

iStreet

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THE GRIMSEY REVIEW

AN ALTERNATIVE FUTURE FOR THE HIGH STREET



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TABLE FOR 4 BOOKED
11:20 AM 26 M AWAY
INVITE CANCEL

CREDIT UNION
1 ADVISOR FREE
09:41 AM 11 M AWAY
BOOK SHARE

HEALTH CHECK
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20M TO DESTINATION > 2 OTHER OFFERS NEARBY

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FOREWORD

High street policy is still very much in its infancy. Governments of all stripes have failed to get to grips with the big issues facing our high streets for years. And now in a period of deep decline there is an arms race for new ideas. We've seen reviews, pilots, future high street forums and more. But none of these initiatives are making much impact and there is a frustrating sense of policy being conducted in the margins. The need to grasp the nettle is bigger than ever.

This review has its origins in the publication of the Government-commissioned review of the high street carried out by Mary Portas in December 2011. Amid much fanfare this promised the earth but delivered little.

It was clear to me that Portas had failed to highlight to Government the dramatic structural changes impacting the retail industry through the convergence of changing consumer behaviour driven by technology and that brought about by the prevailing economic conditions. This is evidenced by the fact that no less than eight major

national household retail names have gone into administration since the publication of the review in less than two years.

None of this was forecast in the review although it was clear to anyone with insight into the retail industry. My frustration led to public criticism of both Mary Portas and the Government for using this serious issue as little more than a PR stunt and to lay the grounds for a lucrative TV makeover show about the Portas Pilot Towns.

After a lifetime spent in retailing, in March of this year I called upon a group of associates who held similar views and challenged them to form a group to effectively 'put up or shut up' and produce our own review.

This would be an in-depth, evidence based piece of work, which we'd offer to all political parties to help give our town centres the chance to thrive and prosper in the future.

A group of eight associates joined me, each bringing a unique set of skills and experience to produce the review that follows. What quickly emerged from their analysis of the

retail industry and its supply chains is a sector that should be the envy of the world and yet is treated by central and local government as a low priority.

When we talk about the high street we're referring to an industry that comprises some 95,000 companies, employing £326bn of gross assets, borrowing £65bn and with a total net worth of £135bn.

Think about that for a second. This compares with the entire UK education budget of £53bn, the defence budget of £24bn, the Business, Innovation and Skills budget of a mere £13bn – and it's way more than the health budget of £110bn.

Our research, carried out by respected business analysts Company Watch, has established a clear picture of the state our high street's in. We can safely say the health of the big retailers is slowly improving. However, with five quoted companies remaining in the Company Watch warning area the storm clouds have not entirely disappeared for the big chains either.

FOREWORD

The bigger area of concern, though, is the plight of smaller retailers. Many remain horribly stressed financially with an average rating that hovers perilously above the Company Watch warning area. The same pattern applies in the supply chain. For independent shops, a sector that the Business Secretary has previously acknowledged to be an essential part of a healthy high street, the future looks very uncertain. The fact that our analysis shows 46.6 per cent of all retailers in the UK are in the warning area, and by definition at serious risk of failure, should be a loud wake-up call to ministers.

As a check up on the health of the high street, the prognosis is not good. Over 20,000 businesses are at risk and we can expect more and more business failures. There are around 40,000 empty shops in the UK, and this has remained constant over the past three years. The question that local and central government has to answer now is what are we going to do with these shops?

One thing is certain. The high street landscape has now irrevocably

changed and there is no point clinging on to a sentimental vision of the past. We have to start planning for a bold new world.

Since going public about the review I have been contacted by many people who share the same concerns and want to see action to help revitalise our high streets and town centres. I have heard from people in Northern Ireland, Scotland, Wales and England and the constant theme is that there seems to be a lot of talk but very little in terms of plans or strategy for these areas is ever developed or implemented. I have visited many towns and high streets as part of this exercise; Dunstable, Rochdale, Macclesfield, Totnes, Margate, Nottingham, Exmouth, Clitheroe, Blackburn and St. Albans to name just a few and the opportunities to commercially reinvigorate these areas are incredible.

What is required is a business approach to set out the vision, the objectives and plans to develop each area as a unique vibrant community hub with an economic blueprint. Regrettably our research proved

that this is a rare commodity in our towns and local authorities. I spent my entire career professing that, “there are never any problems only opportunities” and that is true for our country. Our towns and high streets can become the driving force behind a real economic recovery, we just need the political will and determination to take meaningful action.

This is the last paragraph in the review in which I refer to me in the first person. From now on I will always refer to we and us since this was very much a team effort and I am extremely grateful to them all for their commitment to this project.

The Team:

Bill Grimsey: retailer

Paul Turner-Mitchell: entrepreneur and independent retailer

Chris Shellard: public sector regeneration expert

Eva Pascoe: technology expert

Matt Baker: editor/public relations

Sid Vasili: entrepreneur and financial expert

Matthew Hopkinson: research expert

Nick Hood: risk analyst

Jackie Sadek: regeneration expert

This is an independent review produced by a team of experienced professionals who are passionate about the future of our Town Centres and the general state of the economy. All of the participants have given their time freely. Any expenses incurred such as; designing and printing the final review, have been met by Bill Grimsey.



METHODOLOGY AND SCOPE

This review is fact based and evidence is fully referenced. It covers all aspects of commercial and social activity impacting on town communities including high streets, shopping centres, out of town shopping parks, shopping malls as well as local economic and community needs such as health, housing, education, manufacturing, agriculture, entertainment and tourism.

CONCLUSIONS

Three specific conclusions were reached that have been used to shape this review into three sections:

1. Town centre/high street plans must encompass a complete community hub solution incorporating; health, housing, education, arts, entertainment, business/office space, manufacturing and leisure, whilst developing day time, evening time and night time cultures where shops are just a part of the total plan.
2. A number of radical government actions are required in order to create a level playing field which will provide conditions for town centres to facilitate change, encourage local investment, cutting through red tape and providing a common set of measures to track performance.
3. A methodology and timetable is required to enable all local authorities to produce a town centre business plan complete with timelines, capital and revenue costs and benefits. The output for each town centre will be different identifying their own individual selling proposition and vision based on their unique heritage.

CALL TO ACTION

High streets capture the imagination of the public for all sorts of reasons. It is important to recognise that:

1. Previous initiatives have failed because they did not have defined targets and measures in place.
2. Government must have a structured framework complete with a timetable to bring about measurable change and improvements.
3. Local people have an important role to play and have demonstrated an enormous amount of enthusiasm as evidenced from the Portas Pilots. However, coordination, guidance and management are vital if progress is to be made.
4. Creativity and innovation can be encouraged and fostered whilst working inside clear guidelines.

The future of our economy depends on thriving, vibrant micro economies across the nation and reform is required now.

Bill Grimsey

Bill Grimsey, September 2013

RECOMMENDATIONS

MAKING THE TRANSITION

1. Accept that there is already too much retail space in the UK and that bricks and mortar retailing can no longer be the anchor to create thriving high streets and town centres.
2. Set an objective to repopulate high streets and town centres as community hubs encompassing: more housing, education, arts, entertainment, business/office space, health and leisure - and some shops.
3. Establish a Town Centre Commission for each town with a defined skill base and structure to build a 20-year vision for each town supported by a broad business plan in five-year chunks.
4. Require local authorities to hold a public meeting annually to present the 20-year vision, town centre plans and progress made in the year, supported by an annual progress report.
5. Prepare for a 'wired town' vision or 'networked high streets' that puts libraries and other public spaces at the centre of each community based on the technology that exists today and will develop in the future.
6. Establish a 'Digital Maturity Demographic Profile' for each town to prepare for 'networked high streets' and tailor connection and communication strategies accordingly.

CREATING A FAIRER, MORE ECONOMICALLY SUSTAINABLE HIGH STREET

7. Reintroduce immediately the 2015 business rates revaluation to realign property values and freeze business rates from 2014.
8. Once revaluations have taken place any future increases should be an annualised CPI rate rather than a one-month snapshot.
9. From 2017 revaluations must be conducted annually.
10. Any business occupying a retail property in the retail core of a town centre that has been vacant for 12 months should receive 50% rate relief for two years.
11. There must be a political will and determination to reduce property taxation once the Government's fiscal debt consolidation plans have been fully implemented.
12. The business rates system needs a root and branch review to establish a flexible system that will reflect changes in economic conditions as they occur.
13. Local authorities to use a portion of their reserves to offer loans to qualifying small businesses.
14. Understand the success of the Bank of Dave set up and establish a process, including local crowdfunding, for local people to collectively invest in the local community and start up businesses.

15. Connect planning applications to the business plan for each town and ensure that developments fit within the criteria set.
16. Enable the change of use process to be used to convert entire sub-high streets to residential or other uses within the agreed high street plan and relocate the successful independent retailers into the main commercial centre.
17. Make it easier for motorists to shop by building in a two hour free high street and town centre car-parking system to the overall business plan for the location.
18. Local authorities to freeze car-parking charges for a minimum of 12 months.

COMMUNITY FIRST

19. Reduce mandatory rate relief for charities from 80 per cent to 70 per cent and of the remaining 30 per cent payable in business rates apportion a third to a ring fenced local authority pot for projects that benefit the community.
20. Establish greater clarity on the mandatory rate relief criteria for charities, social enterprises and Community Interest Companies. Organisations whose primary function is to exist for the benefit of the local community - i.e. hospice shops - should be given priority status for top up relief from local authorities.
21. Landlords of empty shop units should be required to apply for a change of use and make the asset productive in the community as housing, health, leisure, culture or education facilities in line with the town plan.
22. Make it compulsory for all Mega Mall developments to create a percentage of affordable space within the development for local traders and market stall pitches.
23. Evaluate the future of out of town shopping parks and prepare a plan to bring unwanted space back into use to benefit the community.
24. The Community Infrastructure Levy should be used to support the delivery of a town centre plan.

BETTER-MANAGED HIGH STREETS

25. Put in place common key performance indicators to measure the economic health of each town and link the reporting through a data dashboard to provide independent, objective and current data on performance.
26. Create a full time high streets minister to replace the current part time position that is tagged on to the duties of housing minister. Encourage greater cross-departmental work between BIS and DCLG to fully understand shared government responsibilities for helping improve local high streets.
27. Establish a comprehensive evidence base that tracks the change in retail and leisure locations from a local, regional and national perspective. Actively encourage and fund research based on this data by academic institutions in partnership with the private sector in order to ensure ongoing thought leadership into the nature and reasons behind changes taking place.
28. Ensure that the economic blueprints produced by Town Commissions are sustainable and environmentally practical by understanding and emulating innovation from the Transition Town trials, for example.
29. Make it compulsory for national retail and leisure chains to invest 0.25% of one year's sales (2014) into a local economic development fund to sponsor local start up businesses in a similar way to the Prince's Trust. This would be a one-off levy.
30. Implement the Town Centre Commission process through five trials to test the methodology, information requirements, modelling techniques and viability of the whole process including public consultation.
31. A timetable should be set to conduct the trials by March 2014 and aim to exit 2014 with plans, measures and central technology in place in place for all town centres for implementation from 2015 onwards.

SECTION 1:

WHY TOWN CENTRES/HIGH STREETS CANNOT DEPEND ON RETAILING FOR FUTURE PROSPERITY

1.1 THE STATE WE'RE IN

There was a time when the shopping experience belonged exclusively on the high street. Now there are no boundaries. The growth of online shopping has changed everything. Cities, towns, villages, parades, shopping centres, retail parks, shopping parks and leisure parks all compete for their share of consumer spend. But the retail property sector is very much competing in a multi-channel shopping world.

The changing physical face of shopping and leisure destinations in the UK reflects the evolution of people from walled cities through to the latest out of town or in-town destinations that include shops, cinemas, restaurants, gyms, banks and health and beauty services. These modern centres are unique in that they are optimised for the consumer and have not just evolved. The net result is that average dwell times in these newer locations are far higher than traditional locations. Transport hubs have become the latest iteration in this development of consumer led locations. Manchester Airport is a good example of this. In 2012 retail income grew by £5.2m to £74.6m

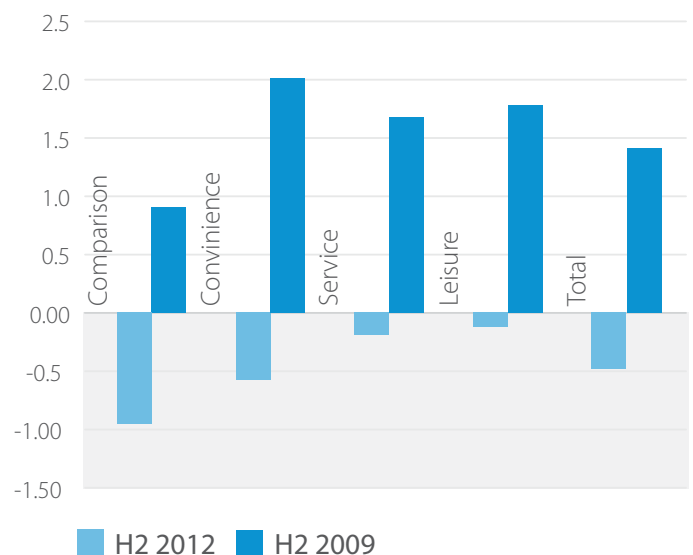
Everyone of the above 'destinations' is different be it due to location, make up, connectivity, heritage, surrounding economic robustness, ethnicity and age profile of consumers.

But while evolution and innovation continues at a rapid pace in out of town and online shopping sectors, questions remain as to whether traditional high streets have failed to innovate and are lagging behind.

THE CHANGING OFFER OF TOWN CENTRES

Analysis by The Local Data Company from 2009-2012 across the top 500 town centres shows the significant change in balance that these sectors have had. The most significant decline is in the Comparison Goods (non perishable goods) sector where since 2009 the average annual decline has been -2% and at present these are the largest category of shops on our high streets.

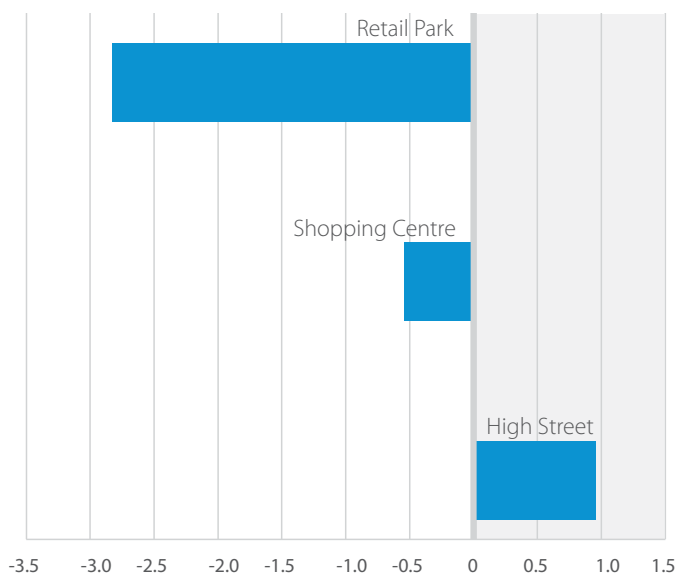
Figure 1. Net change by classification in top 500 GB town centres.



Further analysis by location type shows that town centres have been undergoing significant change but have shown considerable potential to bounce back as the net change by location type from H2 2011 to H2 2012 shows. In real numbers it means that occupation across town centres increased by 3,876 units in town centres but declined in shopping centres and retail parks by

1,028 and 60 respectively. In broader terms the shopping centre and retail park numbers reflect the increasing divergence between the quality shopping centres and retail parks and the commonly termed 'zombie' locations – out-dated, underinvested and overtaken by competing centres.

