

Streets Ahead?

Putting high streets at the heart of
local economic growth



contents

01. Executive summary	3
Summary of recommendations	6
02. Introduction	7
03. High streets and town centres matter	8
04. London's high streets are facing significant challenges	10
05. Existing policy interventions do not go far enough	13
06. Why powers and resources need to be localised	15
07. Policy recommendations	16
Plan for growth	16
Implement locally determined public realm and infrastructure projects	19
Co-design integrated local transport systems	20
Support high street businesses	22
Make use of vacant shops and development sites	26
Move beyond retail	27
Develop growth focussed funding interventions	28
08. Conclusions	30
Appendix	32

executive summary

With more than half of London's jobs, three quarters of developable brownfield land and large strategic housing sites in close proximity, London's 200 high streets are vital for local economic growth. But, despite their potential to derive economic benefits for local communities and London, our high streets are facing a number of challenges that, if left unaddressed, will inhibit their growth.

Many of the challenges town centres are facing are caused by changes in consumption patterns and what people want from their high streets. This has been exacerbated by local places not having the relevant powers and tools to respond and improve the 'offer' available for local residents. Ease, choice and experience are cited as some of the core components missing from high streets¹. Without the tools which enable local responsiveness to deal with the impact of these changes, it is likely high streets will continue to struggle. Some existing policy responses have attempted to tackle these issues, but they do not go far enough.

One of the defining features of local town centres is that they are all diverse and a variety of solutions are needed to meet the challenges created by this diversity; this is why power needs to be given to local government to design responsive and locally meaningful interventions. The economic success of London's various local centres and high streets will be reliant on different factors in different locations. This makes creating an all-encompassing policy response to the challenges being faced by high streets difficult to achieve. However, providing boroughs and local stakeholders with the tools they require to respond to the differing circumstances of their local town centres will bring about positive outcomes for the capital.

Although our high streets are each unique in their own way, they face a number of common challenges related to changing consumption patterns and the requirements of local residents:

- **Accessibility** - The quality of public realm and ease of access play a vital role in determining people's desire to visit and spend on their local high street. Data from Experian suggests that 73 per cent of town centres in London will experience high population growth; boroughs have to ensure the public realm capitalises on the potential economic benefits of this growth by providing the physical environment which encourages people into town centres.
- **Fewer customers, higher overheads** - Higher overheads, heavier indebtedness and tighter lending conditions combined with consumers not choosing to spend what they do have on their high streets will keep town centre spending more muted than in the previous two decades. As well as a reduction in customer demand, businesses are also facing increasing overheads due to high rents and 'upward only' rent clauses.
- **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'², 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.

1 Bacon, J. (2013). 'Rebooting Britain's high streets'. *Marketing Week*. [Online] Available at: <http://www.marketingweek.co.uk/trends/rebooting-britains-high-streets/4006739.article>

2 London Assembly, (2012) Written submission from British Retail Consortium to 'Open for Business'. Available at: http://www.london.gov.uk/sites/default/files/FINAL_Economy%20Committee_empty%20shops%20report.pdf

- **Fragmentation** - Both the ownership and governance of town centres have become fragmented. Boroughs need powers and resources to remain a central and accountable voice in the new mix of high street management to ensure they provide a co-ordinated and relevant offer to shoppers.
- **The evolving town centre** - Town centres are expected to be experiential, offering leisure, culture and service-based activities. As a result they increasingly need to be curated and local plans need to consider how they will meet this need in the future. Boroughs are increasing their expertise in this area, but with local budgets coming under increasing pressure, services such as economic development and culture are being squeezed.
- **Lack of funding** - Between October 2010 and 2014/15, funding for local government will have reduced by £9.6 billion, or 35 per cent. Although boroughs have a number of funding tools, which on paper allow them to provide support for their town centres, these interventions come at a cost which boroughs will find increasingly hard to bear.

Local areas' attempts to tackle these challenges have been hindered by a 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 in line with local priorities and opportunities, such as adequate planning tools, or control over transport infrastructure resources.

There are a number of existing policy and practical interventions at the national and regional level which have been targeted at town centres, which, while welcome, either do not go far enough or fail to tackle the underlying reasons for decline – the wrong offer, without the right local powers to correct it (see table 3 for a full list).

Further to this there are also a number of other policy interventions which, while not aimed directly at town centres themselves, are likely to have unintended negative consequences on their development (for example office to residential conversions), combined with others which have not been implemented despite their benefit to local economic growth.

This is why it is critical that the recommendations in this report are acted upon. Giving local government the powers they need to actively support and encourage economic growth in their high streets and town centres will offer demonstrable benefits to local economic growth, local communities and London's economy.

We are calling for the following recommendations to be implemented:

Plan for growth:

- Department for Communities and Local Government (DCLG) should make changes to the Use Class Order (UCO) system that will encourage balanced economies.
- DCLG should simplify and bolster existing local planning tools for high streets to allow local discretion in the planning system and create places local people want to visit.

Implement locally determined public realm and infrastructure projects:

- The Mayor should work with London Councils and the boroughs to ensure that publicly held land is developed to meet local and regional priorities.
- The GLA group (Mayor's Office for Policing and Crime (MOPAC), Transport for London (TfL) and Greater London Authority) should consider new approaches to joint working with boroughs on public realm improvements to ensure a strategic vision and avoid fragmentation of provision.

Co-design integrated local transport systems and where appropriate devolve some functions to boroughs:

- Boroughs need greater power to harmonise transport controls, for example over parking management and enforcement, bus stops and routes on TfL roads to ensure the best balance between smoothing traffic flow and keeping vitality in shopping parades.
- The impact of upgrades on high street businesses should be limited, by TfL, through better consultation with boroughs and local businesses.

Support high street businesses:

- The Mayor should explore a new London-wide service, delivered in a locally meaningful way, which coordinates existing business support and provides advice and mediation support for small businesses seeking to negotiate new lease terms with landlords.
- Regional and national government should provide equal support for different town centre management models and boroughs should be included/consulted before any funding is provided for their development.

Make use of vacant shops and development sites:

- The government should promote the use of lighter, quicker and cheaper (LQC) access for prospective tenants to landlords with long term vacant shops.

Move beyond retail:

- Where appropriate new cultural/civic programmes from the GLA, Arts Council England (ACE) and boroughs should be encouraged to take place with a town centre focus and businesses should be supported to capitalise on new opportunities.

Develop growth focussed funding interventions:

- The GLA should consider an 'invest to save' funding model around creating affordable spaces for high street business.
- The Local Government Finance Act should make closer links between economic development work undertaken by boroughs and the retention of business rates.
- Businesses should be expected to meet local regenerative outcomes in return for financial support.

London local government must be given more powers and the corresponding resources to plan for long term growth in their local high streets. Without this, high streets will struggle to offer what people want and the challenges that have been hindering the growth of local retail centres since before the recession will continue to damage their viability and economic potential.

Table 1: Summary of Recommendations

For	Recommendation
DCLG	Make changes to the Use Class Order (UCO) system which empowers local communities
London Councils & DCLG	Simplify and bolster existing local planning tools for high streets
GLA	Work with London Councils and the boroughs to ensure that publicly held land is developed to meet local and regional priorities
GLA and boroughs	The GLA group should consider new approaches to joint working with boroughs on public realm improvements
TfL	Boroughs need greater power to harmonise transport controls and ensure the best balance between smoothing traffic flow and keeping vitality in shopping parades
TfL	The impact of upgrades on high street businesses should be limited by TfL providing better consultation with boroughs and businesses
GLA	The Mayor should explore a new London-wide service, delivered in a locally meaningful way, which provides advice and mediation support for small businesses seeking to negotiate new lease terms with landlords and better co-ordinates existing business support advice
GLA, DCLG	Regional and national government should provide equal support for different town centre management models and boroughs should be included in the process before any funding is provided
DCLG, Department for Business, Innovation and Skills (BIS)	The government should promote the use of LQC access for prospective tenants to landlords with long term vacant shops.
Boroughs & GLA	Where appropriate new cultural/civic programmes from the GLA, ACE and boroughs should be encouraged to take place with a town centre focus and businesses should be supported to capitalise on new opportunities
GLA	The GLA should consider an 'invest to save' funding model around creating affordable spaces for high street business
DCLG	The Local Government Finance Act should make closer links between economic development work undertaken by boroughs and the retention of business rates
High street businesses	Businesses should be expected to meet local regenerative outcomes in return for financial support

introduction

Calls to 'let the British high street die' have come from a number of experts in the retail and business sector³. Their argument is that many shopping streets are irrelevant to the needs of the consumer. Indeed trends show that alternative forms of consumption are occupying sales space previously held by high street retailers. This is not only due to the recession. As a recent Experian report states: 'It would be wrong to depict the decline of town centres as simply the unfortunate consequence of recessionary times. The difficult economy has merely exacerbated a problem which has been long in the making⁴'.

