaucratic additional red tape that boroughs will become responsible for administering. There is no doubt that in London, boroughs need to balance the requirements of consumers who drive to their town centres with those who chose other forms of transport such as public transport, walking or cycling.

This will remain an on-going challenge for local decision makers. However the focus on local government parking policies masks some of the other salient challenges high streets are facing, especially in London, where customers using public rather than private transport tend to spend more in their local town centres.

A London Councils report in 2012 found that:

- in 2011, in London town centres, walkers spent £147 more per month than those travelling by car
- compared with 2004, spending by public transport users and walkers has risen; spending by car users and cyclists has decreased
- shopkeepers consistently overestimate the share of their customers coming by car and in some cases, this is by a factor of as much as 400 per cent.

The government should consider devolving greater powers to local government to enable them to develop local centres in a way that meets the needs and priorities of their residents. A full range of recommendations are set out in London Councils' 'Streets Ahead' report.

Finally, in relation to BIDs, DCLG has provided support for Town Teams and the Mayor's support for BIDs was stated in his 2012 Manifesto. This support is welcome. However BIDs may not always be the best form of management support for town centre businesses. Other centres will have successful traders associations or local authority town centre managers which will suit local needs better. Funding streams and support for different types of management should take this into account and also recognise that many would not exist without local government input. Boroughs require resources to continue supporting the set-up of town centre partnerships. Equal access to support should be given to boroughs with different town centre management models, not exclusively for those deemed to be appropriate by central or regional government.

Author: Jane Harrison, Principal Project and Policy Officer (T: 020 7934 9639)
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Links:

Streets Ahead: Putting high streets at the heart of growth

Technology Strategy Board - competition

This member briefing has been circulated to:

Portfolio holders and those members who requested policy briefings in the following categories: Economic Development; Local Government Finance