Figure 2. Net change (%) by location type H2 2011 – H2 2012



The positive numbers for town centres seen in fig 3 should be understood within the context of the differing activities of independent and multiple retailers. In 2012 in the top 500 town centres independents showed positive growth of 0.55% (+594 units) but for multiples this figure showed a tenfold decline on 2011 with a decline of -2.61 (-1,779 units). In 2011 independents showed higher positive growth of 2.41% whilst multiples showed only a slight decline of -0.25%.

Independents (businesses with less than 5 units nationally) account for 66% of all retail and leisure units in Great Britain, which equates to over 270,000 units.

OFFER BY LOCATION

High streets now account for less than a third of the offer from what would have been closer to 100% fifty years ago. However, analysis of all retail and leisure premises by their location type shows that the total offer (units) of all retail and leisure units in town centres (high streets) account for 85% of the total offer compared to shopping centres at 11% and retail parks at 4%. In addition to these numbers there are an additional 168,027 (34% of the total) premises that sit outside of a town centre, shopping centre or retail park. These include stand-alone stores, supermarkets, small shopping parades, airports and petrol stations. Choice by locations type and offer is therefore fierce and with consumers willing to travel further to destination locations it has rendered some locations as surplus to requirement. In part this is reflected by the fact that the number of cars and vans in England and Wales increased from 23.9 million to 27.3 million between 2001 and 2011 (source ONS).

THE CHANGING OCCUPATION IN OUR TOWN CENTRES

Whilst we have seen relatively stable vacancy rates, at the same time we have seen significant changes happening in our town centres regarding occupational change in churn, business type and perceived quality.

In 2012 in the top 500 town centres, 21,490 units opened and 22,675 closed. Of these, nearly 65% (15,000+) were independents (source The Local Data Company). In 2012 in the top 500 town centres, examples of the top risers and fallers (unit change linked to percentage change) are detailed in figure 3.

Figure 3. Example occupational net changes in top 500 GB town centres in 2012.

Risers	Units	Fallers	Units
Charity Shops	+174	Women's Clothing	-264
Pawnbrokers	+128	Recruitment Agencies	-210
Convenience Stores	+113	Computer Games	-187
Cheque Cashing	+64	Card & Poster Shops	-184
Nail Salons	+106	Toy Shops	-119

SECTION 1:

WHY TOWN CENTRES/HIGH STREETS CANNOT DEPEND ON RETAILING FOR FUTURE PROSPERITY

In 2013 The Local Data Company and Oxford University (OXIRM), funded by the ESRC, delivered research on The State of the UK's Retail Places. The findings are a key indicator of the changes taking place in our town centres. Research looked back at 1,300 high streets over the last two years and at 700 of these over the last 20 years. Over the past two years, the story is as much about a change in the mix as it is of massive across the board declines. The number of independent retailers in high streets actually grew overall by nearly +2% between 2011-13. It was multiple retailers that were in decline – by as much as -5.2% for comparison goods multiples. The research identified several very specific structural changes that underlie this.

- > High Streets have already begun to respond to the most obvious effects of online retailing. In the most vulnerable categories, where the product itself is being digitized (including computer games, CDs & DVDs, bookselling and newsagents) there has been a -13% fall in high street outlet numbers – this equates to over 1,000 stores, both multiple and independent. These losses have been fairly evenly distributed across the country, and, whilst these categories only represented around 5% of all shops in 2011, their reduction represents a loss of diversity.
- > Fashion retailing has taken a particular hit. Women's clothing retail outlets have shown a net decline of nearly -6% for independents and -13% for multiples - a combined net loss of over 500 outlets between 2011-2013.

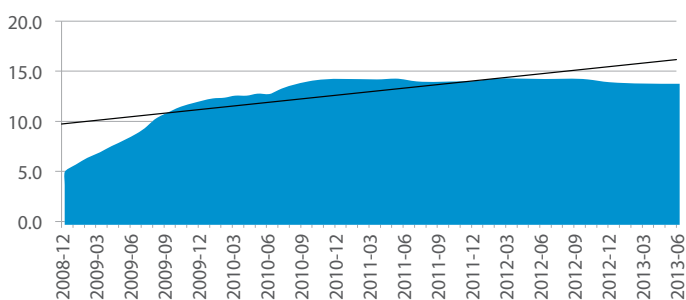
So where is the growth?

- > Value. The last two years have seen a +12.4% increase in value-related retailing – over 1,100 outlets – including secondhand, discount and charity shops.
- > Pawnbrokers, pay-day lenders and betting shops have attracted special political attention. There has been a +17% growth in these outlet numbers since 2011 (most notably in cheque-cashing & pawnbrokers.) But this growth is very selective: it's not just in more traditional metropolitan high streets (such as East Ham and Ilford) but also in smaller urban high streets, such as Wisbech, Norwich and Penzance.
- > Food is returning to many high streets. Amongst independents, convenience stores in high streets in high streets have grown by +17%, whilst convenience stores, driven by the interest of the major grocery brands, have grown by +8%. Independent food specialists also appear to be undergoing something of a modest resurgence.
- > Health & Beauty. As a nation we have become increasingly preoccupied with health and beauty. This category grew by +10.4%, or by more than 2,300 outlets. Indeed, there are now more nail salons on British high streets than Chinese restaurants.

VACANCY RATES

Shop vacancy rates have grown nearly fourfold since the beginning of 2008 from c.4% to a peak of 14.6% in early/mid 2012 and have now stabilised at 14.1%. This equates to over 22,000 empty shops in the top 650 town centres and if one casts the net to all GB premises (shops & leisure) then the number rises to over 53,000 units. This is the equivalent of over 53 Sheffield city centres! (fig 4)

Figure 4. GB Shop vacancy rate 2008-2013



Source: The Local Data Company

Analysis by country and region shows clear disparities between the North and the South. This in part directly correlates to the unemployment profiles and earnings levels associated with those regions. Most importantly, wherever you are it points to an oversupply in each and every part of the country (fig 5).

Apply vacancy rate analysis by property type and size, in the case of towns, and it clearly identifies where retailer demand lies in terms of existing stock profiles. The clear winners here are retail parks, which have grown in significance in the last decade. Allied to this one can add large out of town shopping centres such as the Trafford Centre (Manchester), Meadowhall (Sheffield), Bluewater (Kent) and Cribbs Causeway (Bristol) (fig 6).

Figure 5. Shop vacancy rates by country and region 2011/12

	2012	2011
GB	14.2	14.3
England	13.9	14.2
Scotland	15.5	15.4
Wales	18.0	17.3
London	9.4	10.7
East Midlands	16.2	16.7
East of England	12.6	12.2
North East	18.7	18.1
North West	20.2	19.7
South East	13.0	12.7
South West	13.4	12.9
West Midlands	18.5	17.7
Yorkshire & The Humber	16.7	17.6

Source: The Local Data Company

Figure 6. Vacancy rates by size and type of centre 2012

	Average Retail & Leisure Vacancy Rate % 2012
High Street- Large Centres	13.7%
High Street- Medium Sized	11.7%
High Street- Small Centres	9.2%
Shopping Centres	15.6%
Retail Parks	8.8%

Source: The Local Data Company

SECTION 1:

WHY TOWN CENTRES/HIGH STREETS CANNOT DEPEND ON RETAILING FOR FUTURE PROSPERITY

INTERNET SALES

The ONS states that, "average weekly spending online (internet sales values non-seasonally adjusted) in May 2013 was £582 million. This was an increase of 10.3% compared with May 2012. The amount spent online accounted for 9.7% of all retail spending excluding automotive fuel.. In the food sector 3.4% of spending was online. This sector has the lowest proportion of online spending in relation to all spending."

The Centre for Retail Research expects the share of online retail to rise to 21.5% by 2018

Clearly the Internet is significant and growing rapidly. This growth is likely to slow but the reality is that bricks and mortar are increasingly playing a supporting role to the online offer yet contribute the majority of costs to a retailer. Online sales by retailer are difficult to come by but the range is generally between 10% to 30%. John Lewis is quoted as being at c25%, which is greater than their flagship store on Oxford Street. For a retailer like John Lewis it is worth noting that while all its stores are closed on Christmas Day it does significant trade online during this day!



STORE PORTFOLIOS

As a result of improved travel times, increasing car ownership and the Omni-channel retail environment, there is a general view that the number of stores required to cover the UK population has declined from c.300 to c.80. Westfield Stratford's catchment was estimated in 2009 as being over four million people with a spend of £3.24bn (source CACI 2009). The result of these changes means that this shopping centre sits as one of the top 10 shopping destinations in the UK. Therefore if you are an international entrant to the UK market then you will probably consider 10-25 locations of which the vast majority will be large shopping centres or large retail/

shopping parks and not high street units in town and city centres.

Whilst the optimum number of stores is often quoted, this is dependent on the retailer and their market. For example, John Lewis has only 31 department stores, Next has over 500 shops, New Look has more than 550, Starbucks has more than 650 stores and Greggs has over 1,600 outlets. If you take this mix of retailers, then the net change to high street units in the last year was -2%. Next stands at -12%, Greggs +2%, Starbucks -7%, New Look -3% and John Lewis is the biggest riser at 25% and this reflects a wider positive trend in department stores.

SUMMARY

- > Whilst the population has increased significantly as a result of immigration we have seen the key growth are among the young and old.
- > The minority of homes are in town and city centres, which is surprising as these would have been the main residential hubs in years gone by. Is now the time to encourage urban living where services can be delivered more easily and cost effectively for the benefit of all?
- > There are too many shops and the continued decline in Comparison Goods (non perishable goods) and the number of units multiple retailers require will add to the number of empty shops we see on our high streets. Alternative uses are growing but are constrained by planning regulations.
- > The quality and type of offer is changing significantly – and not all is desirable in the views of some, and increasingly we see the dominance of supermarkets which are now having a major impact on the clothing market and thus the 27,000 fashion and general clothing shops in our town centres.
- > Modern shopping centres are changing rapidly to mirror the very best (and more) of the towns they sit in but with a majority bias to brands. On average 20-40% of existing multiple retailers relocate from within a town or city to the new scheme. This significantly impacts footfall volumes and patterns for the 66% of independents left behind. How can a town retain a Central Business District concept, as it develops to serve consumers, occupiers and investors?
- > Consumer spend and the continued sophistication of the internet to act as a preferred channel will continue to apply pressure on bricks and mortar locations that are often the biggest cost to a retailer and where the lease structures are considered inflexible and where associated costs are always rising whatever the trading conditions.

SECTION 1:

WHY TOWN CENTRES/HIGH STREETS CANNOT DEPEND ON RETAILING FOR FUTURE PROSPERITY

1.2 FINANCIAL RISK IN THE RETAIL SECTOR

A briefing note given to Members of Parliament in late April 2013 stated that based on Office for National Statistics data for 2011, the retail industry in the UK consisted of 291,000 businesses, representing 6.1% of all UK enterprises. Its output was £85bn or 8.7% of total UK output and it employed 3.12m people, equivalent to 11.3% of total UK employment. According to the British Retail Consortium, 9% of VAT registered businesses are now retailers and there were 287,100 retail outlets in the UK in 2012.

Research by Company Watch confirms that there are currently 43,920 businesses, who classify themselves as being in the UK retail industry and who file accounts at Companies House. Between them they deploy £147bn of gross assets, borrow £27bn and have an overall net worth of £58bn. The retail industry's UK supply chain, taking in agriculture, manufacturers and wholesalers consists of another 50,889 companies. These entities have gross assets of £179bn, borrow £37bn and have combined net worth of £77bn.

Overall, this means that the financial value of the retail industry and its UK supply chain is £135bn. This is over five times the size of the government's defence budget, two and a half times the education budget and significantly larger than the health budget.

The fragile financial health of the sector is illustrated by a series of research projects carried out by Company Watch for this review. These highlight the rate of retail

insolvencies, the severe impact on ordinary unsecured landlords and suppliers of these failures, a steep rise in the number of retail 'zombies' (defined as companies with negative net equity with liabilities greater than their assets) and the poor financial health rating of retailers. The overall picture this analysis paints is of a high risk, low reward sector with almost 50% of all retail companies at risk of insolvency.

The greatest financial risk is concentrated among small, independent retailers, who are the life blood of many traditional shopping zones, in contrast to major shopping centres and out of town malls. It adds weight to the core proposition of this review that retailing can no longer be relied upon as the sole anchor for our high streets and town centres.

Since the start of the recession in 2008, there have been 11,812 insolvencies in the retail industry alone according to statistics published by The Insolvency Service (See Appendix 1). The damage caused to the UK economy by these failures can be seen from a study (See Appendix 2) of the 19 largest retail cases since the beginning of 2012 which was carried out by Company Watch in July 2013. This revealed that unsecured creditors such as landlords, suppliers and their credit insurers are likely to lose a staggering £1.85bn on just these few insolvencies alone and stand to recover less than a penny in the pound on their total exposure to them.

The rate of insolvencies in the retail industry has remained relatively stable since the beginning of 2008, with a peak of 2,607 failures in 2009 and 2,320 in 2012. But this masks a far greater problem with 'zombie' companies.

Further Company Watch research (See also at Appendix 1) carried out in July 2013 showed that there were 20,152 retail companies with liabilities that are at least £5k greater than their assets. This has increased from 8,598 zombie retailers in 2008, a rise of 134% in five years. The total amount of negative net worth among these companies is £2.3bn, 109% up from five years ago.

Looking more broadly at the financial health of the retail industry, Company Watch shows that retailers have an average H-Score of 39, which compares with a figure of around 44 for the whole economy. This has been stable for the past four years at this unacceptably low level. Smaller retail companies have an even more precarious rating, averaging just 26 out of a possible 100. Over the



The final indication of the financial fragility of the retail sector comes from the most recent piece Company Watch data (See Appendix 3) which analyses the overall financial health of 43,920 retail and 50,889 retail supply chain companies, based on their last five sets of annual financial statements filed at Companies House.

This shows that 20,480 retail companies are in the Company Watch ‘warning area’ with a financial health rating (H-Score®) of 25 or less out of a maximum of 100. This represents an alarming 46.6% of all retailers in the sample, a percentage far higher than for the economy as a whole or for any other major industry. Most concerning of all, almost two thirds of small retailers (with assets less than £20k) are in the warning area. The figures are less dramatic but still above average for the retail supply chain, where 16,254 or 31.9% of the sub sector is in the warning area.

past 15 years, one in four businesses in the Company Watch warning area has gone on to fail or undergo a major financial restructuring, suggesting that over 5,000 of these retailers will suffer this fate. The carnage among the even smaller, unincorporated retailers will of course be even greater still.

1.3 MAKING THE TRANSITION TO A NETWORKED HIGH STREET

The high street is under assault from multiple threats, but the rise of online shopping is widely viewed as the biggest threat of all. While bricks and mortar sales have remained flat over the last five years, online sales have soared by 222 per cent – equal to an increase of £18.5bn.

And if high street retailers thought the worst tech tornado is behind them, they could not be more wrong. The pace of change is only going to get faster. The release of the 4G spectrum this August will allow online

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retail to offer such an immersive, exciting and user-friendly experience that today's online shops will look positively medieval by comparison (Ofcom, 2012). In addition, the new, 'same day delivery' option by Shutl (for Argos, Amazon & others) rolled out in early 2013, is creating a lot of new Internet shoppers. Google is also entering the 'same day' space, for Toys R Us and others, and with a 90.64% share of the UK search market, New Media Trendwatch is expecting them to capture a good share of the UK wallet.