And yet the subject of the high street remains firmly on the agenda. While nostalgia might form some of the argument for the support and retention of our high streets, there are bigger issues at stake. As generators of employment, a cluster for businesses to trade and a site for different groups in society to meet and mix, high streets are geographically, economically and socially important - and policy interventions should be designed to support them.

Many of these policy interventions should provide local government with greater controls and resources to tackle the problems facing high streets. As argued by Experian: 'Every place is different, characterised by a unique set of social, economic, physical, and historical circumstances, which make it what it is. With this in mind, a 'one size fits all' approach to town centre revitalisation cannot possibly work⁵'. This report argues that a local response, either delivered or co-ordinated by local government, can provide the strategic and coherent approach needed to develop resilient high streets now and into the future. From planning and infrastructure, to business support and diversification, local government is the key agency that can co-ordinate the holistic support needed to drive local economic growth through high streets and town centres.

This report provides 13 recommendations to place boroughs at the centre of local economic development in their high streets and town centres.

3 Johal, H. (2012) 'Time to let the British high street die'. *Financial Times* [Online]. Available at: <http://www.ft.com/cms/s/0/fec9cd1e-51a3-11e1-a30c-00144feabdc0.html#axzz2ItZPc7zf> and Wrigley, P. (2012) 'Death spiral' of the High Street: Top retailer says government should let our town centres DIE OFF' *Daily Mail*. [Online] Available at: <http://www.dailymail.co.uk/news/article-2095370/Majestic-Wines-Phil-Wrigley-Let-high-streets-die-off.html>

4 Experian Marketing Services (2012). 'Town Centre Futures 2020'. *Experian*. [Online] Available at <http://www.experian.co.uk/assets/business-strategies/white-papers/town-centre-futures-whitepaper.pdf>

5 Ibid.

03

high streets and town centres matter



The London Plan⁶ identifies approximately 200 high streets⁷ in the capital. High streets are often the primary shopping area for their community, provide housing and office space, and offer a convenient location for a range of other services.

The importance of high streets and town centres to London as a whole should not be understated. The GLA estimates that, outside of the central activity zone, more than half of London's jobs and 47 per cent of businesses are on, or within a 200m walk of, a high street⁸. The economic and social impact of failing high streets in the capital must also be taken into account. London Councils estimates that empty shops cost London's economy £350 million⁹ per annum. London's high streets should be considered key to economic growth.

6 Mayor of London (2011). 'The London Plan: Spatial Development Strategy for Greater London'. [Online] Available at: <http://www.london.gov.uk/priorities/planning/london-plan>

7 For the purpose of this paper 'high streets' and 'town centres' will be used interchangeably

8 Design for London (2012), 'High Streets Matter'

9 See appendix 1

The Association of Town and City Management define high streets as:

- a retailing centre that serves the needs of the local community
- containing leisure, entertainment and cultural facilities
- having access to public and private sector services
- an employment and business hub
- accessible by a number of transport options; and
- perceived by the local community as their town centre¹⁰.

From this definition it is clear that town centres play a vital role for local areas beyond providing a retail service. Culture, public space, civic facilities, transport, employment and leisure are all services many town centres will offer. And yet, even within this definition, no two town centres are entirely alike. Indeed the economic success of London's various local centres and high streets is reliant on different factors in different locations. For example, the transport accessibility needs of outer and inner London high streets differ greatly. A simple analysis between two town centres in London can demonstrate the vast differences across the capital:

Table 2: A comparison of two London town centres

Comparator	Wandsworth Town Centre Wandsworth	Victoria Town Centre City of Westminster
Employment (number of people) – retail	1,157	5,515
Employment (number of people) – office	1,142	8,200
Employment (number of people) – civic	2,069	18,798
Employment (number of people) – restaurants	268	1,622
Employment (number of people) – culture	74	309
Turnover (£000s) – retail	177,796	469,162
Turnover (£000s) – restaurants	6,713	52,838
Turnover (£000s) – culture	6,277	18,269
Retail floorspace (sq m)	43,562	87,866
Office floorspace (sq m)	46,255	383,774

Source: Centre for Advanced Spatial Analysis (2002) 'Town Centre Boundaries and Statistics for London. [Online] Available at: <http://www.casa.ucl.ac.uk/towncentres/cd/tcmap.htm>

¹⁰ Association of Town and City Management (2013). 'Successful Town Centres – Developing Effective Strategies, Understanding your high street' [Online] Available at: http://www.atcm.org/mfiles/files/1227-Main_Report.pdf

04

London's high streets are facing significant challenges

The challenges facing high streets and town centres are well documented. The following section provides a brief overview of the main challenges London's high streets and town centres have to contend with:

Lack of local controls

The Association of Town and City Management states high streets are defined by a local community perceiving an area as their own. In order to ensure high streets and town centres remain meaningful for local people, policy must be devised at borough level and the relevant tools, resources and powers should be devolved to local government. To date the government has not provided boroughs with the tools they need to shape the nature of their town centres in line with local priorities and needs. For example, boroughs do not have adequate planning tools or control over some transport infrastructure resources.

Moreover, in some cases, for example in removing the requirement of permitted development rights when changing offices into residential uses, the centralising policy of DCLG will have a detrimental impact on local retail centres, by potentially increasing the cost of business space. Without meaningful local controls boroughs and local partners will continue to struggle to design town centres that meet local needs and can drive local economic growth.

Accessibility

While a well-designed public realm and effective infrastructure has the two-fold benefit of attracting footfall to town centres and boosting private sector investment, poorly designed public realm and a lack of adequate infrastructure can deter both consumers and investors. Data from Experian suggests that 73 per cent of town centres in London will experience high population growth and boroughs face the challenge of ensuring the public realm capitalises on the potential economic benefits of this growth. In recent years, and with limits to public sector spending, new partnerships between landlords, regional government, businesses, the local community and boroughs have been needed to deliver vital infrastructure and public realm improvements. It is critical, as the body with democratic mandate in an area, that boroughs remain central in managing the way in which local places develop in order to meet the needs of their residents.

Parking remains a contentious issue. 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. These competing issues will be an on-going challenge for local decision makers.

Fewer customers, more overheads

Data from BIS shows that the proportion of spend on the high streets is currently falling and forecasts suggest it will fall from 49 per cent in 2000 to 40 per cent in 2014¹¹.

11 Genecon, LLP and Partners (2011) 'Understanding High Street Performance', *Department for Business, Innovation and Skills* [Online]
Available at: <http://www.bis.gov.uk/assets/BISCore/business-sectors/docs/u/11-1402-understanding-high-street-performance.pdf>

This confirms wider (pre-recession) structural changes to consumption patterns away from the traditional high street and into other types of commerce. However, the recession has exacerbated the problem and UK consumers are struggling in the aftermath of a deep and prolonged downturn. Higher taxes, heavier indebtedness and tighter lending conditions will keep town centre spending more muted than in the previous two decades. Experian predicts that in the period from 2014-18, growth in retail sales will be weaker than during the past decade¹².

As well as less customer demand, businesses are also facing increasing overheads. For example high rents and 'upward only' rent clauses mean that shop rents remain artificially high without reflecting the underlying profitability, or otherwise, of the business.

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

What town centres are expected to provide has evolved. As architect and urbanist Jan Ghel suggests: 'If you asked people 20 years ago why they came into the city, they would have said it was to shop. But if you ask them today, they would say it was because they wanted to go into town'. Town centres are expected to be experiential, offering leisure, culture and service based activities. As a result town centres increasingly need to be curated and local plans need to consider how they will meet this need in the future. Boroughs are growing their expertise in this area but with local budgets coming under pressure, non-statutory services such as economic development and culture are being squeezed.

Fragmentation

Both the ownership and governance of town centres have become fragmented. In some cases this is because of increasing financial pressure to find resources for non-statutory services and, as such, borough economic development functions have been reduced. In other cases, partnership arrangements or business-led management represent the best framework for local centres and will better deliver for local need. However, in those town centres where reduction in capacity has led to a withdrawal of town centre management, this is potentially problematic as there appears to be growing (though still contested) evidence that actively managed centres tend to perform better than those that are not managed at all¹³.

In order to fill this management gap both regional and national government have suggested different models to lead to better co-ordinated management of high streets. This has led, in some cases, to a variety of stakeholders with competing priorities attempting to influence the shape of local high streets. New management models, such as Business Improvement Districts (BIDs), Town Teams and traders and landlords associations, although vital in ensuring stakeholders remain involved in the development of their local centres, are not democratically accountable bodies. Boroughs need powers and resources to remain a central and accountable voice in the new mix of high street management.