In the seemingly quiet backwater of food shopping (only 3% of food is bought online as of June 2013), the entrance of Amazon (with its US\$ 500 million IT investment, according to TechCrunch) together with new warehousing for M&S online food and a new service from Morrisons will mean more shoppers move to online grocery sourcing. The recent roll-out of credit for online purchases: the PayLater (launched by Wonga) and PayPal's (who manages 60% of global online transactions) Bill Me Later scheme will no doubt lure even more new customers to online shopping. This compares with credit arrangements on the high street which are much harder to obtain. This credit market is unusually unregulated in the UK (compared to Europe), and is predicted to draw low-income consumers in the near future. A very invisible (no UK reporting) but immensely successful eBay has quietly led the online indie retail revolution, providing a simple, low cost e-commerce option for independent retail start-ups. Although the numbers are extremely hard to come by, eBay is reported to host more indies on their servers than exist on the high street, and this trend is only likely to accelerate.

SOCIAL SHOPPING

The development of Facebook's retail model (in-News Feed advertising rolled out in June 2013), is already reporting success in drawing social media junkies to retail sites (FT, 25 July 2013). Between Pinterest (current leader in online-to-retail conversions), Instagram, SnapChat and YouTube, UK users spend about two hours per day on those sites. Almost a quarter of their desktop internet time in 2012 (22%) was on social media sites (Experian Marketing Services).



While it's widely recognized that the high street is essential for face-to-face meetings, social inclusion, and community cohesion (Joseph Rowntree Foundation, study 2007) social media trends make it clear that preserving the status quo is no longer an option. Convenience and changing demographics, the public's new love for social media and eBay auction-style shopping will further drive the migration to e-commerce and see traditional retail shrink.

STRONG, NETWORKED HIGH STREETS

Futurology is a combination of understanding today's technology and a dose of wishful thinking. Since we are at a high street crisis point, we are proposing to harness technology to breathe new life into places that have simply lost their way. Recapturing a sense of vibrancy, social cohesion and face-to-face encounters is necessary if high streets are going to have any chance of survival.

Soon the physical store will be only one of the channels that a retailer will deploy. The size of physical retail will shrink considerably over the next 10 -20 years. Online shopping will account for 25-35% share of the wallet by 2020, with predicted loss of 4000 retail stores by 2015 (ConLumino study on high street sales, 2013).

As broadband and 4G continue to 'collapse the distance', we are free to ignore the constraints of the past and the notion that physical space is necessary for shopping. We can find a path with new technologies to create the best combination of both physical and virtual shopping through the hybrid high street. This considers the need for convenience and value, but also for the social aspect of face-to-face communing. One approach is to focus on offering a framework that retail, services and town planners alike can use to develop flexibility and rapid response ammunition to adapt to whatever the next wave of changes are coming to the high street.

THE NETWORKED HIGH STREET

Every one of our major high streets (600 including the minor markets) is unique.

Each player is a node in our high street, but at the



moment they are operating independently, rather than as a network. They may be using a Web page to hold information in an archive-like manner, but they are not responding in real-time to their consumers and other nodes.

We can describe them as an analogue formation, where there is no real-time communication between different retailers and between services. Local government is not connected to shops and key agencies are not linked up to what is happening on the high street. Facebook, if used for a retailer or service, is not integrated into any real-time high street Daily Deals or Daily Events calendar, and no integrated online marketing is used on a day-to-day basis.

To strengthen the high street, we need to increase the number of mutual connections between the nodes or network participants (retail, services, local government, job centres and all others). The more mutual connections, the more adaptive the high street network becomes in response to changes in the success of individual shops and services.

Since almost all retailers/service providers/local government are connected to the Internet, and the high street has Wi-Fi already, an infrastructure could be built with a very low-cost, bottom-up set of Web based, cloud-hosted tools that are standard and easy to use. This will enable retail, services and customers to see each other in real-time, respond to mutual needs fast and become an adaptive, reactive network.

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FUTURE SCENARIO 1: CUSTOMISED DEALS FOR A BUSY MUM DELIVERED VIA HER HIGH STREET DASHBOARD

The opportunity for the Networked High Street is to use Big Data technology to allow a Mum with three young kids and a full-time job, to go into her local high street, activate Wi-Fi on her phone and allow the services to 'check her in' using MAC (media access control) phone identification. The check-in will also activate her all-categories high street loyalty card that we can call StreetCred.

Her StreetCred account is managed by a 'high street marketing manager', akin to Westfield's shopping centre marketing manager, who runs the high street like an integrated business and who is the point of contact in terms of privacy protection.

The high street manager will send Daily Network Deals and Daily Events to the customer's phone to help her plan her visit. She could access them from her house, but the offers will be better when she actually goes to the high street as the offer is worked out in real-time in response to the number of people on the street at any given point of time. The Daily Deals and Daily Events are provided via a simple networked high street dashboard that shows all the information she uses in real time. She can see the amount of parking space taken and estimate her chances of getting a parking space (this comes from the sensor-based feed on the slots). She can also use the real-time booking system at her local Nail Bar and at the Express Blow-Dry hairdresser. If they have free slots, she books and enters her StreetCred number into the booking form.

It also shows her the real-time restaurant availability on the high street. She can choose a later slot if planning to go to a movie, which she also can book from her Dashboard (her own configurable web view of the high street). Her friend, who volunteers for the local Makers Lab in the local library, will book his working session there via his own Dashboard, which notifies real-time requirements for help, and which alerts him when they need assistance. He gets his StreetCred points for volunteering which he can then redeem for his own use of the tools to work on his own project. Mum meets Granny on the high street, who has booked a shopping session at the butcher via her Dashboard, and will go to pick up her pre-prepped special herbs-added sausages that he makes just for her. At off-peak times the butcher is also running live butchery sessions and Granny can book those too.

All the service providers and retailers have similar Dashboards where they publish their offers, calendars, real-time booking systems and also delivery slots.

The pricing on the high street works in real-time too. If it is quiet, you will get a better deal (using EasyJet-like real-time price management). If it's late in the day, you may get a bigger chance of last-minute deals on food or flowers as retailers clear up the stock.

If you allow the retailers on the high street to know your email and phone identity, they can offer you hyper-local deals as you walk past their shops on the high street.

If you opt-in for paying with your smile, local stores can offer a facial-recognition based payment system, using sensor-based and face-recognition (Source:



LifeHacker.com, 19.7.13). If you are feeling low, the mood recognition reader based in local stores can cheer you up by offering you a discount on chocolate (Realeyes, 2013).

FUTURE SCENARIO 2: THE FREELANCE E-WORKER

If you are a freelancer, and have some work for the local printers that needs doing somewhere quiet, you may visit the local library. There, with a swipe of your StreetCred card, the door will open as the system recognises your membership of the co-working space housed in the library.

You can have coffee there and then work for a couple of hours. You may then go to the 3D printing corner in the library to print new toys for your kids and then use Dashboard to book a place at the yoga workshop organised in a studio upstairs in the library.

Having access to all books – either digitally or printed (a Spotify for publications) helps research and if you need a specialist online databases, the librarian can define the right searches for you and point you to the right sources. You may then use the self-logging (tele-medicine) terminal in the yoga studio to send a weekly check-up data to your GP. These are housed in the library as GPs have moved online.

You can also use the StreetCred points on your courses in 3D design. If you need a workshop, for example, for your jewellery-making hobby, you can use the points and book the venue via the dashboard in one of the low-cost, flexible rent workshops on the High Street.

The workshops are run by the Makers and they also offer the use of the workshop tools for free to local teenagers in exchange for cleaning and helping with projects. The local students can bid on a publically available Share-Tools auction Website, to book in their time or to offer their volunteering time in lieu of payment.

FUTURE SCENARIO 3: TRAVEL AND TRANSPORT DATA

When you go to the store or service on a Networked High Street, the store already knows you are coming. The High Street Manager will know from the MAC sensors and CCTV cameras that you are in the area. It will identify you from the On-Street Face Recognition account that you can chose to opt in for (it will automatically block out any visitor that has not actively requested participation), and will alert your key shops and services that you are coming, so they can prepare an offer in-store. If you drive, it will direct you via Twitter messages to free spaces in the car park or on the street (it gets its information from the sensors based in the parking bays, generating a parking map in real-time and feeding that to Google Maps for the area – a solution recently implemented in Santander, Spain).

If you walk or bike to the High Street, it will reward you with StreetCred points and add to the discounts on your Daily Deals. Walking or biking triggers deductions and discounts, which are provided by the High Street regeneration fund. Retailers contribute to that, as if you drive they have to contribute to your parking by redeeming your parking tickets upon your completed purchase, similar to what happens in out-of-town shopping centres.

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The High Street Manager can also lower the parking prices (via an Electronic Pricing Manager using a real-time display) and push it through Twitter to a local neighbourhood database, screens in nearby parks and catchment areas and notice boards above the traffic lights.

FUTURE SCENARIO 4: HIGH STREET THEATRE: CUSTOMISED ORDERING VIA TOUCHABLE HOLOGRAMS

While you are browsing around the shops and services, you may pop in to some of the stockless stores that use virtual fashion shows to display collections. When you come to the store, you can sit on a comfy sofa and view the new collection by touching a Holo Fashion button on the table that is also a touch-screen next to you. Immediately the new autumn collection will spring out in front of you in a high definition colourful holographic display. You will be able to browse just using your fingers in the air. If you wish to check a fabric on the garment you like, you can just touch the hologram and feel the delicate silk or harsh denim (Shinoda, Touchable Holography). The holographic clothes have a touch-and-collect facility, so when you pick the top or dress that you like, you can just tap on it, select the touch-and-collect option and the order will be sent. It will be delivered in two hours to your house, so you don't need to carry the bags with you for the rest of your high street visit.

As your 3D avatar is already held on your StreetCred account on the network, you can try on clothes on your avatar in the shop, or using a mirror that superimposes the garment on you. It saves you the effort of the physical changing of clothes and you can share these magic

mirror images with your friends to get their opinions before buying via pushing a Share button on the side of the mirror. (The Future of Shopping, Harvard Business Review, Dec 2011).

FUTURE SCENARIO 5: SOCIAL RETAIL

If you are not sure about a dress, you may video-conference with a friend via FaceTime, to get feedback. You can also take a photo of the dresses or scan the barcode via your smartphone, as you may like to come back to that choice later, and just order it from home. You could also add it to your Pinterest account and build up later with other virtual 'finds' until you have an idea for a whole outfit. Then you buy the elements online or come back to the store.

You can also send the photo of your new dress to Facebook, where your friends will suggest what accessories go with it. Social retail is growing, as people are too busy to scan endless websites for the best matching outfit, but like the 'finished look'. The shop assistant can take a photo of you in your new dress and post it onto her shop's Facebook page, with your permission, to show others that you recommend this shop.

FUTURE SCENARIO 6 — SARA RETURNS TO WORK

The work-seeker account is something that Sara is developing. She is returning to work after a few years out, and needs help with updating her skills and developing her CV.

She used to work for a local travel agency, but that was before computerised office call-centres so the work-seeker advisor points her towards Computer Lab and explains that she needs 20 hours of training, based on video and some one-to-one with one of the IT teaching volunteers. That would give her the basic credits to trigger offers from the employers she would like to target.

During that hour of Computer Lab training, she leaves her young children in the high street crèche in the ex-charity shop, run by a local community group and their CRB-checked volunteers. Sara's kids can play safely and she can concentrate on her IT learning. The community crèche is free for Sara, as she is a volunteer there and has 'earned' her StreetCred points by supervising other kids in her spare time.

The Networked high street works well for all by matching the best use of everybody's time and skills against local needs. Sara's long term plan is to work for the local fashion Pop-up co-ordinator but there is big competition for those roles so she needs to build up skills and continue volunteering until she can be eligible for the job.

With the right feedback from the system and daily emails, Sara has got back into the swing of things and is mentally and skill-wise making strong progress towards returning to full time work soon.

For Sara, the high street works on many levels. It connects her to the local scene and provides a source of development and support that was not available before the high Street got networked. The StreetCred system does the job efficiently and objectively, keeping Sara focused daily on the education and experience she needs to earn, and linking up to the correct employers as she progresses through the networked learning and volunteering system.

TRANSFORMATION OF PUBLIC FACILITIES: LIBRARIES AND LEISURE CENTRES

Shared workspaces could benefit from libraries

developing the Maker Labs (3D printers, laser cutters and others) that can be utilised for repairs, making and education services. ThingsMaker (Brighton) and Anarkik3d (Edinburgh) are pioneers of such Labs. In the US these Labs have been gravitating towards libraries, as spaces are usually available and lend themselves to alternative uses. (New York Times, 2013)

As urban space is at premium, the social aspect of creating together, sharing tools and innovating in a collective where creative people spark off each other needs to be supported. It is a part of getting innovation to flow from the high street.

Libraries can provide spaces to develop micro-hardware and mini-robotics, as these are knowledge intensive activities that would benefit from access to information and supported research. Libraries can also host lockers for deliveries of online shopping (see the Waitrose pilot rollout June 2013) and a concierge to deal with online shopping issues on behalf of retailers and other related services.

By creating community tech hubs, there is also the opportunity for libraries to become mini-Apple stores and provide a Digi Bar to help advise on products, apps, software tools and repairs. There is a massive gap in the knowledge needed for today's digital citizenship, and libraries would be very well suited to lead on this, with Apple, Google, Sony and Samsung potentially contributing to the development of new Making centres. 16 ptLibraries could also be integrated with leisure centres and aggregate shared workspaces with leisure facilities 24/7. Many of us like working late, and it is often difficult to arrange in a busy family household. A 24/7 gym and also shared co-making and co-working hubs could be the answer to that problem.

The networked high street will be different for every town and location, but if done with care and attention to the unique identity of different high streets it will provide a thriving, well connected UK-wide group of centres that will be sources not just of help, but also pride and new, engaged citizenship.

SECTION 2: GOVERNMENT ACTION REQUIRED

2.1 BUSINESS RATES

Business rates have received considerable exposure in the last 12-months with a multitude of retailers, large and small, blaming the tax for shop closures. However, in the context of the national debt burden, there is a limit as to what can be achieved in the short term to ensure that reform is fiscally neutral from the current system.

Business rates have become a significant part of the overheads of a retail business. The impact of these costs, which have risen significantly in recent years as a result of successive large increases in September's RPI have led to the net rate yield increasing by £2.615bn between 2008-09 and 2012-13. The Office for Budget Responsibility has forecast that for the first time business rate receipts will overtake council tax receipts by 2015/16, and increase to £31.2bn by 2017/18.

In England there are 471,000 shops in the rating list with a total Rateable Value of £12.778bn giving an average Rateable Value of £27,130 meaning business rates payable of circa £12,750 pa.

Both the Department for Communities and Local Government and the Treasury advised, under the Freedom of Information Act, that they do not record business rate income by reference to sector and could not provide the exact contribution to the net rate yield by retailers.

However, by using the total number of shops and total Rateable Value in the list, based upon the current multiplier, we have been able to project that bricks and mortar retailers will pay around £6.005bn in business rates this year.

Last year before reliefs, the total yield was £25.730bn. Bricks and mortar retailers, therefore, account for approximately 23.34% of the total business rate yield.

In order to fully understand the migration from bricks and mortar to online shopping and the impact upon year on year sales figures, Company Watch produced a five-year comparison.

Analysis of Retail Growth & Business Rate Burden 2007 - 2013

	BRC All Retail Sales (ex fuel)	Y-O-Y Growth	BRC Online Sales	Y-O-Y Growth	Non-Online Retail Sales	Y-O-Y Growth		Gov. Business Rates NET Yield	Y-O-Y Growth
Calendar Year	£bn	%	£bn	%	£bn	%	Financial Year	£bn	%
2012	310.8	2.68	29.0	13.73	281.8	1.66	2012-2013	21.7	3.33
2011	302.7	3.56	25.5	18.60	277.2	2.36	2011-2012	21.0	8.81
2010	292.3	2.49	21.5	19.44	270.8	1.35	2010-2011	19.3	-0.52
2009	285.2	5.12	18.0	28.57	267.2	3.85	2009-2010	19.4	1.57
2008	271.3	3.59	14.0	55.56	257.3	1.74	2008-2009	19.1	9.77
2007	261.9		9.0		252.9		2007-2008	17.4	
	5 Year Growth	5 Year Growth	5 Year Growth	5 Year Growth	5 Year Growth	5 Year Growth		5 Year Growth	5 Year Growth
	£bn	%	£bn	%	£bn	%		£bn	%
2008-2012	48.9	18.67	20.0	222.2	28.9	11.43		4.3	22.51

Source: Company Watch - 7th August 2013

Outturn national non-domestic rate yield from local lists, in England, since 2008-09 (a)

	2008-09	2009-10	2010-11	2011-12	2012-13(8)
Yield before reliefs in respect of current year	21,307	22,469	23,083	24,306	25,730
add					
Changes in respect of previous years	-670	-736	-873	-305	0
less					
Buoyancy Factor Allowance	-	-	-		1,215
Yield before reliefs	20,637	21,733	22,210	24,001	24,514
less					
Transitional Relief	-73	-148	531	372	252
Mandatory Relief	1,396	2,129	2,198	2,118	2,122
Discretionary Relief	42	47	43	47	43
Small Business Rate Relief	145	188	163	432	405
Schedule of Payment agreements	59	8	0	-8	-
Deferments	-	98	-	...	-
Enterprise Zones (c)				-	8
Net rate yield	19,068	19,412	19,276	21,039	21,683
less					
Collection costs including losses (b)	347	373	349	378	354
Contribution to the pool	18,722	19,039	18,927	20,661	21,329
Small business rate multiplier (pence)	45.8	48.1	40.7	42.6	45.0
National non-domestic rates multiplier (pence)	46.2	48.5	41.4	43.3	45.8
Number of hereditaments ('000) (c)	1,692	1,698	1,718	1,735	1,759
Rateable value (c)	46,888 (d)	46,721 (d)	56,337 (e)	56,846 (e)	57,178 (e)

Source: NNDR1 and NNDR3 returns - data for 2008-09 to 2011-12 are outturn figures from NNDR3; those for 2012-13 are budget estimates from NNDR1.

(a) This excludes contributions from the central list and other contributions to the pool. (b) includes the City of London offset of £9.8 million in 2009-10, £10 million in 2010-11 and £10.2 million in 2012-13. (c) As at December in the previous year. (d) Based on draft list for use following April 2005 revaluation. (e) Based on draft list for use following April 2010 revaluation.

Business rates growth over five years was 22.51% vs. bricks and mortar retail sales growth of 11.43%, i.e. almost twice as fast.

During the last five years, save for 2010, the annual RPI increase in business rates and the effect thereof in terms of the net yield increase, has risen substantively more than non-online retail sales growth.

One in every seven business premises in England summonsed over business rates in 2012

More than a quarter of a million business premises in

England are estimated to have been summonsed to appear before a magistrate in the last year after falling behind on business rates payments.

The research, obtained through Freedom of Information Requests to 90 local authorities across England, estimated that 262,086¹ business premises were summonsed to appear before a magistrate in 2012. Of those businesses, 131,574 would have been referred to Bailiffs for collection.

The use of Bailiffs by councils to collect business rates has increased by 18.32 per cent since 2010/11.

1. This figure is extrapolated based on 90 FOI requests to local authorities in England, which covers 672,744 hereditaments representing 37.99% of the rating list. Total number of hereditaments on the rating list on 30 September 2012 for England: 1,770,854

SECTION 2: GOVERNMENT ACTION REQUIRED

These findings fuel a growing sense that business rates have become an unsustainably high burden for businesses and are pushing many over the edge. The research covers 40 per cent of the rating list and, although this accounts for all sectors, retail was arguably the worst hit.

During the same period, business rates income has increased by 12.49 per cent since 2010/11, and the business rate yield in England, after reliefs, represented a £2.4bn increase since 2010/11.

Key Findings:

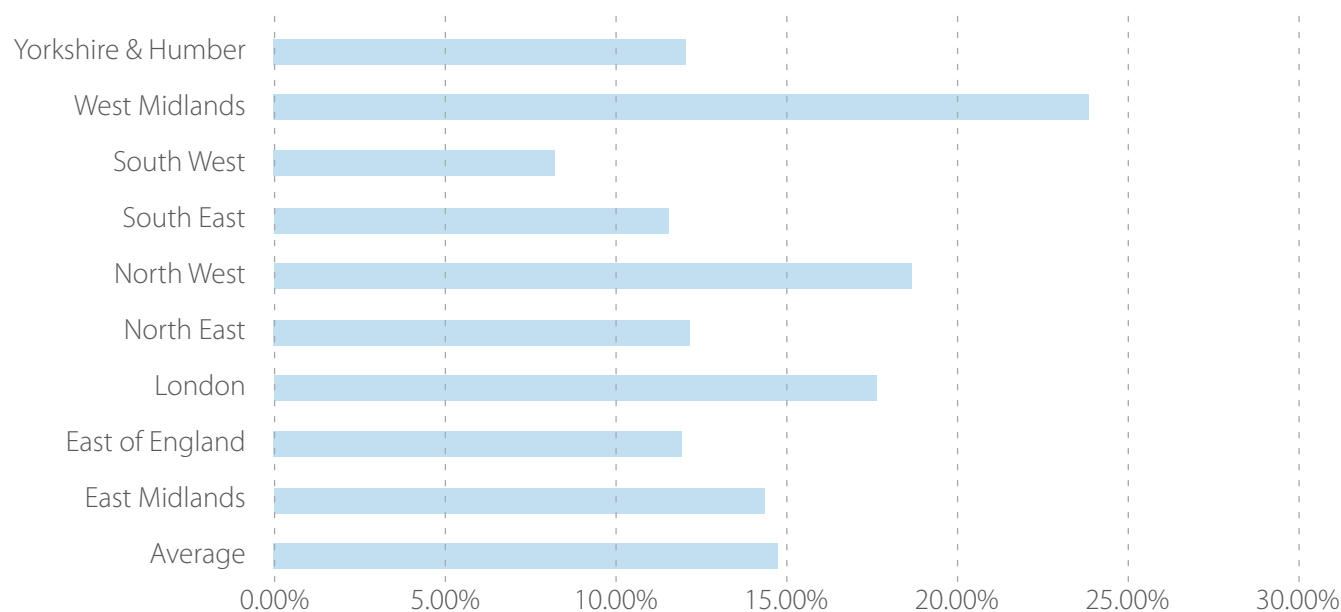
- > 262,086 business premises summonsed to appear before a Magistrate during 2012
- > Of those business premises summonsed 131,574 were referred to Bailiffs for collection
- > Use of Bailiffs by councils to collect business rates

increased 18.32% since 2010/11.

- > Total number of hereditaments on the rating list on 30 September 2012 for England: 1,770,854 (NATIONAL NON-DOMESTIC RATES RETURN 1: NNDR1 2013-14)
- > Research covers 90 local authorities across England with good geographical spread of government regions.
- > Research covers 672,744 hereditaments representing 37.99% of the rating list.
- > It is estimated that £1.1 billion of non-domestic rate arrears were outstanding as at 31 March 2012.

The average costs on a summons for non payment of business payments for our research has revealed an average of £93.42 with huge discrepancies from £220.00 in Croydon to £35.00 in Mid Devon to £42.00 in Newcastle and £124.00 in Rochdale.

Percentage of Business Summonsed Over Business Rates 2012



The research projected that 262,086 business premises in England were summonsed to appear before a Magistrate during 2012 over the issue of business rates incurring additional cost to business of £24.5m.

What has also become entirely apparent is that local authorities view summonsing as a new way of generating increased revenue to plug budgets with summons costs being increased as part of the local authority budget settling process.

Whilst many local authorities to their credit are now using discretionary powers to spread payments over 12 months instead of the statutory 10 if payment is made by direct debit, sadly, not all local authorities are so amenable. Local authorities must adopt a more business friendly ethos and do their bit by making better collection arrangements for business and if this provides a bit more breathing space in what are very tough trading conditions then it's got to be worth it.

THE LOCALISM ACT 2011

Following agreement by both Houses on the text of the Localism Bill it received Royal Assent on 15 November, 2011. The Bill is now an Act of Parliament and can be found at the following link:

www.legislation.gov.uk/ukpga/2011/20/contents/enacted

The Act contained 4 business rates measures in clauses 68 – 71:

- > Ballot for imposition and certain variations of a business rate supplement
- > Local Discounts
- > Small business rate relief
- > Cancellation of liability to backdated non-domestic rates

Clause 69 amended Section 47 of the Local Government Finance Act 1988 to allow local authorities to reduce the business rates of any local ratepayer (not just those

who can currently be granted discretionary relief).

Central Government will, however, continue to part fund discretionary reliefs in the same circumstances and to the same degree as in previous years. Local authorities are, however, responsible for fully funding any other discounts granted. The necessary change came into force in time for 2012/13.

- > NNDR1 Forms requests, however, show that only 18 of 326 (5.5%) local authorities in England are going to use this power to reduce business rates.
- > Just 4 of the 100 local authorities that received the £10m High Street Innovation Fund money to bring empty shops back into use are going to use Clause 69.
- > Despite discounting business rates to aid regeneration being a big focus of the Portas Review of December 11 (recommendation 7), the data shows just 3 local authorities where there are Pilots are going to use Clause 69.

Total business rate discounts under Clause 69 amount to £2.5m for 2013/14 .

With so few councils opting for bespoke schemes, the total discretionary relief available to businesses across England has reached just £2.5m, according to estimates submitted to the government for the year 2013/14 reliefs.

This is a small fraction of the estimated £21.7bn due to be collected in business rates in 2013/14, and suggests that Clause 69 is a tokenistic policy that Councils can't use to deliver meaningful help.

Wyre Forest District Council, for example, spent £12,000 out of its £100,000 High Street Innovation Grant bringing 10 empty shops back into use through business rate discounts. Their use of the grant was used exactly as it was intended and had the desired effect. It was extremely cost efficient and they should be commended. It also demonstrates the effectiveness of discounting business rates.

SECTION 2: GOVERNMENT ACTION REQUIRED

MANDATORY RELIEF

There are two forms of relief available: mandatory and discretionary relief.

Mandatory relief was formally provided under Section 43(6) of the Local Government Finance Act (1988) and provided that:

- 1). Charities must receive 80% relief on the rates for premises which are wholly or mainly used for charitable purposes; and
- 2). Community and Amateur Sports Clubs (CASC) must receive 80% relief on the rates for premises which are wholly or mainly used for the purposes of the club itself, or for the purposes of the club and other Community and Amateur Sports Clubs.

Discretionary relief is given under section 47 of the Local Government Finance Act 1988, as amended by the Localism Act 2011.

In 2008/09, total mandatory relief for business rates was £1.396bn and by 2012/13 had increased to £2.122bn. Since 2008/9 mandatory relief had increased by 52% or £0.726bn. However, during the last 5 years, the net yield in total business rate income has increased by 22.51% adding to the taxation burden of small business threatening the viability of many.

If you strip out charity relief from the mandatory relief i.e. any registered charity only paying 20% receiving 80% relief, we get the following figures based upon

the government's estimate for this year and confirmed figures for historic years.

Relief specifically for charities has gone up from £770.7m in 2007/08 to an estimated £1.333bn this year up 73%.

The Charity Commission say in 2008 there were 168,354 registered charities but in June 2013 that had fallen to 163,095. That is a reduction of 3.12%, yet during the same period the relief afforded to those charities rose by 73%.

An analysis undertaken by the Local Data Company, for the purpose of this review, showed that in the top 300 town centres, charity shop numbers increased to 3,026 in 2013 from 2,330 in 2008. This is a 30% increase.

With small independent businesses increasingly sharing a bigger proportion of the business rates burden, we believe the total level of mandatory relief should be reviewed with a view to capping it.

REVALUATIONS

The purpose of a rating revaluation is to achieve fairness of tax liabilities by ensuring rateable values are based upon up-to-date rental values and therefore to redistribute liability in line with relative movements in property values since the previous revaluation.

As a consequence, revaluations create winners and losers, with those whose properties/locations/sectors have performed less well relatively since the previous revaluation benefitting from lower bills. Delaying the revaluation creates unfairness by requiring struggling businesses to subsidise those that have fared relatively better.

Average Zone A Shop Rents

	Average of 2008	Average of 2009	Average of 2010	Average of 2011	Average of 2012	Average of 2013	% Change 2008 vs 2013
England (ex London)	112.2	97.6	96.9	94.8	91.8	89.1	-20.6%
London	206.4	194.0	200.3	205.3	220.2	229.8	11.3%
Scotland	102.4	87.8	85.6	83.9	81.7	79.5	-22.3%
Wales	86.7	74.5	70.0	68.1	62.4	60.0	-30.8%
Grand Total	131.7	117.7	118.4	118.8	120.2	120.5	-8.5%

Property taxes need to have regular and reasonably frequent revaluations to maintain fairness and acceptability – the five-year gap has been accepted since 1990 and was generally viewed as the maximum appropriate period. Current rates liabilities are based on rental values as at April 2008, since then rents have fallen by an average of 14% across the country according to the Valuation Office Agency. April 2008 marked the high water mark for rental values in secondary and tertiary areas, which, after several years of outperformance, have since collapsed.

In broad terms, the effect of postponement therefore will be to transfer wealth from struggling places where rents have fallen by more than 14% to successful businesses, many of which are in London.

It is worth noting that no business or business organisation was consulted on, or has voiced support for, these proposals.

Rental data shows that some of the sharpest rental falls were seen in high street retail, particularly in towns and regions that have struggled since 2008. Forcing these areas to pay artificially high business rates for an additional two years will undermine the Government's attempt to address the high street decline.

The collapse in retail rents outside of the capital's prime retailing locations is endemic. Analysis of major retail centres reveals the following rental value changes between March 2008 and September 2012: Leeds -31%, Nottingham -27%, Bristol -25%, Sheffield -21%, Manchester -19%, Newcastle -18%, Birmingham -11%, London West End +10%. Of these cities just London and Birmingham would have expected higher rates bills following a 2015 revaluation.

AVERAGE ZONE A SHOP RENTS – THE STORY SINCE 2008

Research by Colliers for the purpose of this review shows the change in shop rentals (per square foot) in the UK since 2008. In England, taking London out of the equation, rents have been reduced by an average of 20.6% and as much as 22.3% in Scotland and 30.8% in Wales.

Not only will postponement force many retailers to pay artificially high bills until 2017, but will also in our view exacerbate the significant hurdles that already exist to investing in struggling high streets.

What we have learnt since the last revaluation is that our sector has changed beyond recognition and will continue to change. Shopping habits have changed, retail space in many parts of the country is not as desirable as it once was, and if that was not enough we have experienced a double dip recession.

We need to learn from the past and how these shifts could make the system better and fairer moving forward. Far more frequent revaluations, which would make the system far more responsive, would have reduced the carnage and the pain.

ANNUAL INCREASES

- > Business rate income 2011/12 - £21,039bn
- > Business rate income 2012/13 - £21,683bn

Business rates are annually increased by reference to the previous year's September Retail Price Indexation (RPI).

However, the Government's stated policy is to use CPI for the indexation of benefits, tax credits and public service pensions.

The Portas Review of 2011 concluded:

"8. Make business rates work for business by reviewing the use of the RPI with a view to changing the calculation to CPI."