12 Experian Marketing Services (2012). 'Town Centre Futures 2020'. *Experian*. [Online] Available at: <http://www.experian.co.uk/assets/business-strategies/white-papers/town-centre-futures-whitepaper.pdf>

13 See Medway, D. et al (2000) 'Reasons for retailers' involvement in town centre management', *International Journal of Retail & Distribution Management*, 28 (8), pp. 368-378; Warnaby, G. et al. (1998), 'Town centre management in the UK: a review, synthesis and research agenda', *International Review of Retail, Distribution and Consumer Research*, Vol. 8, No. 1, pp. 15-31.

Lack of funding

Between October 2010 and 2014/15, funding for local government will have reduced by £9.6 billion, or 35 per cent. Although boroughs have a number of funding tools that, on paper, allow them to provide support for their town centres (for example grants, business support, ability to make public realm improvements or using rate relief to support businesses in financial hardship) these interventions come at a cost which boroughs will find increasingly hard to meet. With less funding available for town centres new approaches that 'nudge' business behaviour and strengthen local powers are needed to overcome some of these funding challenges.

It is critical to act swiftly; the cost of failing high streets to London's economy is considerable:

- The potential cost to London's economy of struggling high streets is £350 million every year. This figure is the estimated cost of empty shops in town centres – taking into account loss of business rates, loss of wages and average payment in benefits (for more information see appendix).
- Some groups are likely to be adversely impacted by struggling high streets, for example retail employs 40 per cent of under 20 year-olds¹⁴. The loss of these entry level jobs could potentially increase youth unemployment figures.
- Money spent in local high streets is more likely to stay and circulate locally. Money spent outside of communities will have less economic impact in a local area¹⁵.
- High streets are social places that give a sense of belonging; their loss could lead to social problems. The civil disturbances of 2011 were predominantly located in and around our high streets and town centres – one of the reasons given was that a sense of belonging and connection with local centres had been eroded¹⁶.
- High streets act as a 'self-organising public service'. This builds social capital and community cohesion. Research shows that citizens who frequent high streets with locally rooted stores engage with community life more, for example they are more likely to vote¹⁷. If high streets continue to shrink this mechanism for engaging in community life may be damaged.

14 British Retail Consortium (2008) Leading Globally, Serving Locally. [Online]. Available at: <http://www.brc.org.uk/ePublications/LGSL/files/assets/basic-html/page15.html>

15 Sacks, J. (2002). 'The Money Trail: Measuring your impact on the local economy' [Online] Available at: <http://www.neweconomics.org/publications/entry/the-money-trail>

16 Portas, M. (2011). 'The Portas Review An independent review into the future of our high streets' Department for Business Innovation and Skills.

17 New Economics Foundation (2010). 'Re-imagining the high street: Escape from Clone Town Britain' [Online]. Available at: http://mutlukent.files.wordpress.com/2011/02/reimagining_the_high_street_0.pdf

05

existing policy interventions do not go far enough

There are a number of existing policy and practical interventions at the national and regional level which have been targeted at town centres. Table 3 outlines a number of these. Of particular note are DCLG's Portas Pilot and Town Team interventions and Regeneration Funding from the GLA. The injection of funding and support from both the GLA and government is welcome, but London Councils would like to see these funds used more strategically – for example if there are subsequent rounds of the Mayor's Outer London Funding (OLF) or Mayor's Regeneration Funding (MRF) we would like to see some of these funds invested in a way that meets local needs across all London boroughs (recommendations 7, 8, 10 and 11 in this report makes some suggestions around this). Alongside these strategic pan-London interventions, the Mayor should continue to fund locally specific interventions that are responsive to local needs and opportunities.

Combined with policy recommendations specifically targeted at high streets there are also a number of other policy interventions, already implemented which are likely to be detrimental for local high streets or which have not been implemented despite their benefit to local economic growth:

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

The reason why many of the existing policy interventions have not succeeded is because they do not go far enough in providing local stakeholders with the tools they need to respond to changes in consumption patterns and the ways in which people want to experience their local high streets. Large out-of-town shopping centres have been able to address some of these changes and have seen greater success. While this report does not argue London's local high streets should offer the same as out-of-town centres, they should be given the tools to allow them to plan long term, locally meaningful responses to changes in the needs and requests of local consumers and residents.

Table 3: Overview of existing policy interventions on town centres in London

Organisation	Intervention/policy	Date
DCLG	Focusing retail development in town centres through a 'town centre first' planning policy	First appeared in 1996 PPG6
DCLG	Scrapping Whitehall planning guidance to allow councils to attract shoppers by setting competitive parking charges and provide more parking spaces in town centres	2011
BIS (Business Innovation and Skills)	The Portas Review – an independent review into the future of the high street	2011
BIS	'Understanding High Street Performance' report	December 2011
DCLG/GLA	Portas Pilots – 27 in total, 3 funded by the GLA for London projects	Launched 2012
DCLG	Town Team Partners and Portas Plus Package	2012 (on-going)
DCLG	A National Markets Day and National Markets Fortnight	2012 (on-going)
GLA	Identifying a number of town centres in the London Plan as Intensification Areas where the GLA Group will provide proactive leadership for regeneration ¹⁸	2012 (on-going)
DCLG	High Street Innovation Fund (£10 million)	Launched 2012
DCLG	£1 million 'Future High Street X-Fund' for creative and effective schemes that have been completed to rejuvenate town centres	Was due to be announced in May 2013
DCLG	Proposed £500,000 loan fund to support Business Improvement Districts	Due Summer 2013
DCLG	The Future of High Streets Forum	2013 (on-going)
GLA	£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	On-going
GLA	The Mayor pledged to work to double the number of Business Improvement Districts in London to 50 over the next four years ¹⁹	Report: summer 2013
London Assembly	London Assembly investigation in vacant shops and 'Open for Business' report	2013
BIS	Small business rate relief doubled to help small shops	March 2014

¹⁸ Johnson, B. (2012). 'Growing the London Economy' [Online] Available at: <http://www.backboris2012.com/economy#econ>,

¹⁹ Ibid.

06

why powers and resources need to be localised

In order to ensure useable and animated high streets in the future, boroughs, as leaders in local place making, must be equipped with the tools needed to influence a step change. Boroughs already play a vital role in local economic development as they:

- hold the tools which can help to shape local high streets, for example planning, parking and licensing
- are the regulators and enforcers on high streets contributing to cleaner, safer and greener retail areas
- are responsible (with TfL) for the public realm and transport developments that can help to unlock the potential in town centres and high streets
- take a proactive role in encouraging growth and new businesses development due to the Local Government Finance Act and retention of business rates
- are best placed to curate networks between business, government, community and the voluntary sector
- can work with business to engender corporate social responsibility opportunities and commitment to local priorities
- can work with schools, colleges and training providers to prepare residents with the skills needed to support high street businesses
- can intervene in high streets when parts are struggling, for example reanimating vacant shops, supporting markets and providing small business support for struggling businesses and start-ups.

For all these reasons, it is critical that the recommendations in this report are embraced in order to strengthen and empower local government to drive local economic growth through their high streets and town centres.

07

policy recommendations



Plan for growth

Planning is vital to the shape and nature of local town centres. The National Planning Policy Framework is clear about the importance of town centres and the GLA has recently issued draft Supplementary Planning Guidance around the development of London's high streets. Boroughs themselves recognise the importance of planning in encouraging economically sustainable and socially vibrant town centres that contribute to both a local sense of place as well as meeting the range of social, commercial and civic needs of an area. Boroughs, as the organisation with holistic oversight of local economic circumstances, changes in demographics and forthcoming developments, are best placed to encourage an effective balance of uses in local town centres.

Despite local authorities already possessing a range of planning tools to revitalise their town centres, the effective use of these is curtailed or undermined by various government regulations or other restraints. Some of the planning tools open to boroughs relate to funding that the planning process can draw in (such as S106 agreements or, more indirectly, Community Infrastructure Levy [CIL]) while others, such as conditions attached to the grant of planning permission, can also place specific obligations on developers. Boroughs are able to use the UCO system to stimulate town centre viability, and direct development to those uses that are most appropriate. However there are a number of planning regulations that remove the power of councils to encourage balanced local economies. By taking planning powers away from boroughs in some cases, and not providing them with critical ones in others, there is a risk that town centres and high streets will not meet the needs of local residents. For example, boroughs cannot control how certain types of businesses such as pawnbrokers, bookmakers and charity shops are multiplying on our local high streets (see table 4).

Table 4: Increase in selected types of shop in London town centres

Type	Number, 01/01/2010	Number, 01/12/2012	% Change
Bookmakers	743	840	13.1%
Pawnbrokers	135	263	94.8%
Fast food takeaways	1,440	1,402	-2.6%
Charity shops	626	724	15.7%
Supermarkets	584	651	11.5%
Discount stores	314	351	11.8%
Coffee shops	392	424	8.2%

Source: Local Data Company, January 2013

Over proliferation of certain types of shops can lead to lack of choice, a low quality offer and in some cases increased rent for other businesses as many of these businesses are chains that can afford high rental prices. London Councils believes that adding to the range of powers at boroughs' disposal would allow them to ensure that more balanced and appropriate development takes place, which would in turn allow them to help build town centres that are more attractive to both work and live in.

Recommendation 1: Make changes to the UCO system which empower local communities: There are a number of changes to the UCO which, if made, will allow boroughs and local people to tackle some of the problems which impact negatively on perception and use of local high streets.

- **Move betting shops, pawnbrokers and 'cash for gold' shops from use class A2 to use class *sui generis*²⁰:** London boroughs are concerned at the increasing proliferation of betting shops in certain areas (clustering). They effectively restrict choice on the high street, add to perceptions of 'declining' or 'poor' areas, and in some cases have had a more profound impact through increased levels of anti-social behaviour and crime. Although classed as A2 (Financial Services), betting shops, pawnbrokers and 'cash for gold' shops are quite different in fact and operation to a solicitor's or an accountant's. London Councils therefore believes that the Minister for Communities and Local Government should recognise these types of businesses as distinct in the use class system and move them into a *sui generis*²⁰ use class of their own.
- **Protect local pubs by requiring planning permission for changes of use from A4 to other 'A' uses:** The National Planning Policy Framework explicitly recognises the value of pubs as community assets and directs local authorities to protect them (paragraph 70). However, pubs are able to move from A4 to other 'A' use classes without requiring planning permission, meaning that their loss cannot be a matter of public action. Boroughs have reported an increase in pubs being converted to "basket store" supermarkets. While there may be cases in which it is appropriate to allow a change of use, the loss of pubs in localities is of such concern that there should be greater restrictions against their change of use. Therefore, DCLG should change the use class orders to require planning permission for changes of use from A4 to any other 'A' use class.

²⁰ Sui generis: or 'of its own kind', meaning it applies to uses that don't fall within any of the other use classes.

- **Give boroughs greater protection over the proliferation of cafes and restaurants by requiring permission to change from A3 to A5 uses:** Proliferation of certain types of cafes and restaurants in one locality can act as a deterrent on other uses of buildings, leading to high streets or shopping parades that are perceived as of low value and quality. In some cases a café quarter may be appropriate for an area, however, giving boroughs greater protection over this would enable them to build a more diverse and prosperous local community. Therefore, planning permission should be required for any change from A3 to A5.
- **The government should reconsider its decision not to grant exemption to the London boroughs that asked to be removed from planning policy which allows office to residential conversion without permitted development:** Boroughs may want to consider conversion to residential on certain sites around high streets, for example long term vacant shops in secondary and peripheral shopping areas or office blocks. However, there are a number of local considerations that boroughs need to take into account, such as losing income for the high street from office workers, the quality of the housing, loss of S106 and CIL contributions, loss of future business space, increasing pressure for other business space resulting in high land values and loss of ability to plan for long term infrastructure needs, before conversion to residential is deemed reasonable. The removal of boroughs' ability to require planning permission for these types of use change is likely to have a detrimental rather than positive impact on local economic growth. And while there is a recognition that some previously commercial areas in and around high streets are no longer viable for business, the ability for these to become residential should be left to the discretion of the local planning authority and not national policy.

Recommendation 2: Simplify and bolster local planning tools for high streets: The UCO system is one way in which boroughs can direct certain types of development in their town centres; however boroughs have other tools which empower them to encourage/control certain types of development in local areas. Problematically, these tools are little used; work with boroughs suggests this is because they are complex, bureaucratic and expensive. London Councils will undertake work with boroughs to understand the specific barriers and make recommendations to DCLG for their simplification:

- **Local and Neighbourhood Development Orders:** Local Development Orders (LDOs) and Neighbourhood Development Orders (NDOs) are tools which increase permitted development rights in local areas to encourage certain types of development. There are currently few examples of LDOs being used and, while it may be that NDOs become more popular as the process of neighbourhood planning takes shape, there seems to be little appetite for their introduction. It may be that this is because they are, or are seen to be, overly bureaucratic to implement and/or are insufficiently flexible for the purpose of promoting economic activity.
- **Compulsory Purchase Order (CPO):** There may also be scope to rationalise the process of securing a CPO. Where a borough is seeking to regenerate an area, it will often be the case that ownership of the land is held by several different parties, making it harder and slower to secure a comprehensive improvement of a site. This is especially apparent in high streets which have high levels of vacant units, often owned by numerous landlords. CPOs should be simplified so they are easy to use as well as being bolstered to include the ability to CPO long term vacant shops.
- **Article 4 Directions:** Article 4 Directions allow local government to reverse government planning policy and remove permitted development rights in specified areas, for example an Article 4 Direction could be used to override government changes to the planning system which allow office to residential conversion without planning permission. However, this tool is bureaucratic and expensive. Developers are exempt from planning fees and boroughs can be left in a position where they have to pay compensation to developers impacted by the Direction.

Implement locally determined public realm and infrastructure projects

Well-designed public realm and effective infrastructure will have the two-fold benefit of attracting footfall to town centres and boosting private sector investment. Three quarters of town centres in London are forecast to experience high population growth and it is critical that the public realm and infrastructure in town centres is designed in such a way to capitalise on this growth. Three quarters of London's developable brownfield land and large strategic housing sites are on, or within 500 meters of its high streets. About half of London's high streets have the potential to improve public transport accessibility taking advantage of the sizable concentration of mixed uses that exist and the potential to stimulate existing development potential²¹.

Public realm strategy used to be a task for local authorities alone, but in recent years, new partnerships between landlords, regional government, businesses and the local community have developed to deliver vital infrastructure and public realm improvements.

Due to the capital's complexity, partnership working is particularly necessary to ensure a strategic vision in relation to its infrastructure requirements and to avoid fragmentation of provision. However public realm and infrastructure developments need to remain locally embedded to ensure they meet the needs of the people who live with and experience them. Therefore London's local authorities must retain their central role in public realm and infrastructure investment. Many good partnerships already exist at the local level, such as between major landowners and boroughs; however more can be done to harmonise London's critical upgrading work, infrastructure projects and public realm improvements with the priorities of the local high street and its users.

Recommendation 3: The Mayor should work with London Councils and the boroughs to ensure that publicly held land is developed to meet local and regional priorities: The Mayor owns a large amount of public land. London Councils and the boroughs are working with the GLA to ensure that publicly held land, whether owned by the Mayor or by boroughs, is brought forward in such a way as to meet both local and regional priorities. The Mayor is in a position to align transport and housing investment in a way that could support high streets. For example, the Dalston Junction development has involved decking over existing railway lines and creating a new square and transport interchange, more than 500 new homes, shops and restaurants and a new public library and archive. The London Development Agency worked closely with the landowners - the London Borough of Hackney and TfL - to agree the development strategy. Integrated schemes of this type will be most effective when developed in alignment with borough priorities. Any funding, for example from the Growing Places Fund, which is dedicated to town centre improvements should always involve the relevant borough to ensure their priorities are included.

Recommendation 4: The GLA group should consider new approaches to joint working with boroughs on public realm improvements: London Councils would like to see commitment from the Mayor and TfL to work with boroughs in piloting new approaches to public realm that place high streets at the centre of development. A set of simple pilots between the GLA and the boroughs – that can work together to tackle common public realm problems which have been identified as blocking economic development in a number of high streets across the capital – could be commissioned and, if successful, rolled out. A suggested list of projects could include:

- removal of high street clutter
- synchronisation between TfL and borough street furniture
- improving access from underground and bus stations to the high street
- shared space schemes.