SECTION 2: GOVERNMENT ACTION REQUIRED

This key recommendation on business rates would have only saved businesses on average 50p a week on last year's bill. Changing business rates inflation from September's RPI to CPI would make little difference to have any meaningful effect at all.

Comparing the business rates multiplier increase for 2012/13 based on 5.2% CPI instead of 5.6% RPI, a CPI rise would have saved a total of £46m. With a 2012/13 total of 1.759m business premises, each business would have had to pay £26.15 less in the increase for that year.

In contrast, the British Retail Consortium is advocating an annualised CPI calculation, which in 2011 was 4.2 per cent for CPI. This would have saved £161m in terms of the increase as opposed to the Portas recommendation of £46m.

The BRC policy would have given a £91 reduced increase compared to £26 with Portas. That said, the BRC policy would have still have meant an average rise that year of £275.00 or a total of £483m.

During the last five years September's CPI was actually higher than RPI twice and since the last revaluation in 2010 on average RPI was actually 0.05% less than CPI.

Unlike corporation tax or VAT, business rates do not ebb and flow with the UK economy. In his 2007 review of local Government, Sir Michael Lyons advocated fixing the multiplier at a set percentage and conducting more frequent property valuations, particularly in times of economic hardship.

"More revenue would be raised during periods of growth, and less during periods of downturn," he said. "This system should have economic benefits as it would make taxation better linked to the market situation, helping to ease demand during growth periods and support it during downturns."

Given what has happened to the world economy since 2007 – and the damage caused to the high street as a result – Sir Michael's words look particularly prescient now.

The switch to CPI from RPI is essentially a smokescreen. We are looking at structural changes which have seen market rents for much of the retail sector fall by 20.6% in England (excepting London) since 2008 based upon the Colliers research yet business rates net yield have risen by 22.51% during the same 5 year period and accordingly there is now a fundamental arbitrage differential.

The only answer is for a rating revaluation so as to put retail property into the right position in the business rates hierarchy. Until that revaluation takes place, further increases should not be imposed.

The difference between CPI and RPI is relatively tiny when spreading the annual increase across the total number of properties on the rating list and in the bigger picture irrelevant as the fundamental problem must be tackled.

EMPTY PROPERTY RELIEF

Retailers don't have to pay business rates on empty buildings for three months. After this time, most businesses must pay full business rates.

Some properties can get extended empty property relief:

- > Industrial premises are exempt for a further three months
- > Listed buildings - until they are reoccupied
- > Buildings with a rateable value under £2,600 - until they are reoccupied
- > Properties owned by charities (only if the property's next use will be mostly for charitable purposes)
- > Community amateur sports clubs buildings (only if the next use will be mostly as a sports club)

Exemptions for empty commercial and industrial properties were abolished at the 2007 Budget. Prior to 2007, empty industrial properties were exempt from business rates and empty commercial properties were subject to extensive reliefs and reductions.

However, since the abolition of this relief, fundamental structural changes have happened to our town centres and high streets meaning that the number of empty shops has remained static at 14%.

There does seem to be little or no justification as to why industrial premises should be singled out to receive enhanced relief.

There is currently an anomalous provision in the rules governing rate relief whereby relief will apply to a vacant property if the property's next use will be mostly for charitable purposes. This can and has led to abuse in providing relief against speculative future occupation and is difficult to justify.

Projections for this year place mandatory relief for empty properties at £863m. This is almost twice the contribution

from Government for Small Business Rate Relief. It is a considerable cost and efforts should be made to realign industrial properties with their commercial counterparts, reducing empty property relief to the 'usual' three months.

Similarly, abuse of Empty Property Relief (EPR) is epidemic. There must be a review into tax avoidance under EPR.

AGRICULTURAL LAND & BUILDINGS

Agricultural land and buildings have been completely exempt from business rates since 1929, although they had enjoyed some level of relief since the late 19th century because of economic difficulties in the sector. This situation no longer applies as can be seen in the profit comparison with the retail sector and on the basis of fairness there can be little reason to maintain this special treatment, which gives agriculture a tax benefit that no other business sector enjoys.

In Sir Michael Lyons report in March 2007, it was estimated income from rates on agricultural land and buildings would raise around £300 million. In light of this, Consideration should be given to returning agricultural land and buildings back to the rating list.

A CHANGE OF CULTURE

It is important to recognize that the law governing the assessment of property for business rates also allows ratepayers to appeal rateable values due to the occurrence of a 'material change in circumstances'. This provision is available to bring some much-needed relief to our high streets and town centres. The definition of a material change of circumstance is contained in Schedule 6 paragraph 2(7) of the Local Government Finance Act 1988. While rating law precludes the consideration of changes caused by general economic factors, physical changes can be considered.

Profits: Retail -v- Agricultural

Year	Agricultural Profits	Retail Profits
2010	11.6%	5.0%
2011	9.0%	4.8%
2012	6.8%	3.7%

Source: Company Watch. 499 agricultural companies which file full accounts. 1614 retail companies which file full accounts

SECTION 2: GOVERNMENT ACTION REQUIRED

Appeals as a result of an increase in empty units nearby, the loss of an anchor store, increased floor space and competition from new developments are all material changes. These provisions need to be used and the Valuation Office Agency need to readily accept these factors and be pro-active in amending lists where appropriate. Whilst the Valuation Office Agency state “If we become aware of a material change we will look at how it affects the rental value and whether this means the rateable value needs to be adjusted”, this does not go far enough in our view.

The Valuation Office Agency has a statutory obligation to prepare local rating lists containing rateable values for all non domestic properties in England and Wales, as well as maintaining those lists. Those lists need to be accurate. The Valuation Office Agency should have a good working relationships with local authorities and be aware of material changes affecting town centre and high streets.

This is not always the case, however, and we believe that the mindset and culture of the agency must change from being re-active to pro-active given their statutory obligation. Genuine material changes need to be proactively recognized by the Valuation Office Agency and rateable values adjusted accordingly.

2.2 LOCAL AUTHORITIES CAN BE THE GAME CHANGER FOR SMALL BUSINESS FINANCE

After a period of prolonged pessimism economic confidence is slowly returning to the UK. But despite an emerging sense of optimism stubborn problems remain. Arguably the biggest is lending to SMEs. Clearing the log jam in business lending remains a huge challenge and while small businesses continue to be starved of credit then the seedbed of creative small businesses needed to grow vibrant high streets and strong local economies will struggle to bear fruit.

THIS REVIEW RAISES A NUMBER OF SERIOUS QUESTIONS FOR GOVERNMENT TO ADDRESS:

Why should business rates be the only fixed taxation? (there should be a fundamental change in thinking for it to become a variable form of taxation i.e. go up and down)

Can business rates be used to stimulate economic prosperity and, therefore, generate more income from other taxes for the Treasury?

Is £25bn sustainable as a quantum going forward? Can business rates be frozen and then indexed linked?

Although mortgage lending is beginning to increase, the Government's Funding for Lending scheme has done little for SMEs. It's simply being underutilised and take up has been significantly lower than forecast.

The major challenge is not the scheme itself, but the fact that administration of the scheme has been abdicated to the banks. Banks have strict risk management policies, and this is largely why lending targets have been missed.

There is clearly a huge gap in the market for alternative sources of finance for small businesses. Within this vacuum some activity has started, but it is nowhere near enough. While there are encouraging signs of some best practice including peer-to-peer lending, crowdsourcing and initiatives like the Bank of Dave, there needs to be a sustained push to achieve a transformative scale up of innovative access to finance models.

One of the quickest ways to get lending to small businesses moving again would be for county councils and local authorities to provide the resources to help local SMEs prepare their business plans to meet banks' policy and risk objectives for the Funding for Lending Scheme.

A more powerful intervention, however, would be for county councils and local authorities to move into this field themselves and build on some successful, but small scale lending activity to small businesses that is starting to establish roots. Setting aside a portion of their reserves and pension funds (circa 10%) to provide a much more substantial alternative funding solution for established business within their catchment area would have a transformative effect where bank finance is not available to SMEs.

There are some who will argue this is not the function of councils – and it should be left solely to banks. However, there are plenty of examples from Dave Fishwick to Muhammad Yunus that have proved traditional banks don't have a monopoly on responsible lending. Besides, a number of councils are already offering mortgages.

If local authorities are to take a lead on getting credit flowing to boost local economic activity then they should also support a community crowd funding strategy, where people from the local community can make contributions to a fund to invest in new businesses. Fundraising sites like Seedrs, Spacehive and Kickstarter have already demonstrated the success of this model. It's time for local authorities to scale up this innovation to ensure it reaches a much bigger target audience.

These funds should be administered by local banks in conjunction with a local business community investment committee of bona fide citizens who have created and operated proven successful businesses within the locale.

As part of the Town Centre Commission's (see section 3) responsibility is to establish a clear investment policy, i.e. to provide capital for growth in jobs within the local economy, consideration should be made to the type of investment solutions available, terms and conditions of contract, subsidised interest rates based on a risk formula, the type of agreement i.e. debt for equity, preference shares, standard business loans, match funding, and exit strategy – repayment schedules, interest rate and payment holidays etc.

Alongside this would sit a clear objective of monitoring the investment(s) by providing professional help to act as active advisors to the businesses, the mandatory provision of monthly management accounts, and attending and providing board level assistance and investment monitoring.

To some local authority standard bearers this may sound like anathema and representative of a culture that doesn't belong in town halls. But if local authorities are going to live up the Local Government Association's description of being "the only part of the public sector that actively promotes growth in every single local economy in the country" they will have to step up their game and try different approaches. There is no easy way to bring dynamic growth to moribund high streets. But getting credit flowing to entrepreneurs will give them the best chance of succeeding.

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2.3 CAR PARKING

No review of the high street or town centres would be complete without reference to the thorny issue of parking fees, fines and lack of spaces versus the abundantly available free spaces out of town. This is not an easy subject to study or to prescribe a solution. We asked The Local Government Association (LGA) to contribute to our review and this is from their summary about parking:

“High streets are not damaged by parking charges, which are in fact essential traffic management tools focused entirely at supporting high streets. For instance, local parking policies focus on the need to ensure high turnover of shoppers, and that high streets near train stations are not blocked all day by vehicles owned by commuters”

So there you have it in a nutshell. Parking charges are not damaging to high streets! Ostriches stick their heads in the sand when faced with danger and so does the LGA it seems. Everybody we spoke to during the course of the review, whether it was an independent retailer, shopper or Town Teams stated that “leveling the playing field” to out of town convenience with regards to parking was essential to give the high street a fighting chance to compete. Yet the LGA do not agree.

We came across an example in Bicester where free parking for the first two hours was making a difference. The key to its success appeared to be the fact it was driven by Sainsbury’s. They really did seem to understand the difference it would make to their business in that town. Here are some of the findings:



THE BICESTER MODEL – SAINSBURY’S PARTNERSHIP WITH THE LOCAL COUNCIL

Free minimum model – two hours free, then you can pay for the third hour. Benefits all the high street.

As the project develops, they may need to get a contribution from other retailers towards running costs.

Despite it only being recently launched, initial research shows the visitors’ figures are already up by about a third, and the expectation is that it will ultimately be about 50% higher. The second part of the research will be done in mid September.

Although Sainsbury’s is actually in town and prepared to support the initiative it works for independent retailers as well. The main beneficiaries will be those with the right proposition that complements Sainsbury’s. Those that compete may well struggle now like the butcher and baker, who are likely to be out of business unless they develop a more competitive range.

Result: people in the high street up, but only buying what is not in Sainsbury’s!

During our research we also established that technology could play an important part in developing an effective parking policy for each town by understanding the traffic in more detail.

By developing a Toolbox for parking in towns, enhancing the Digital Profile mentioned in section one and adding a Parking Profile it is possible to revolutionise town centre parking. With the right data local authorities could develop specific parking strategies. However, for now we have concentrated on the more immediate action required to go some way to levelling the playing field with out of town shopping.

To put this challenge into context, it is important to recognise that local authority funding has been cut by 33 per cent in recent years and the June 2013 Spending Round sets out a further 10% cut to local government in 2015-16. This means the only part of the public sector that has a responsibility to promote growth in every single local economy in the country will once again absorb the biggest funding cuts. It is not surprising, therefore, that local councils see parking as an income stream rather than an asset to be used to stimulate economic growth.

As part of the review Exmouth was visited during the height of the holiday season. With the sun shining and the beach beckoning, the parking notices on the front were clear: Maximum stay three hours £3 and no return within 4 hours.

The message was loud and clear: Welcome to Exmouth enjoy three hours on the beach then push off!

It is not surprising that our towns are suffering when parking is viewed as an income generator and not part of an overall economic plan from a welcoming brand known as a town.

SECTION 3:

WHAT LOCAL AUTHORITIES MUST DO AND WHEN

LOCAL AUTHORITIES TO FACILITATE PARTNERSHIP WORKING IN TOWN CENTRE COMMISSIONS

This section will further demonstrate that complete solutions encompassing housing, health, education, entertainment and culture, as well as some shopping, are needed to future proof our town centres. It will cover the following:

1. The background to various regeneration initiatives in the UK, for example the Business Improvement Districts (BIDs).
2. Existing good practice and guidance; place making.
3. The role of town planning, and other existing local authority powers.

Having assessed the current position, we go on to discuss the central plank of our strategy for generating solutions: a Town Centre Commission to be established for every UK town. Our recommendations are as follows:

1. **Town Centre Commissions:** every local authority must establish a Town Centre Commission to cover its locality.

At the end of this section we show a case study highlighting the approach that could be taken to a town centre (the City of Nottingham) which has every ingredient necessary for a modern successful regional hub, but which currently demonstrates many, if not all, of the problems routinely facing our UK town centres.

2. **Best practice open source network:** best and good (and poor, if there are lessons to be learnt) practice in town centre management to be collated and widely disseminated in one accessible place. Town Centre Commissions will be assisted in learning from best practice.
3. **Town Centre Business Plans:** a common process will be adopted to produce a 20-year plan for each town centre, whilst acknowledging (and celebrating) that each town centre business plan will be unique to its locality.
4. **Planning Framework:** Local authorities will designate their town centres as Special Planning Areas (SPAs) with their own planning guidance that allows certain flexibilities on Use Class Orders (UCOs) in secondary retail streets.
5. **Government High Street Unit:** central government will supply support in the shape of a Minister for the High Street, a designated High Street Task Force, a "special needs" CPO Fund, and discretionary grants to local authorities.

1. BACKGROUND

Regeneration initiatives, grant aid, BIDS etc.

There has been a constant stream of regeneration programmes in England over the last 45 years, ever since the first Urban Programme was launched by the Labour Government in 1968. Although there have been a variety of objectives, very few (with some important exceptions) have focused explicitly on town centre renewal: the 1998 National Strategy for Neighbourhood Renewal aimed, among many other things, to bring "...shops back to deprived areas, which, without them, cease to be sustainable communities." And this was the main focus of the Business Improvement District (BID) programme, imported from the US in 2000 under the then Single Regeneration Budget (SRB) programme (although BIDs were never intended specifically as a response to neighbourhood deprivation).

The 1998 national strategy, like most regeneration programmes, was targeted explicitly on areas of disadvantage. By definition, these areas are characterized by low incomes and therefore low levels of retail spend - and thus did not, and do not, offer attractive propositions for retail development. Indeed the boarded up shops which still disfigure many deprived areas has been a tangible sign of neighbourhood poverty for over three decades.

However, it became increasingly clear over the years that while deprived areas share some key characteristics - such as high levels of unemployment, low incomes, high crime rates and poor health - these similarities often obscure important local differences. These can include demography, patterns of land use, location (city centre or peripheral estates), and industrial and economic heritage. All of which, in turn, affect the nature of the local skills base. It was not readily understood that responses must be locally appropriate to be effective: one London regeneration partnership aspired to "recreate" Upper Street Islington in its own high street - not recognizing the unique combination of demography, location and income that supported Islington's particular retail offer. A study for Joseph Rowntree concluded that, "there is no simple answer to retail regeneration - the solutions which work are as divergent as the retail marketplace and must be tailored to local opportunities".