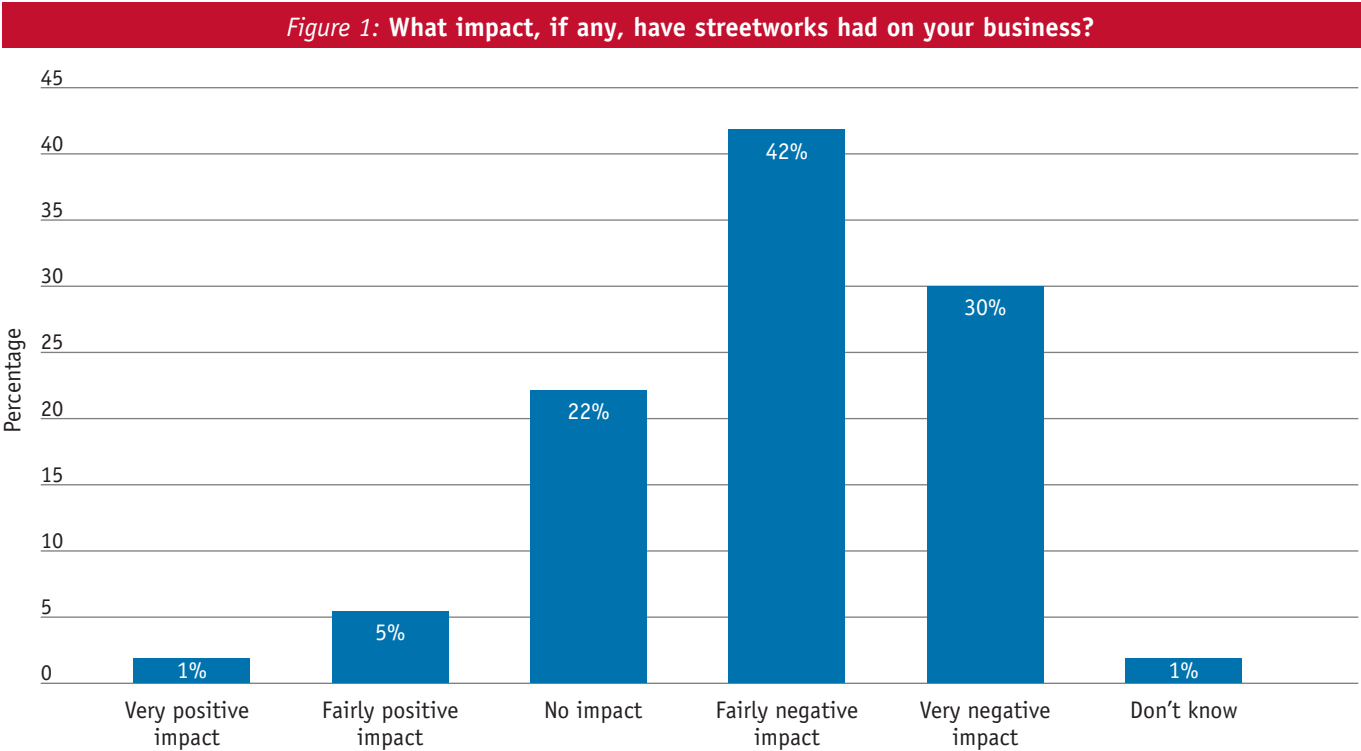
21 Design for London (2012) 'High Streets Matter', GLA

GLA should work with borough-level experts to understand local need in relation to design, explore common problems and share best practice solutions. This should also be fed back to TfL to improve understanding of local experience compared to London-wide demands. Lessons from the MRF and ORF could help to inform this. Good design draws multiple benefits, achieving better rents and market attractiveness due to enhanced profile and image. Furthermore design forms part of a skilled employment sector and generates career paths for talented, creative people capable of delivering innovation. Any pilots that are implemented should ensure training and skills development for local people.

Co-design integrated local transport systems

Vehicular access and parking is perceived to be one of the major challenges facing town centres and high streets, however car usage has been falling in London since the 1990s and many boroughs are committed to supporting sustainable and environmentally friendly transport. The Portas Review made a recommendation that local authorities should consider free parking schemes in town centres. Yet with higher levels of public transport and higher demands on space, free parking may not be the right answer for many of London’s town centres. More recently the London Assembly has suggested that boroughs should prioritise turnover of spaces in their parking strategies. This is a more realistic understanding of parking demands in the capital’s town centres; however boroughs will best understand what the needs are for their local areas.

A good mix of shops and services and a quality environment are some of the most important factors in drawing visitors to town centres, if these are poor, then changes to parking or accessibility are unlikely to make a town centre more attractive. With town centres relying heavily on public transport in London it is critical that existing systems are harmonised and that the impact of upgrading work is minimised. A recent Local Government Association (LGA) report demonstrates the potential economic impact if upgrading work is not harmonised. It found that 69 per cent of convenience stores that had experienced nearby streetworks reported a loss in sales. Figure 1²² demonstrates the impact of streetworks on stores.



Base: all convenience stores experiencing streetworks in the last three years (285)

Source: LGA ‘Holes in our pockets?’ (2012)

22 Local Government Association, (2012), ‘Holes in our pockets? How utility streetworks are damaging local growth’. Online. Available at: http://www.local.gov.uk/c/document_library/get_file?uuid=f2dda999-86c2-4780-b3cc-3e1ff7d282e2&groupId=10171

Local authorities need to be at the centre of transport upgrades and controls in their town centres. Making the best of existing transport infrastructure and improving what already exists will retain local shoppers and encourage new consumers to local centres.

Recommendation 5: Boroughs need greater power to harmonise transport controls and ensure the best balance between smoothing traffic flow and keeping vitality in shopping parades: There is an ongoing tension between TfL's work to support the transport network throughout London and borough priorities around place-specific economic vitality. We want to secure an agreement with the Mayor and TfL to strengthen local leadership of traffic management in high streets and town centres. The Mayor's vision and direction for London's streets and roads (Roads Taskforce) has created a typology of different road types. In relation to town centres an issue which has been identified is that many 'high streets' now need to act like 'high roads'. High streets were designed to host a variety of services, a retail/leisure offer and range of movement demands, compared to high roads which are busier, with high (predominantly vehicular) movement demands through town centres.

TfL has considered ways to overcome the pressure of increasing traffic flow but this sometimes sits at odds to local need. In order to help reduce the conflicting tension of smoothing traffic flow across the London network and keeping vitality in shopping parades there needs to be harmonisation of certain enforcement and controls held by TfL. This is especially apparent on red routes, where controls around loading bays, parking and vehicle movement need to mirror borough controls which have been designed based on local circumstance. Fragmentation of controls in town centres can lead to congestion and complexity which can negatively influence the local economy. Key strategic agencies, such as TfL, should actively support boroughs to deliver economic growth through local economies by changing their practices accordingly.

Recommendation 6: The impact of upgrades on high street businesses should be limited by TfL providing better consultation: London Councils backs the LGA's report '*Holes in our pockets*' which considers the costs of poor streetworks for local government and business. We support the LGA's lobbying around this and would recommend the GLA group also offers its commitment to the report and looks at ways to further harmonise roadworks arising from TfL upgrading work with those from utility companies. We would also recommend a better consultation process with boroughs and local businesses before transport upgrades take place. While businesses recognise the long term benefits of upgrade work, keeping them informed of plans will help them to prepare and to mitigate the short term negative impact of such works.

Support high street businesses

Creating an accessible environment with balanced and appropriate development is vital to high street vitality. However, equally important is that high streets have an 'offer' desirable to consumers. High streets have been affected by changes in consumption patterns and competition from large managed retail estates and online shopping. The proportion of retail spending captured by high streets has been falling from 49 per cent in 2000 and is predicted to be 40 per cent in 2014²³ (see figure 2).

As a result, some businesses are struggling to stay open in town centres. This will further damage the offer to local residents. Recent government policy to remove the need for permitted development for conversion of office space to residential is unlikely to help, as the increased pressure on the remaining business units will drive up rental prices, potentially pushing small and medium sized enterprises off the high street. And yet having a variety of shops is important to the overall economic health of high streets. Research suggests that successful cities are those which have a proportion of branch businesses and high levels of small independent shops²⁴ and when asked 'what could most improve London's high streets?' The majority of visitors stated that 'a better range of shops' would attract them²⁵.