As our understanding of the processes of neighbourhood regeneration developed with each successive programme, it became clear that sustainable renewal requires a comprehensive and integrated approach: the problems of deprived areas are interconnected, and to focus just on housing, say, or crime, is to ignore the way different factors interact. Similar considerations need to be taken into account in the development of town centre strategies, which must reflect a wider range of issues than the town centre itself. A recent survey of BIDs recognized this clearly: "...while the BID model can act as the initial catalyst in helping to kick start the area improvements, it should not form the only strand of any wider regeneration strategy."

It is in this context that regeneration partnerships have approached town centre and retail issues: as just one element in wider strategies. The exact nature of the other elements varies, according to local circumstances, but often includes:

- > Crime: high levels of crime add extra burdens to already marginalized retailers in deprived areas, while fear of crime can deter people from visiting poorly designed shopping centres.
- > Transport: successive censuses have shown that the proportion of households with access to a car is much lower in deprived neighbourhoods, than for the nation as a whole. As the availability of public transport recedes, accessibility becomes a crucial issue.
- > Skills and jobs: the provision of appropriate and locally available training in retail and related skills is important, because the absence of adequate skills may prevent retail chains from investing, or if they do, encourage them to import labour from outside, thus wasting local employment opportunities.
- > Wider neighbourhood planning and management: as part of wider neighbourhood management strategies a number of regeneration partnerships have helped bring back locally-based service provision - for example health clinics, training centres or cyber-cafes - to retail areas to help restore a sense of community - and create other reasons for visiting the town centre or shopping parade.

SECTION 3:

WHAT LOCAL AUTHORITIES MUST DO AND WHEN

2. GOOD PRACTICE PRIVATE/PUBLIC SECTOR PARTNERSHIPS

There are many examples of the benefits that a clear strategy and positive plan have delivered in establishing and retaining a vibrant town centre. A common feature of these projects is that they have formed part of an overall strategy, promoted through a responsive planning process and a range of other parallel initiatives.

In most cases they have been steered by a public/private partnership, in the context of a supportive planning framework and proactive measures to secure developer commitment and assemble sites. A recent paper from Peter Brett Associates promotes the concept of a town centre investment management process; this in turn will require better town centre plans and the political will to achieve radical change.

There are a number of good examples of plan led renewal of town centres:

- > DCLG has used Exeter, Basingstoke and Liverpool One as case studies.
- > The Peter Brett Associates paper uses Corby and Marylebone as case studies.
- > More current potential case studies of civic leadership and public private sector partnership might be Ilford, Croydon and Basildon. Ilford has decided to intensify residential and leisure use, Basildon is concentrating on increasing public sector services in the town centre including the relocation of a college. Croydon has a comprehensive strategy and a strong public/

private sector partnership commitment, to a delivery plan.

Successful town centre projects have not all been retail led, or involve significant new development. The evidence suggests a range of measures including the provision of community services, active management and promotion, quality public realm, better access to transport; housing growth and improvements in community safety all have an impact on creating a vibrant centre.

GOOD PRACTICE GUIDANCE

There is a plethora of good practice guides for town centres that have been produced over the years. So much so, that the effective messages have been diluted.



One such, which this Review would pick out as a good start point, is the GVA Grimley Good Practice Guide produced for DCLG (December 2009) for practitioners, in particular for those involved in reviewing and preparing a town centre plan. This Guide was somewhat overlooked at the time, but the guidance is fit for purpose in helping the various parties develop their evidence base and prepare town centre strategies. It also assists developers, retailers and other key town centre service providers prepare planning applications.

The guidance stresses the importance of carrying out a needs assessment which should be both quantitative and qualitative, as both have a role in reaching an overall judgement about the nature, scale and form of any future town centre development.

THE MAYOR OF LONDON'S OUTER LONDON COMMISSION

In this Review we strongly recommend the establishment of Town Centre Commissions. The concept of such commissions is not new; there are numerous examples of commissions both at national government level and in a local context, that have had a significant effect on the area on which they are focused.

One laudable example is the Outer London Commission established by the Mayor of London. The membership was drawn from a wide range of experienced practitioners. The commission set out to establish how best different parts of outer London could better realize their economic potential, in particular town centres.

The Outer London Commission's final report concluded that "many of outer London's town centres face considerable challenges in the face of changing consumer behaviour; new forms of retailing especially 'e-commerce', out of centre retail and leisure development; landlord expectations and leasing structures; inconvenient or inadequate parking provision/management; inadequacies in the planning system; loss of business rates and the complex web of sometimes competing interests in the future of town centres".

The Mayor advised boroughs to produce plans to diversify town centres and not to be over-reliant on

retailing, the plans would be unique to a local area and avoid one size fits all. The local plan should support town centres as a primary focus for delivering civic amenities leisure and social services as well as retail and in developing specialisms for example shared workspace with good infrastructure and connectivity.

The work of the Outer London Commission is to be commended, and the resultant funding for innovative town centre projects, like Leyton high street, has made a difference. However, the key messages have not been mainstreamed as a universal corporate priority by individual London boroughs. As is the case with many grant aid initiatives they are not popularly understood, locally owned, nor are they sustained beyond the life of the grant aid.

TRANSITION TOWNS

The Transition Town network in the UK was founded in 2005, as a response to the twin challenges of Peak Oil and Climate Change. The network stresses the need for long-term, community led change, and most of its initiatives remain in their infancy. Precisely because they are local and community-led, Transition Town groups have varied in their priorities.

However, one of the main drivers of activity has been recognition of the need for greater emphasis on local food production and consumption. The rationale for local food initiatives is broad-based and includes the reducing food miles, greater emphasis on seasonality, and sensitivity to the impact of Western consumption on Third World economies and environments, and sustainability: a concern for future food security. But in the context of town centre revival, crucially, the most innovative of Transition Town communities are using local food strategies as the starting point for a much wider 'delocalization' of local economies.

In the UK probably the most advanced Transition Town is Totnes. In 2011, a group of local stakeholders, from the community, businesses, and council, initiated a project to develop a blueprint for the local economy. The aim was to maximize local expenditure retained in the local economy, and to measure the impact of doing so.

SECTION 3: WHAT LOCAL AUTHORITIES MUST DO AND WHEN

In the case of food, they calculate that about two thirds of local spend went to two supermarkets; and just over a third of food and drink purchased was produced locally. An increase of just 10% in local purchasing would add £5m per year to the local economy. However the economic benefits of buying local products from independent local suppliers are even greater than that, for two reasons:

- > On average local shops support more than three times the number of jobs as supermarkets for the same level of retail spend, and...
- > ...the 'local multiplier' effect is greater (money spent in local shops spent locally again by shop-keepers and their staff): a study by the New Economics Foundation calculated that £1 spent with a local independent supplier is worth £1.76 to the local economy, and only 36 pence if it is spent with non-local suppliers.

A number of Transition Town groups, (including Totnes) have also developed local or complementary currencies: Lewes Pounds, Brixton Pounds, Bristol Pounds, Stroud Pounds, and Totnes Pounds. Some schemes offer discounts or put expiry dates on the notes to encourage use.

The Totnes initiative is realistic about the limitations of this kind of localism: their objective is that "what can be produced and provided here should be, where there is a net benefit overall." It is an objective which could usefully be included more widely in town centre strategies, along with much else the Transition Town movement is attempting.

THE CURRENT STATUS OF TOWN CENTRE PLANS

The Grimsey Review sent out Freedom of Information (FOI) to 100 local authorities at the beginning of June 2013. By mid August we had received 47 responses to our FOI requests. The summary of the findings from the responses is:

- > 26 respondents have no corporate strategy for town centres
- > 34 respondents have no adopted plan for a town centre
- > 24 respondents have no town centre plan of any description.
- > 21 respondents have no town centre management team
- > 21 respondents have no political scrutiny of town centre activity

This patchy performance is yet a further symptom of the chaotic public policy that affect (or not) our town centres, as the most manifest symbols of the strength of local economies. This Review is recommending that all local authorities, in partnership with their stakeholders, develop a coherent town centre plan for each of their town centres, as a matter of urgency and priority.

In developing a town centre plan it is important to have a clear understanding of the scale and quality of retail provision in other neighbouring town centre locations. Local authorities have been encouraged to identify the role and carry out regular health checks on the network of town centres testing vitality and viability. This is another process that has fallen into disarray as a result of reduction in local authority budgets.

Whilst government guidance on planning for town centres is primarily focussed on retail many local plans identify housing development as an important element in maintaining town centre viability. A desirable growth in town centre residential occupation may change the nature of the town centre, with a greater demand for an evening economy and a range of other leisure and community services. This should be viewed as an opportunity rather than a threat.

PLACE MAKING TO CREATE A CENTRE FOR ACTIVITY

The combination of great public spaces and diverse social and economic activity will create a place where people will want to come together to enjoy collective interaction. The combination of good architecture combined with quality public spaces has always attracted people to vibrant areas to live and work. Those public spaces may be the grand square or the small local neighbourhood park. The popular centre will also have a range of transport choices which are attractive, safe and easy to use. What is required is a local shared vision and political will to deliver a new centre of activity in a quality place.

Local authorities in the UK are often the architect of their own failure as they see themselves as having limited power, compared to central government. A comparison with Scandinavia shows strong confident municipalities who see their role as creating new and better places and intervening to lead the development process rather than responding to it. UK local authorities do have many of the powers of their EU counterparts they just lack the skill, or the will, to use them.

The importance of quality urban design, public realm and transport connectivity should be a priority but is often an afterthought rather than the starting point for the design or re-design of a town centre or a high street. It is a critical issue in making the connections between people and places, movement and urban form, nature and the built fabric.

Public spaces can significantly improve the quality of life in town centres, combined with urban parks, street trees, and water in many forms can create spaces where people of all age groups can come together. The survey of local authorities found little evidence of an urban design

strategy or plan for the future wellbeing of the town centre.

One imaginative city initiative is "The High Line" in New York, which functions as a mile and a half greenway linking a series of neighbourhoods and providing a visitor attraction in the streets of Manhattan. The Park is owned by the city and managed under a license by a local community group supported by individual and corporate membership, donations and events.

In Birmingham, the focus has been on the establishment of a "Vision for Movement" bringing together the private sector, the City Council and the major transport companies to deliver a world class integrated public transport system. The partnership is committed to creating an outstanding pedestrian environment that is well connected and safe, putting the needs of pedestrians at the heart of the city centre.

There is much good practice to be copied in combining public service with retail and leisure provision, and in intensifying residential occupation in harmony with an evening economy. Copenhagen is often described as the world's most liveable city, meeting the criteria of surveys which list the following attributes; "a mix of shops and services within walking distance, a good transport interchange within close proximity, green space as part of their residence, a good park with a body of water, independent businesses as a feature of the community, a sense of security, excellent coffee and finally a little bit of grit and surprise".

RETAIL TO RESIDENTIAL

We need to structurally change things. One structural change would be to bring people back in to our town centres to live.

The recent announcement by Planning Minister Nick Boles to allow shops (and agricultural buildings) to be turned into new homes without planning permission is wholly welcomed by this Review. And we were pleased to see that this initiative, which has the dual aim of boosting the UK's ailing town centres and addressing an acute housing shortage, has generally been well received.

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But it needs more work, as it is likely to impact adversely on areas where the local authority has no clear strategy to harmonize residential intensification with the development of the town centre. As ever, we await the detail that will turn this into an effective policy for reinvigorating our town centres.

We would urge that any conversion programme must be carried out carefully within the context of a strategic Town Centre Plan, within the guidelines established by the local planning policy (in the Town Centre Special Planning Area), and overseen by the Town Centre Commission, if it is not to result in a piecemeal approach to planning, with buoyant town centres and retail parades being broken up by the housing development. The potential to convert is but one strategy at the disposal of the Town Centre Commission and will not be the panacea for blighted retail areas. Rather, it should be part of a wider solution to include all the other factors that we discuss here, such as public realm enhancements, leisure and community uses and small business premises.

The welcome conversion of shops into homes, in the right areas of a town centre, is also set to lose local authorities millions of pounds under the government's new business rates retention scheme (see also Section 2) so that councils using the proposed new powers may lose a significant funding stream. This conflict needs to be resolved; councils will be reluctant to push through changes of use that produce lower rates. Elsewhere we call for the appointment of a Minister for the High Streets and the first task of that appointment will be to resolve this conflict. This is a further indication of the lack of

joined up thinking around government policy and the high street.

And which areas should be zoned for conversion? Under what criteria? We also await a definition of secondary trading frontages, clarification on essential local services and framing of the economic health test. This will need to be spelt out in the planning guidelines and in each Special Planning Area (SPA) and rigorously overseen by every Town Centre Commission.

FLATS ABOVE SHOPS

The issue of serviceable space above shops lying empty in large numbers in our town centres is another thing that could meaningfully be addressed in a locality by the Town Centre Commission. Currently this space is generally let to retail tenants as "storage" and is eminently suitable for conversion into flats.

One of the issues is that landlords always wish to push all liability onto tenants; so if there is a shop with two floors above then in most cases the whole property is with the (retail) tenant. Splitting the property may give rise to issues (such as the need for a service charge). Also no matter what the rent is, the yield is applied against the covenant strength, giving little incentive to create two tenancies (if the upper floor tenant is Mr Smith, a private citizen, necessarily with no commercial covenant strength). This pernicious cycle needs to be broken.

Retail tenants will sometimes be very happy to lose their upper floors. It is mostly space they don't use, and the rent they pay at "storage" levels is typically 10% of the ground floor zone A rate for the first floor (and gets

lower as you go higher). So the landlord is the issue here, and we need to find a solution that works for them. This Review believes that we need to see if we can readily take back this space, without impacting on the value of the whole, then we could get a huge number of flats converted from unused space above shops. This would get more people living in our town centres, and using their amenities. But we need to make the management of this stock easy, and we need the liability to be easily understood.

This Review will approach the Institutions (starting with the Royal Institution of Chartered Surveyors) and invite them to work up guidelines for a managed package; for each landlord: the rent stays the same and they keep their main tenant but there is the potential for the Town Centre Commission to create a vehicle “Anytown City Centre Limited” who would take the upper floors. This proposal would offer “studio living” (somewhat akin to New York Loft style). The residential tenant is supplied with a drain, water, power and gas. The management vehicle would offer a bespoke design to install a bathroom and kitchen. The proposed government High Streets Unit would work up the idea for a national rollout. The residential units created would be marketed as modern, open and informal, to appeal perhaps to a younger market. But this would be scalable at minimal cost, and would present a further solution to both the national housing shortage and the need to reinvigorate our town centres.

3. CASE STUDY: NOTTINGHAM

In September 2012 the LDC reported that Nottingham had a vacancy rate of 30.6%. The Council believe the figure for the city centre is between 15-17%.

History

Nottingham’s earliest settlement was Roman, but it was around 600AD when the Anglo-Saxons built the first proper settlements – it was known as “Tigguo Cobauc” – or “a place of cave dwellings”. The Caves still exist today.

The first bridge over the River Trent was thought to have been built in the 10th Century. The rocky outcrop on which the Castle now stands made Nottingham an ideal fortified place.

King Charles I of England raised his standard outside Nottingham Castle on 22 August 1642 at the start of English Civil War.

The legend of Robin Hood arose in the Middle Ages.

The original Castle was built on the orders of William the Conqueror in 1067, but razed to the ground in 1649. The present “Castle” is a Ducal Palace and was opened in 1679.



Demographic

2011 Census data:	
Population – Nottingham City	305,680
Population – Nottinghamshire	785,802
Dwellings	131,586
Full-time students (18+)	45,921
Average Age	34 (41 Nationally)
Unemployment (June 2013)	7.8% (same as National figure)

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Outside London (West End, City and Oxford Street), Nottingham is ranked 6th in the UK Top Shopping Venues - behind Glasgow, Manchester, Birmingham, Leeds & Liverpool. (Javelin Group – Venuescore 2013-14). Nottingham is a Core City (one of the eight largest economies outside London).

The University of Nottingham and Nottingham Trent University are key to the future success of the City. In the case of the University of Nottingham it has campuses in Ningbo China and in Malaysia. The City has two large Further Education Colleges – New College Nottingham and Central College. Both have a City centre presence. Bio City is a joint venture between the Universities and EMDA. It is the UK's leading bioscience incubator –



with over 80 businesses operating from the Nottingham premises.

Alliance Boots has its base in Nottingham. Players Cigarettes (Imperial Tobacco) are made here at the Horizon Factory. Other major employers include Experian, E.On, Specsavers and Speedo.

Nottingham today

The city has amazing assets - historical and contemporary - from Robin Hood to Shane Meadows. It is a compact City - originally built inside a City wall and on a high cliff to prevent invasion. There are historical routes. There are passageways and haunts. The caves beneath the Castle and Broadmarsh Centre remain a tourist attraction.

Nottingham Castle was the first municipal art gallery outside London – opening in 1878. In 2009 Nottingham Contemporary opened its doors for the first time. Art and creativity play an important part in the life of the City. The Antenna / Confetti centre is the heart of the Creative Quarter – it provides a training centre and offers serviced office space for creative companies. Spool Films provide a fully-fledged Dolby Studio – one of only a handful outside Soho. In early 2014 Notts TV, a local TV station, will start broadcasting. In addition to providing local coverage, it will offer a unique opportunity for training young people.

The Market Square remains the focal point for the City - as it has for hundreds of years. In the early 19th Century the Luddites started their protests here.

It's a friendly place – recently voted in the top five in the UK.

Victoria Centre - summary

Opened 1972
120 stores - anchored by John Lewis, Boots and House of Fraser
981,000 sq. ft.
Parking underground for 2,400 cars
464 flats above - over 26 floors (tallest building in City)
36,000 sq. ft of offices
Valued at £308m in accounts 2012
2013-15 - refurbishment planned £36m

Broadmarsh Centre – summary

Opened 1972
80 stores - anchored by Argos, Wilkinsons and Boots
484,000 sq ft
1,200 car spaces
Westfield sold its 75% interest to CSC (now Intu) in Nov. 2011 for £55m
CSC / Intu then acquired the remaining 25% ownership from Post Office Pension Fund for £18.3m.

Nottingham has major investment underway - transport infrastructure will change beyond recognition over the next few years. This will see:

Tram lines 2 and 3 being built at cost of £570m - completion by the end of 2014. Tram Line 1 was opened in 2006.

Widening A453 at a cost of £150m – to be completed by the summer of 2015. This will provide a much needed improvement of traffic movement from the South.

Rail station rebuild underway at cost of £100m - complete early 2014.

Ring Road improvements underway - £16.2m - Complete Summer 2015.

The leisure offer in the City is spread, but there are two significant developments; the Theatre Royal and Royal Concert Hall offer traditional theatre / concert space. There is a Playhouse too. The Cornerhouse provides in-town multiplex leisure – including multi-screen cinemas / indoor golf, restaurants and a club.

Nottingham's retail offer is characterised by two axis'. The North South is the 'national' offer – with the Victoria Centre anchoring the North, the Broadmarsh the South. The connection of Clumber Street / Bridlesmith Gate is a powerful pedestrianised street – reputed to have the highest footfall in Europe. East West is more independent in nature – with the quirky in Hockley to the East.

Retail remains a challenge – anecdotally the vacancy rate is estimated to be around 15% in the central core. Intu control nearly 1.5m sq ft of space in the central core. In the submission to the OFT in early 2012 it was estimated that this control amounted to between 65 and 70% of

the shopping centre retail space in Greater Nottingham.

There is a further complexity in that the freehold interest in Broadmarsh centre is owned by Nottingham City Council. There are c.108 years remaining on the lease – rent is 33% of the passing rack-rents. In the 2010 accounts of the previous ownership the turnover (rent) was £6.2m – producing £2m for the City – this figure has now fallen.

The acquisition of the Broadmarsh by CSC (now Intu) was referred to the Monopolies and Mergers Commission – who decided in March 2012 that, "The OFT does not believe that it is or may be the case that the merger has resulted or may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom".

Broadmarsh Centre appears to be in terminal decline. Swathes of shops are boarded up – it is as uninspiring as retail gets. The discount retailers and the weekly sofa rental shops are here. This is a downside for Nottingham.

The aspirational shops are in the Victoria Centre – to the North. Intu have plans to extend the centre. Future aspirational shops will go North. The South will wither on the vine. The (limited) sense of glamour is here.

Nottingham – the future

Retail

It makes no sense to extend Victoria Centre. The transport hub is to the South – where tram and train converge on an (to be) improved Station. The shops will be dragged further North – strengthening Victoria Centre

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as a destination. Any aspirational retailer will only go into Victoria Centre - in fact, with the Intu control of the floorspace – it is all they will be offered.

Why would you build more shops? Other than to improve the strength and value of the Victoria Centre. In the meantime the City lose out on income for the Broadmarsh.

The reality is that there are too many shops. If there are too many shops – don't build more! But take it further – take some out of the equation. By restricting supply the prosperity of the rest should improve.

There is a part of Broadmarsh which should be saved - the entrance from the South from the Station. But the rest needs to be put to an alternative use.

The East-West axis should be encouraged. Some side streets may need to be designated away from retail. The zone should be 'independent' in nature as far as is possible.

Access

The access to the City will improve over time with the opening of the new tram lines and the improvement of the Station. Dualling the A453 will make access to the city easier from the South. Motorists need to be considered too – the current parking charges and restrictions are a barrier to development.

Education

The presence in the City of students remains important. Any growth of NCN / Central College / Confetti need to be encouraged.

Creatives / Talent

There is a wealth of creative talent. This needs to be encouraged and allowed to grow.

Science

With the legacy of Boots and the emergence of BioCity there is also a wealth of talent in the Science sector. Again, this needs to be allowed to grow and prosper.

Leisure

The Leisure offer at present is satisfactory – it will respond to market forces. It needs to be managed into specific geographical locations – and not be allowed to spread further.

Living

There are many 'above shop' vacant spaces in the City. These should be exploited to be brought back, where possible into residential use.

The Story – Unique Selling Proposition (USP)

Robin Hood is not exploited. The Castle and the story of Robin Hood needs to be brought to life. The City of Rebels remains a powerful World Class brand. All this demonstrates that with a bit of joined up thinking and a business plan it would be possible to take Nottingham as a brand to new heights. The population would grow as people were attracted to live, work and play in a City with a clear vision and a plan to make it happen.

Alas, the opportunities may not be fully realised as already the makeover of the Railway Station may have missed a trick as can be seen by what follows.

4. HS1 ST. PANCRAS

HS1 connecting London with Europe opened in 2009 and the concourse at St. Pancras is a Town in its own right. Some 58 million people pass through this new development every year. Around 10 million of those are international passengers who behave, from a retail perspective, in a similar way to passengers at international airports purchasing duty free items, gifts and souvenirs.

The most amazing statistic is that of the remaining 48 million people that pass through the concourse 12 million of those are not even travelling anywhere they are using the facility like a small town. They are people that live and work in the area who use the shops, restaurants, cafes and bars to hold business meetings, shop and socialise. That must impact the retailers, bars and restaurants in the surrounding catchment area.

While we ponder that fact, just imagine the impact on the towns and villages on the commuter lines coming into and out of St. Pancras. Some 26 million commuters pass through the concourse every year and the evidence suggests that they use the facility as their “new high street” to get those; “I just need” items travelling into work or on their way home. That means that these people are deserting their local high streets in favour of this newfound convenient place to shop on their journey.

HS1 as a landlord works in partnership with its tenants occupying the ninety thousand square foot of selling space. That is the size of the biggest Tesco Extra! The partnership is cemented as the tenancies are all based on turnover rents with a minimum threshold. HS1 operates like a big department store promoting the concourse to generate foot traffic because as landlord they benefit from increased sales.

This is an example to Network Rail who are sitting on many similar opportunities and may be missing a trick with their refurbishments as possibly is the case in Nottingham. The signs are that the success of HS1 is being copied with a refit at Waterloo. However, this message must go wider than railway stations. If local councils could find a way of working with private landlords, retailers, restaurant owners and other high street businesses so that everyone benefitted from

increased business then everyone wins.

HS1 is a strong example of what can change and that is before they start using technology in a better way to communicate with their visitors in a similar way as mentioned in section one of this review.

5. THE ROLE OF TOWN PLANNING

Given the opportunities that exist as shown by the examples of the Transition Towns, Nottingham Case Study, and a brief overview of the success of HS1 St. Pancras it is clear that something is needed that realises these opportunities and revitalises our town centres. These examples are just a few of the things that can be sighted that will help with the way forward.

There seems to be some confusion as to the role of planning in improving the fortunes of town centres. This was totally borne out by the response to the recent permitted development rights for empty shops to be converted for residential use.

We need to go back to basics, and not do things piecemeal. The Government’s overarching National Planning Policy Framework (NPPF) has endorsed a plan led system for managing development and setting out a vision for a local area. The local plan is to be current, evidence-based and able to respond to development in a way that fits with local aspirations and expectations. This more systemic approach provides the best start point for a policy framework for the Town Centre Commissions.

Under the NPPF, local authorities have the responsibility for producing a “local plan” which is based on policies with a clear and up-to-date evidence base. There are a number of Planning Inspectorate judgements on local plans, which reinforce this view. The local plan is based on a long-term timeframe, at least 15 years, which is far longer than the average political cycle.

Whilst local plans will be reviewed from time to time and there is encouragement to promote flexibility, substantial decisions will have been made with regard to land use. It is unlikely that all local authorities in isolation will have the capacity or capability to respond to the impact of dramatic changes in the fortunes of a town centre economy.

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The government's policy guidance to local authorities promotes new development of main town centre uses to be focussed in existing centres, with the aim of offering a wide range of services to communities in an attractive and safe environment and remedying deficiencies and provision in areas with poor access to facilities.

National policy also supports competition between retailers and enhanced consumer choice through the provision of innovative and efficient shopping, leisure, tourism and local services in town centres, which allow genuine choice to meet the needs of the entire community.

The policy objective provides a local authority with the powers to shape the future of town centres, however all too often a Council lacks the plan making capability in particular the establishment of an evidence base to determine the qualitative and quantitative needs for retail and other town centre uses.

The recent paper by Peter Brett Associates is also helpful in setting out a pathway to the transformation of town centres starting with the "local plan" and the development of a town centre plan. This approach would be a good starting point for the Town Centre Commissions.

We are therefore proposing that local authorities, in collaboration with their respective Town Centre Commissions, will designate their town centres as Special Planning Areas (SPAs) with their own planning guidance that allows the appropriate flexibilities on Use Class Orders (UCOs) in secondary retail streets.

CUSTODIANS OF THE FUTURE: TOWN CENTRE COMMISSIONS

In many areas the diverse demands and pressures on the local authority have resulted in town centres being relegated as a corporate priority. The Council's planning department is often ill equipped to manage change, and sees its role as primarily about regulation and enforcement.

Local authorities need support in assisting them in the stewardship of their town centres. It is in the interests of ALL stakeholders that each town can meet its own unique potential. To achieve any form of significant change there needs to be a better quality and targeted approach to plan-making. It is important to establish a high profile public review of a town centre in order to understand what action is required for the future. There should also be a shared vision on what sort of centre of community activity is required, for economic and social well being to be sustained over time.

What is required is a fundamental review of the future role and function of existing town centres as the underpinning of the local economy, through the symbolic establishment of a Town Centre Commission in every town with membership drawn from a cross section of stakeholders.

RECOMMENDATIONS:

Town Centre Commissions

Every local authority must establish a Town Centre Commission to cover its locality. Local authorities need to provide leadership in establishing and facilitating

an independent commission to undertake a high profile review of the future of its local town centres. But local authorities cannot do this on their own. Each Commission will be drawn from local stakeholders and experienced practitioners and collect evidence from a variety of sources to support the development of a long term strategy and delivery plan, endorsed by public and private sector partners. The town centre partners should be required to place parallel commitments in each of their own organization plans and the whole process should be subject to scrutiny with an annual report on progress.

Best practice open source network

Good (and best) practice in town centre management abounds. But much is overlooked or misunderstood. It should be collated and disseminated in an accessible technologically enabled way. Town Centre Commissions will be assisted in learning from best practice (such as Transition Towns). And all Town Centre Plans should be available to share. Everything that is shared will be critically evaluated for efficacy.

Town Centre Business Plans

A common process will be adopted to produce a 20-year business plan for each town centre, whilst acknowledging and celebrating that each Town Centre Business Plan will be unique to its locality (indeed, if it isn't, then it will have no chance of success). Each Town Centre Business Plan must be a properly constituted business plan, one which any retailer, or any business leader would recognise as such. The Town Centre Business Plan will forge an intelligent vision and long-term strategy for each town, it will establish a sustainable implementation plan and it will seek to identify commitment from both the private sector and public sector (health, education, police).

We acknowledge that local authorities need support to improve their commercial business planning, as well as their implementation competency. Such support is to be provided both from central government and from the business community in their area.

Planning Framework: Local authorities will designate

their town centres as a SPA. This will enable guidance on local planning matters. Quicker and simpler to prepare than development plan documents, there is no requirement for them to be listed in a local planning authority's local development scheme, so they can be brought forward as circumstances change. Whilst they are not examined by an Inspector, a supplementary planning document is still subject to a process of consultation and engagement with relevant parties.

Government High Street Unit

Under existing legislation (not least of all the 2010 Decentralisation and Localism Bill) we do not believe that any more laws, or regulations, are needed in order for local authorities to facilitate the establishment of effective Town Centre Commissions. However, we believe that there needs to be a strong focus in central government for the future of our town centres (as the hubs of the local economy) coupled with assistance for local authority officers and members in terms of populating the laws at their disposal. We are therefore proposing four tiers of central government support: A Minister for the High Street: this to be at Minister of State level, within either CLG or BIS, but with clear support from both departments

A designated High Street Task Force: we propose that the government set up a Task force, along the lines of other government task forces, to include a team of practitioners who are able to guide local authority officers and Town Centre Commissioners through local authority legislation. Specialisms represented are likely to be in surveying, landscape architecture, legal and finance.

Discretionary grants to local authorities. In methodology adopted from that for the City Challenge Fund of the early 1990s, fledgling Town Centre Commissions that can demonstrate a strong partnership as well as at least £100,000 of support, either in cash or in kind will be accorded a grant of £100,000 towards the formation of their plan.

In recognition of the fact that landlords can be recalcitrant, a further "special needs" CPO Fund will be available from the central pot, for the Task Force to allocate in extreme cases.

CONCLUSION

When we embarked on this review we knew we had to confront a painful truth facing our high streets. There was no point letting sentiment get in the way or clinging to a vision of the past. Many high streets up and down the country are dying. They need to embrace radical change if they're going to have a future.

But despite overwhelming evidence to support the need for change, there remains little appetite for the kind of major transformation required to turn moribund high streets into thriving and diverse community spaces.

Over the last few months our research has shown there are over 20,000 businesses on the high street at serious risk of failure. We've also discovered over 50% of local authorities that responded to FOI requests have no town centre plan of any description. This is a recipe for disaster.