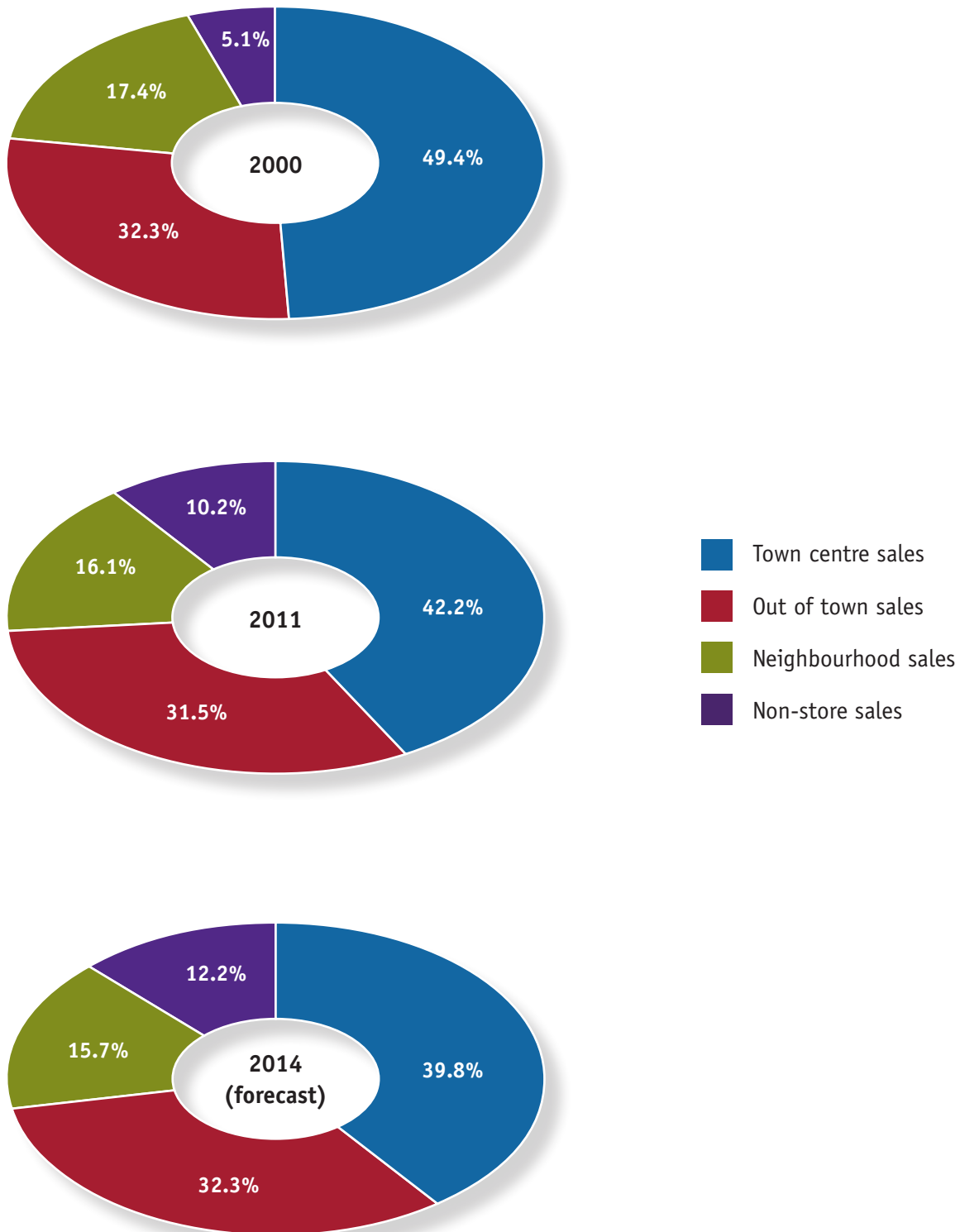


23 Barrett, C. (2012) 'High street vacancy rates could hit 50%', Financial Times. [Online] Available at <http://www.ft.com/cms/s/0/1562f4a4-50de-11e1-939d-00144feabdc0.html#axzz1ynV5VTBo>

24 Swinney, P. (2012) Why Tesco alone is not enough, Centre for Cities. [Online] Available at: http://centreforcities.typepad.com/centre_for_cities/2012/06/why-tesco-alone-is-not-enough.html

25 Transport for London (2011) 'Town Centre Study, ' Available at: <http://www.tfl.gov.uk/assets/downloads/customer-research/town-centre-study-2011-report.pdf>

Figure 2: The trend of town centre sales²⁶



²⁶ Genecon, LLP and Partners (2011)' Understanding High Street Performance', *Department for Business, Innovation and Skills* [Online]
Available at: <http://www.bis.gov.uk/assets/BISCore/business-sectors/docs/u/11-1402-understanding-high-street-performance.pdf>

Boroughs already have a strong track record of supporting existing high street retailers and start-ups to both grow their capacity and develop their businesses. As such the best support will be designed and commissioned locally. For example, Harrow has developed an inward investment strategy which aims to make starting and retaining a business in their town centres as simple as possible.

Case Study: London Borough of Harrow

Harrow's economic development team has worked with banks and property agents, as well as internal departments such as licensing and planning, to develop investment guides to its local district centres. These highlight population, transport routes, travel to shop patterns, retail composition, available empty properties, business rates, planning policy and provide Experian Customer Insights. They have also worked to develop a guide to new businesses to make sure they understand all the regulations and avoid any unnecessary fines. Harrow has seen a change in vacancy levels over the last couple of years. The average vacancy rate for retail frontages in town centres across the borough has fallen for the second year running from a high of 7.5 per cent in 2009/10 to 6.5 per cent in 2011/12. In London the proportion of vacant shops is 7.1 per cent.

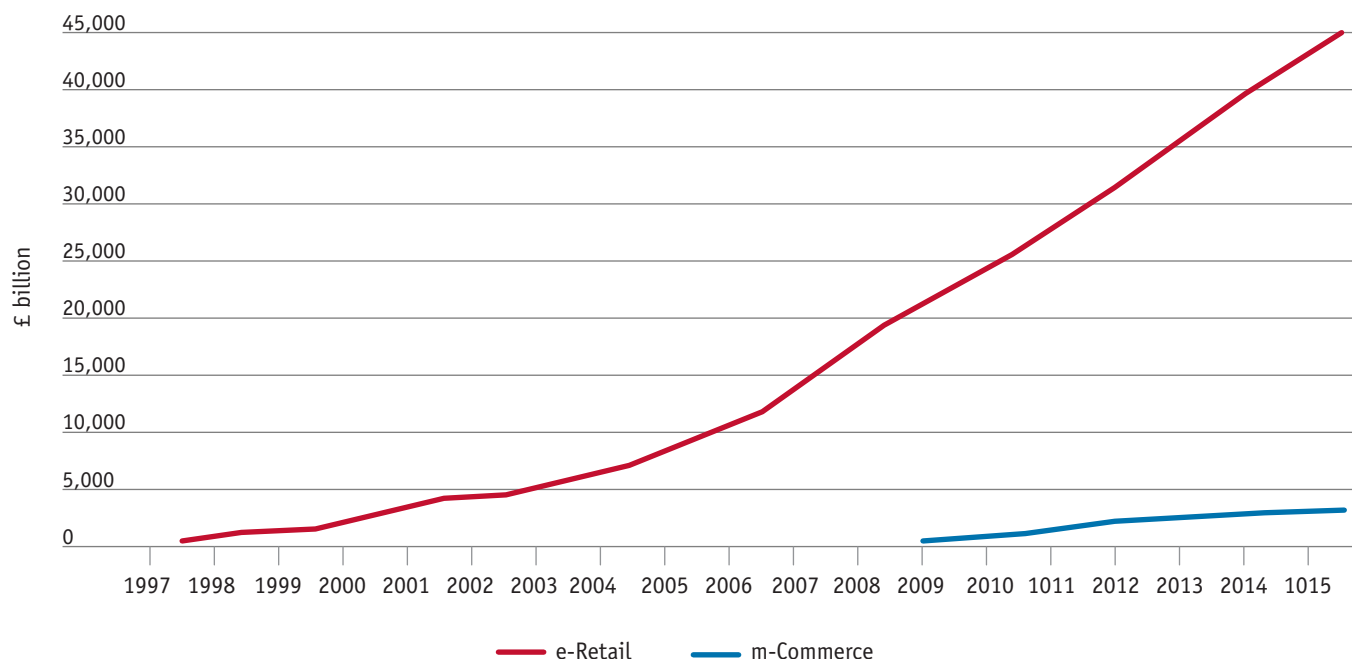
Business support requires brokers, enablers, trouble-shooters and network builders. And even where these key players do not come directly from local authorities, recent research shows it is likely local government will have been working in the background to provide in-kind support, funding or time²⁷. However economic development is not a statutory duty. Boroughs are subject to funding pressures and are coping with reduced capacity. Boroughs are trying to develop different models and partnerships of town centre management to deliver strategic and transformational visions. The effectiveness of these partnerships can be strengthened. National and regional backing to deliver aid in negotiating rental terms and co-ordinated support for small businesses will help to secure their longevity in the capital's high streets and town centres.

Recommendation 7: The Mayor should explore a new London-wide service, delivered in a locally meaningful way, which coordinates existing business support and provides advice and mediation support for small businesses seeking to negotiate new lease terms with landlords: A number of contributors to the London Assembly's review into empty shops suggested that high rents and 'upward only' rent clauses are a cause of shop closures. These clauses mean that shop rents remain artificially high without reflecting the profitability of the business and often tie businesses into inappropriately long-term rental periods. The Assembly recommends that 'The Mayor should introduce an advice and mediation service to help businesses agree more sustainable lease terms with their landlords'. This would be a useful tool to support high street businesses to renegotiate leases when trading conditions deteriorate. While this may mean landlords need to accept a reduction in rental income for a unit, they can also benefit by avoiding the cost involved in maintaining an empty property and finding a new tenant. To improve the likelihood of small business engagement with this service it should be co-designed with boroughs and delivered in a locally relevant way.

Further to this, the GLA should better co-ordinate existing business support, for example support to help businesses increase their online presence in line with growth in online commerce (known as 'e' and 'm' commerce - Figure 3 shows the growing importance of e-retail and m-commerce) to create a navigable system which works with small locally based businesses. This will require close partnership work with boroughs to understand the support they are already offering and how they are communicating with their local businesses. If the MRF is extended this could be used to co-design this service with boroughs.

²⁷ Shared Intelligence and the Association of Town & City Management (2013). 'London's Business Improvement Districts'. Report for the GLA.

Figure 3: The predicted increase in spend in e-retail and m-commerce



Source: Verdict Research (2011)

Recommendation 8. Regional and national government should provide equal support for different town centre management models and boroughs should be included in the process before any funding is provided:

DCLG has provided support for Town Teams and the Mayor's support for BIDs was stated in his 2012 Manifesto. However these will 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.

Furthermore any funding made available to Town Centre Management organisations (for example the proposed £500,000 loan fund from DCLG) to aid the establishment of BIDs should not be granted without local authority sign-off. Without this sign-off the town centre management partnerships risk running at odds to the priorities of the borough or there being fragmented development. London boroughs recognise the value of working closely with these types of organisations to improve the retail environment, however close partnership working with boroughs is critical to ensure joined-up delivery which is suitable for all local stakeholders.

Make use of vacant shops and development sites

There will be some circumstances in which support for small businesses will not prevent units from becoming vacant. Vacant shops cost London's economy an estimated £350 million²⁸ every year. Furthermore predictions suggest that with half of all high street leases due to expire by 2015 vacancy rates on the worst hit British high streets (most likely to be regional towns and peripheral/edge centres) could reach 50 per cent within three years²⁹. The impact of empty shops on the wider economic health of the high street is likely to be even more severe by reducing footfall to other businesses and damaging consumer and investor confidence. The British Retail Consortium has called this a 'negative feedback loop'³⁰ recognising the self-perpetuating impact of vacancy on local economies.

The best response to this is a local one. Local authorities are well placed to identify the problem areas in their boroughs and understand the interventions that will support them. The GLA's OLF provided grant funding to boroughs to animate high streets with a particular focus on vacant units.

Case Study: London Borough of Sutton - 'You are here'

Sutton has worked with Meanwhile CIC to use Outer London Funding to negotiate a 'meanwhile lease' on a previously vacant unit on the high street. The meanwhile lease provides an industry standard legal instrument to minimise administrative and legal costs for both landlords and tenants and to enable temporary occupation to take place without the need for lengthy legal procedures. The aim is to encourage the temporary occupation of empty town centre retail premises by occupiers, who will be able to contribute to town centre vitality but who would otherwise be unable to afford normal commercial rents. The project aims to provide space to test new business ideas without financial risk, bringing innovation and creativity back to the high street. The space is available from £5/day or £100/month.

Boroughs have made use of vacant shops in different ways dependent on local circumstances, for example some provided support for creative businesses, others opened up space for community groups and others a business testing space. There are, however, costs associated with animation of vacant units (namely the responsibility for business rates) and success is also dependent on landlords' willingness to engage. Boroughs have been proactive in trying to find ways to meet the costs of making use of vacant assets on their high streets, for example Brent council has developed the Meanwhile Foundation, a national charity which can hold leases and allows boroughs and other community groups to make use of charitable status and therefore a reduction in business rates when using vacant units for regenerative purposes. However, costs do remain and we would recommend that, as well as the recommendations in this section, the Mayor considers a London-wide 'invest-to-save' model that would help boroughs to open up affordable business space on the high street (see recommendation 11).

Recommendation 9: The government should encourage landlords with long-term vacant shops to consider the use of LQC access for prospective tenants: The majority of landlords are likely to want an inhabited rather than vacant unit. However they may have problems letting them due to more retailers going out of business, fewer new businesses opening up on the high street and landlords' unrealistic expectations of rent returns. The government should encourage LQC business space on high streets. Lighter touch access, shorter-term leases and

28 Detail at appendix

29 Barrett, C. (2012) 'High street vacancy rates could hit 50%', Financial Times. [Online] Available at <http://www.ft.com/cms/s/0/1562f4a4-50de-11e1-939d-00144feabdc0.html#axzz1ynV5VTBo>

30 London Assembly, (2012) Written submission from British Retail Consortium to Open for Business. [Online]. Available at: <http://www.london.gov.uk/publication/open-business-empty-shops-london%E2%80%99s-high-streets>

affordable spaces would position the high street as an inexpensive space for new enterprises to do business. The 'invest to save model' explored in recommendation 11, along with strengthened CPO powers to include shops, would allow boroughs to take on leases themselves or negotiate with landlords to consider 'meanwhile' use. The government could further support this work by undertaking a national campaign advocating the benefits of inhabited high street shops to landlords as well as promoting the tools which already exist, such as the meanwhile lease. In order to support this scheme further we recommend the GLA (including TfL and MOPAC) think creatively about using their own vacant properties for affordable business space. This is also a recommendation we are making to boroughs.

Move beyond retail

The problems the high streets are facing are structural; they were established before the recession. These problems have been caused by high streets not offering consumers what they want. As such, calls for the high street to diversify its offer have come from a number of areas, including, the Portas Review³¹, the Association of Town Centre Managers³² and the Urban Pollinators³³. There are a number of ways diversification can help to support high streets, for example they could become a hub for civic, leisure or cultural services. However, Experian data shows that only 31 per cent of London town centres fall within areas of high 'place' resilience. Work needs to be done to strengthen place resilience by improving cultural and civic assets in an area.

A number of boroughs are already involved in these strategies, but their impact can be strengthened with further support. Boroughs are the best agency to diversify high streets. They can curate networks between business, community and the voluntary sector and they already have responsibility for some of the assets which can be utilised to diversify high streets - for example libraries, sports centres, civic buildings and cultural programming. The relationship between the high street and culture is symbiotic. Academics³⁴ demonstrate there is a spatial preference for locating cultural facilities in town centres as both have attributes which will attract a critical mass and support the other. There are other benefits to be gained from locating cultural activities in the high street. With London as a city with low place resilience more needs to be done to build social cohesion. Places with high social cohesion often see better economic resilience as public spaces (such as high streets) become utilised and spend remains in the local economy.

Recommendation 10: Where appropriate new cultural/civic developments and programmes (both local and national) should be encouraged to take place with a town centre focus and businesses should be supported to capitalise on new opportunities: The GLA, boroughs and ACE should consider a 'town centre first' approach when commissioning new cultural development and programmes. For example, touring dance is a relatively well established tactic for national institutions to gain better levels of outreach; this model could be rolled-out to include other cultural institutions such as pop-up satellite exhibitions from London's major museums located in vacant shops. The Showtime project of the 2012 Games provides a good model for locating cultural, arts and events in town centres.

31 Portas, M (2011) 'The Portas Review An independent review into the future of our high streets' [Online]. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31797/11-1434-portas-review-future-of-high-streets.pdf

32 ATCM (2011) 'A Manifesto for Town Centres and High Streets' [Online]. Available at: http://www.atcm.org/policy/files/600-ATCM_Manifesto_A4_2.pdf

33 Urban Pollinators et al. (2012) 'The 21st century agora: a new and better vision for town centres' [Online] Available at: http://www.google.co.uk/search?q=urban+pollinators&sourceid=ie7&rls=com.microsoft:en-gb:IE-SearchBox&ie=&oe=&redir_esc=&ei=p_HOUJiPHqrQQXK74DgBg

34 Evans, G. (2005) 'Measure for Measure: Evaluating the Evidence of Culture's Contribution to Regeneration' [Online] Available at: <http://usj.sagepub.com/content/42/5-6/959.short>

Case Study: London Borough of Hillingdon – Showtime and BigFest

Hillingdon worked together with the GLA's Showtime initiative, which brought the London 2012 festival to each home town. BigFest in Hillingdon transformed the town with street theatre shows, circus and a surreal guided tour of the high street with local street theatre troupe Lissom Lilt. The main stage showcased music from the borough. There was also stalls and food from local people. The BigFest project is an example of how Showtime worked to bring together acts from around the capital with local groups and artists as well as providing opportunities for local business ventures.

This model should be considered when the GLA, ACE or boroughs commission new cultural activities and any commissioning should take a strategic approach which benefits as many local areas as possible. The GLA is well placed to broker deals with organisations such as Federation of Small Businesses and Business in the Community to provide business support alongside any cultural programmes they develop. This could develop packages of support which help businesses to diversify and tap into the business opportunities generated by cultural developments and programmes.

Develop growth focussed funding interventions

Given the forecast growth in population, it is critical that investment matches the increased demand for infrastructure and services that town centres will be facing. Furthermore current investment streams, while welcome, are somewhat piecemeal and do not provide boroughs with the security to plan long-term regeneration for their town centres or develop an offer that will make local people visit their high streets. Without the ability to forward plan town centres will continue to struggle.

We believe the arguments in this report demonstrate why boroughs are best placed to decide how funding should be spent in their local town centres. Boroughs do have a number of funding tools which in theory allow them to provide financial support for business on the high street. For example, providing grants for high street businesses or using rate relief to support businesses in financial hardship. However these interventions come at a cost that many boroughs are not able to meet. Boroughs need more resources alongside the tools recommended previously in order to be the local leaders for their high streets and town centres.

Recommendation 11: The GLA should consider an 'invest to save' funding model around creating affordable spaces for business: The GLA should consider the value of a funding stream which supports the boroughs in opening up affordable spaces for business on the high street. The OLF and MRF have been vital in providing boroughs with the money they need to pump prime high street vitality projects. However, the funding from these schemes is grant based and consequently their longevity is uncertain. We would recommend that if MRF and OLF is extended, the Mayor uses some of this funding to develop a more permanent pot of funding based on future revenue generated from new businesses or jobs created. Taking into account the cost of empty shops to London's economy and evidence of the economic value of new enterprise³⁵, there is an argument that greater financial support for boroughs to deliver or commission locally relevant programmes which open up spaces for new businesses to start up on the high street would save money and create revenue in the long term. We would like to work with the GLA to further develop this business model.

³⁵ For example, the Princes Trust suggests that for every £1 invested in The Prince's Trust's Enterprise Programme £3.51 of social value was created. A total social value of £51,532,581 was created by Enterprise from an investment of £14,688,255. Of the £3.51 value created by Enterprise, £2.66 was value created for participants.

Recommendation 12: The government should make closer links between economic development work undertaken by boroughs and the retention of business rates: Business Rate Retention (BRR) encourages local authorities to incentivise growth. However the link between economic development work undertaken by boroughs and financial reward via retention of rates is too weak. In London, boroughs only keep 30 per cent of business rates from new developments meaning that they are not rewarded for regeneration work, which either helps to grow the value of businesses or which increases the level of business rates via improvements to the public realm. With such a small return on new business rates it is difficult to suggest, without evidence of the long term benefits, that local government should provide rate relief for businesses in hardship.

The London Finance Commission³⁷, which reported in May 2013 and which London Councils endorsed, called for the complete devolution of property taxes (in particular business rates) from central government to London government to better incentivise growth. It also suggested the system could be modified to enable local authorities to specify and benefit from valuation rises in 'investment zones' within their overall areas. The current system of BRR creates 'incentives which serve mainly to increase the amount of property stock, which puts highly developed urban areas such as central London at a disadvantage³⁸, this is likely to have an adverse impact on the development of high streets. London Councils would urge government to act on the recommendations of the London Finance Commission around business rates devolution and strengthening links between BRR and economic development.

Recommendation 13: Businesses should be expected to meet local regenerative outcomes in return for financial support: Many boroughs are no longer in a position to provide financial support without evidence of return on investment. Whether via business rate relief or grants, businesses should be expected to provide boroughs with in-kind payments such as local employment, engagement with local schools or skills and training. These priorities will differ between boroughs and should be locally set, but models of mutual benefit between the business and local authority provide a chance for holistic high street support. We recommend boroughs consider this model when granting financial support to businesses and businesses consider the possible ways they can support the local communities in which they operate.

Case Study: London Borough of Brent – New Windows on Willesden Green

In Willesden Green, Brent council has delivered a range of initiatives with both occupied and empty shops. Queens Parade, a previously vacant storage unit, has been brought back into use to create affordable spaces for a cluster of 11 creative businesses. In return for affordable spaces and rate relief the businesses delivered some form of 'community contribution', including running free workshops, providing work experience or exhibiting local artists' work at no charge. Over its lifetime the project created 20 work experience opportunities, support for 13 start-ups, re-opened eight previously vacant units, ran over 120 free workshops and attracted more than 5,000 people to various events

³⁷ The London Finance Commission, (2013) 'Raising the Capital' [Online] Available at: <http://www.london.gov.uk/priorities/business-economy/championing-london/london-finance-commission>

³⁸ Ibid.

08 conclusions



London local government must be given more powers and the corresponding resources to plan for long-term growth in their local high streets and respond to the changing desires of local consumers. Without this, the challenges that have been hindering the growth of local retail centres since before the recession will continue to damage their viability and economic potential. It is critical that the following recommendations are taken forward to improve local responsiveness to the challenges high streets are facing:

- DCLG should make changes to the Use Class Order (UCO) system
- DCLG should simplify and bolster existing local planning tools for high streets
- The Mayor should work with London Councils and the boroughs to ensure that publicly held land is developed to meet local and regional priorities.
- The GLA group should consider new approaches to joint working with boroughs on public realm improvements
- Boroughs need greater power to harmonise transport controls, for example over parking management and enforcement, bus stops and routes on TfL roads and ensure the best balance between smoothing traffic flow and keeping vitality in shopping parades.

- The impact of upgrades on high street businesses should be limited by TFL providing better consultation.
- The Mayor should explore a new London-wide service, delivered in a locally meaningful way, which coordinates existing business support and provides advice and mediation support for small businesses seeking to negotiate new lease terms with landlords.
- Regional and national government should provide equal support for different town centre management models and boroughs should be included/consulted before any funding is provided for their development.
- The government should promote the use of lighter, quicker and cheaper (LQC) access for prospective tenants to landlords with long term vacant shops.
- Where appropriate, new cultural/civic programmes from the GLA, ACE and boroughs should be encouraged to take place with a town centre focus and businesses should be supported to capitalise on new opportunities
- The GLA should consider an ‘invest to save’ funding model around creating affordable spaces for business
- The Local Government Finance Act should make closer links between economic development work undertaken by boroughs and the retention of business rates
- Businesses should be expected to meet local regenerative outcomes in return for financial support

Local high streets are diverse in the nature of the opportunities and challenges they face, which is why power needs to be given to local government to design responsive and locally meaningful interventions. The 13 recommendations set out in this report open the door to recreating vibrant, economically prosperous and sustainable town centres in the capital. It is critical that swift action is taken to support and transform London’s 200 high streets as generators of employment, clusters for businesses to trade, and as sites for different groups in society to meet and mix.

Our high streets are geographically, economically and socially important; their decline will have negative impacts on London’s residents beyond the loss of local businesses – now is the time for action.

Appendix - the cost of empty shops on London's high streets

- a. Average retail business rate for London £18,268 (source VOA)
- b. Amount lost through three months business rate holiday = £4,567 per business (source VOA)
- c. Average customer service assistant wage in London = £21,000 (source average between Totaljobs.co.uk, monster.co.uk and retailchoice.com)
- d. London's retail sector employs approx. 212,967 people (source ONS Labour Force Survey)
- e. There are 97,990 retail units in London (source VOA)
- f. That is of 2.2 employees per unit [d/e]
- g. Vacancy rates in London are 7% (GLA) so there are 6,850 (approx) vacant shops in London
- h. Total number employees affected = 15,070 [f x g]
- i. Total lost in business rates = £31,283,950 [b x g]
- j. Total lost in wages = £316,470,000 [c x h]
- k. The claimant count rate (as a proportion of the working-age population) in London is 4.4% (source ONS) apply this to the total number of employees affected – 663 will not find work again.
- l. Median JSA is = £83.75 (median JSA – source DWP)
- m. Of this 379 will claim for up to 13 weeks (57%) (cost of £412,636)
- n. 152 will claim for up to 26 weeks (23%) (cost of £330,980)
- o. 132 will claim for up to 52 weeks (20%) (cost of £574,860)
- p. Total claimed in JSA = £1,318,476 [m+n+o]

Total = £349,072,426

Also:

- 1. Cost of crime and antisocial behaviour – There is an annual average cost of £2,900 per unit (empty or not) – this is likely to be more if a shop is vacant.
- 2. Squatting in residential properties is now illegal, there has been a rise in squatting in commercial premises – this has a financial implication.
- 3. There is a negative feedback loop associated with high vacancy rates (Local Data Company). BIS demonstrate how a store closure reduces footfall, weakens the performance of nearby stores and increases the likelihood of further closures.
- 4. Retail constitutes 40% of employment in the under 20s – this could potentially have a big impact on youth unemployment levels.

(Figures correct as of December 2012)

London Councils
59½ Southwark Street
London SE1 0AL
www.londoncouncils.gov.uk
020 7934 9813

design: pinsentdesign.com
images: Thinkstock/Third Avenue
publication date: July 2013