As we travelled up and down the country visiting town centres and speaking to people about the state of their high street it quickly became apparent that many feel powerless about the changes sweeping through their community. There are over 40,000 empty shops in the UK and a palpable sense that local and central government are doing little to reverse this decline. Indeed, a recent Yougov poll showed that two thirds of people think the government needs to do more and one in three saw no future for their high street.

But against this bleak backdrop there are also grounds for optimism in the huge amount of pride that's shown for local high streets across the country. Listen to any radio phone-in on this subject and you'll hear it. Speak

to independent traders, mothers, pensioners, volunteers and civil society groups like the Women's Institute. In all the argument and debate an enormous pride shines through. Time after time we heard a fierce passion for local high streets that demanded understanding and recognition from policy makers.

That this is yet to be seen is the starting point of this review. Its time communities everywhere were given the support to mount a fight back. The aim of our review is to give local and central government the tools to do this. If ministers, council leaders and other key stakeholders take these recommendations seriously then we can start to foster a sense of community revival and give high streets a fighting chance of survival.

This is no small task, however, and to deliver the kind of change needed will require a major commitment from all sides. That means the big high street chains that have enjoyed years of plenty putting something back into their high street through a one-off levy. Together, with tax changes to mandatory business rate relief we estimate a fighting fund of over £800million could be raised to support a wave of new start-ups and community enterprises.

It also means local authorities acting confidently and pro-actively to make high streets the centrepiece of their local economic vision. By taking bold steps to start lending on a much bigger scale to small businesses and social enterprises from their reserves councils can make a huge difference. Similarly, by replacing Town Teams with a much more powerful vehicle to deliver change in the form of a Town Centre Commission, which draws upon

the right skills needed to implement a 20-year vision, then we can begin to shift from a culture of muddled tactics to clear, long-term strategy. And by embracing technology we can create 'networked high streets' to promote digital citizenship, nurture innovation and allow local people to access their community in ways previously unimagined.

The change we need to see must be driven by local communities, but supported by central government. This means ministers have to make business rates a fairer tax that doesn't disproportionately burden smaller businesses. Property values must be realigned and the business rates system needs reforming. At the moment it's not fit for purpose. Planning and the change of use process need simplifying, and there needs to be a recognition in government that there is too much retail space in the UK. The structural changes impacting on high streets mean that bricks and mortar retail is no longer guaranteed as the mainstay. Policy needs to reflect this change and start laying the foundations for high streets to reflect community needs, not just commercial ones.

So what can we expect the future high street to look like? There will certainly be far fewer shops and technology will completely re-design the way we see and use our local high street. At the moment the post-retail landscape is unclear but we expect it to develop around multi-purpose community hubs. Education, housing, leisure, arts and health will play a much bigger role. So too will high value start-ups and digital entrepreneurship.

You can see glimpses of this future already. From the intergenerational networks popping up in London and the work of charities like 3Space offering free space in empty buildings for social enterprises to 'innovation alleys', where high-tech and non-profit start-ups cluster, and the civic hacking movement in US libraries. However it manifests itself, there is a bright future out there that doesn't just rely on bricks and mortar retail and a clone town model that's fast nearing its expiry date.

This is a future that is worth fighting for. And it's one that embodies the creativity and determination of the British spirit. As a nation we are at our best when we have our backs to the wall. When we come out fighting time and time again we have proven ourselves to be the best in the world. The British high street is a world-renowned institution. We can't just sit back and watch it wither away. It's time our political leaders provided the framework and inspiration for everyone to restore pride to their community and make sure their high street is fit for the 21st century.

If this Review provides the smallest spark that could help kindle this fire then we will have achieved our goal. The challenge now is to map out a way forward that will be tough, realistic and achievable. This must be a gimmick-free path that's guided by common sense and a tremendous passion to put the UK back on top by revitalising and re-structuring the micro economies that are our towns and high streets. It's a battle we can't afford to lose.

APPENDIX 1

INSOLVENCIES & ZOMBIE COMPANIES IN THE RETAIL INDUSTRY

Retail insolvency statistics have been extracted from The Insolvency Service website.

HIGHLIGHTS:

- > 11,812 company and personal insolvencies 2008-2012
- > Annual rate now lower in 2012 than in 2008
- > Peak of 2,607 insolvencies in 2009

'Zombie' defined as a company with total liabilities in their published accounts which are £5,000 or more than its total assets. Statistics taken from research by Company Watch in July 2013.

HIGHLIGHTS:

- > 20,152 zombie retailers in July 2013
- > Increase of 134% since 2008
- > Zombie retailers have combined negative net worth of £2.3bn in July 2013
- > Increase of 109% since 2008

RETAIL INSOLVENCY STATISTICS - APPENDIX 1

	2012	2011	2010	2009	2008	5 YEAR TOTALS
England & Wales						
Voluntary Liquidations	1,002	926	804	961	844	4,537
Compulsory Liquidations	215	251	261	322	349	1,398
Administrative Receiverships	44	55	47	41	29	216
Administrations	171	126	119	236	246	898
Company Voluntary Arrangements	28	11	13	20	5	77
Personal Bankruptcies	781	934	812	1,004	914	4,445
Scotland						
Voluntary Liquidations	19	20	21	12	5	77
Compulsory Liquidations	60	43	29	11	21	164
TOTALS	2,320	2,366	2,106	2,607	2,413	11,812

Source: Insolvency Service

ZOMBIE COMPANIES

NUMBER OF RETAIL ZOMBIES	20,152	15,760	12,602	10,591	8,598
	£bn	£bn	£bn	£bn	£bn
TOTAL NEGATIVE NET WORTH OF RETAIL ZOMBIES	2.3	1.8	1.5	1.6	1.1

Source: Company Watch

APPENDIX 2

OUTCOME FOR CREDITORS ON MAJOR RETAIL FAILURES 2012 – 2013

Data extracted by Company Watch in July 2013 from latest information at Companies House in Statements of Affairs, Administrators' Proposals & Administrators' Progress Reports on 19 major insolvencies since the start of 2012.

HIGHLIGHTS:

- > 4,506 stores affected
- > 58,155 jobs affected
- > £499m of assets recovered
- > Total realisation costs to date of £123m
- > Leaving £376m for creditors
- > To be distributed:
 - Preferential creditors (employee claims) - £6m
 - Secured lenders (banks, etc) - £356m
 - Unsecured creditors - £14m
- > Unsecured creditors owed £1.86bn
- > Will recover less 1p in the £ overall*

*Suppliers may have made additional recoveries by enforcing retention of title clauses in supply contracts in respect of unpaid stock. Comprehensive information on these recoveries is not available.

Outcomes For Creditors On Major Retail Failures 2012 - 2013														Appendix 2
Company	Information	Stores	Jobs	Assets	Admin.	Admin.	Other Costs	Available For Creditors	Preferential	Amount For Secured Lenders	Amount For Unsecured Creditors	Total Of Unsecured Creditors	% Dividend For Unsecured Creditors	Appendix 2
														£M
Peacocks	15/01/2013	550	9,600	76.7	6.0	1.5	22.1	47.1	0.2	45.7	1.2	405.1	0.296	
Clinton Cards	19/04/2013	767	8,500	1.2	0.1	0.0	0.6	0.5	0.0	0.4	0.1	73.8	0.136	
Comet	01/05/2013	243	6,500	84.9	0.0	0.92	2.1	73.6	0.9	72.1	0.6	232.9	0.258	
Game	15/02/2013	600	6,000	93.7	0.0	0.9	18.2	74.6	0.2	73.8	0.6	189.0	0.317	
Hmv	22/02/2013	238	4,350	49.6	0.0	Unknown	2.7	46.9	1.5	44.8	0.6	237.1	0.253	
Blockbuster	22/02/2013	528	4,190	13.4	0.0	2.8	0.0	10.6	0.0	10.6	Unknown	139.0	Unknown	
Jib Sports	31/03/2013	180	4,000	26.2	0.2	2.4	1.2	22.4	NK	21.8	0.6	212.2	0.283	
Black's Leisure	02/05/2013	306	3,885	45.3	1.4	0.4	21.4	22.1	0.0	22.1	0.0	65.7	None	
La Senza	08/01/2013	146	2,600	27.8	1.6	0.3	12.8	13.1	0.9	8.7	3.5	35.0	10,000	
Jessops	20/02/2013	193	2,000	3.5	0.0	Unknown	0.0	3.5	1.4	2.1	0.0	22.5	None	
Dreams	26/04/2013	171	1,675	37.2	0.0	0.8	3.8	32.6	0.1	31.9	0.6	72.4	0.829	
Republic	08/04/2013	121	1,600	15.3	0.0	1.8	0.0	13.5	0.5	12.3	0.7	145.6	0.481	
Past Times	14/01/2013	100	1,000	6.5	0.5	0.2	1.8	4.0	0.2	3.2	0.6	10.2	5,882	
Rhythm & Booze	28/09/2012	68	425	4.8	0.0	0.4	0.8	3.6	0.0	3.4	0.2	3.6	5,556	
Ellie Louise	01/03/2013	97	400	2.0	0.1	0.2	0.9	0.8	0.0	0.7	0.1	6.7	1,493	
Ethel Austin	17/01/2013	60	400	0.3	0.1	0.0	0.0	0.2	0.1	0.1	0.0	2.7	Nil	
Pumpkin Patch	06/12/2012	36	400	1.8	0.6	0.4	0.7	0.1	0.1	0.0	0.0	0.3	Nil	
Fenn Wright Manson	15/02/2013	79	350	6.7	0.8	0.0	0.2	5.7	0.1	2.2	3.4	6.0	56,667	
Shoon	05/08/2012	23	280	2.1	0.5	0.0	0.6	1.0	Not Known	0.0	1.0	3.6	27,778	
Totals		4,506	58,155	499.0	11.9	21.3	89.9	375.9	6.2	355.9	13.8	1,863.40		

1. This Research Data Has Been Extracted From The Latest Information Available At Companies House In Statements Of Affairs, Administrators' Proposals Or Administrators' Progress Reports 2. The Figures In This Analysis Will Change As Subsequent Information Is Filed At Companies House 3. Preferential Creditors Are Mainly Employee Claims For Arrears Of Wages And Other Benefits 4. Secured Lenders Include The UK Clearing Banks, Other Specialist Lenders And In Some Cases The Owners Of The Company In Respect Of Loans Provided 5. No Statement Of Affairs Has Been Filed For Clinton Cards. The Figure For Unsecured Creditors Has Been Taken From July 2011 Published Accounts In The Absence Of Any Other More Recent Source.

APPENDIX 3

FINANCIAL HEALTH OF RETAIL INDUSTRY & RETAIL SUPPLY CHAIN

Research by Company Watch in August 2013 into companies describing themselves as retailers according to the SIC categories and supply chain companies in the agricultural, manufacturing and wholesale sectors. Where groups are concerned, only the parent company is included in the research to avoid duplication.

HIGHLIGHTS:

- > 43,920 retail companies with:
 - Total assets of £147bn
 - Total borrowings of £27bn
 - Total net worth of £58bn
- > 50,889 retail supply chain companies with:
 - Total assets of £179bn
 - Total borrowings of £37bn
 - Total net worth of £77bn
- > Total net worth of retail related sector is £135bn
- > 46.6% of retailers are in the Company Watch Warning Area
- > 65.8% of small retailers are in the Company Watch Warning Area
- > 31.9% of the supply chain are in the Company Watch Warning Area
- > Average Health Rating of retailers is 39 out of 100 (up from 32 in 2008)
- > Average Health Rating of supply chain is 48 (up from 39 in 2008)
- > Average Health Rating for small companies is close to
- > Warning Area in all sectors except agriculture

Financial Health Of Retail Industry & Retail Supply Chain - Appendix 3													
Sector	Sub Sector	Number Of Companies	Average Total Assets	Average Total Borrowings	Average Net Worth	Average Health Score 2012 (Max 100)	Average Health Score 2011 (Max 100)	Average Health Score 2010 (Max 100)	Average Health Score 2009 (Max 100)	Average Health Score 2008	Average Health Score	Companies In Company Watch	Companies In Warning Zone
			£'000s	£'000s	£'000s								%
Retail	Quoted Companies	29	3,914,949	754,764	1,582,378	61	64	63	65	60	5	5	17.2
	Unquoted With Assets > £20k	38,447	879	142	320	40	40	40	40	32	16,891	16,891	43.9
	Unquoted With Assets < £20k	5,444	11	1	-14	26	27	28	29	26	3,584	3,584	65.8
	Totals For Retail	43,920	3,356	623	1,323	39	38	39	39	32	20,480	20,480	46.6
Retail By Sales	Sales >£100m	78	1,624,201	326,137	633,239	55	56	56	56	52			
	Sales £50m - £100m	39	39,260	9,984	12,646	52	51	54	50	47			
	Sales £25m - £50m	75	24,119	4,748	12,261	58	58	53	51	48			
	Sales < £25m	43,728	397	26	167	39	38	38	39	32			
	Totals For Retail	43,920	3,356	623	1,323	39	38	39	39	32			
Supply Chain													
Agriculture	Companies With Assets >£20k	9,224	1,743	135	951	58	57	55	55	46	2,175	2,175	23.6
	Companies With Assets <£20k	544	12	0	-24	34	34	33	34	33	309	309	56.8
	Totals For Agriculture	9,768	1,646	128	897	57	56	54	54	45	2,484	2,484	25.4
Manufacturers	Companies With Assets >£20k	15,187	7,821	2,046	3,292	48	47	45	45	38	4,803	4,803	31.6
	Companies With Assets <£20k	1,714	11	1	-16	28	30	31	31	29	1,075	1,075	62.7
	Totals For Manufacturers	16,901	7,029	1,839	2,956	46	45	44	43	37	5,878	5,878	34.8
Wholesalers	Companies With Assets >£20k	22,074	2,003	229	818	49	48	47	46	38	6,593	6,593	29.9
	Companies With Assets <£20k	2,146	11	1	-27	31	31	34	34	31	1,299	1,299	60.5
	Totals For Wholesalers	24,220	1,826	209	742	47	46	45	45	37	7,892	7,892	32.6
	Supply Chain Totals	50,889	3,520	735	1,508	48	48	46	46	39	16,254	16,254	31.9
	Retail Industry & Supply Chain	94,809	3,444	683	1,422	44	43	43	43	35	36,734	36,734	38.7

Source: Company Watch

Industry Scale			
	Number Of Companies	Total Assets Employed	Total Borrowings
	#	£'000s	£'000s
Retail	43,920	147,376,411	27,342,591
Supply Chain	50,889	179,107,553	37,379,443
Overall	94,809	326,483,964	64,722,034
			Total Net Worth
			£'000s
			58,110,869
			76,719,903
			134,830,772

Source: Company Watch

TEAM



Chris Shellard

Chris has over 40 years experience in regeneration in the public and private sector including employment and training, social policy, economic development and land use planning

and development. He has held a number of senior posts in local government, was Director of the Regional Centre for Neighbourhood Renewal and a DCLG appointed Neighbourhood Renewal Advisor. Chris is currently Regeneration Director at Lee Valley Estates responsible for the development of Hale Village a high profile mixed use waterside regeneration scheme located in London's Lee Valley.



Matt Baker

Matt has worked in politics, journalism and academia. A journalist for over 10 years, he's had work published in all the quality dailies and is a passionate campaigner for community-

led regeneration. He specialises in shaping strategic communication plans and has previously worked for a former Cabinet Minister and also at the Centre for Public Policy and Management at Manchester University. He has experience of working in a wide range of sectors including social enterprise, retail and the arts.



Bill Grimsey

Bill is a retailer with 45 years experience in the industry. He began his career with Bishop's Food Stores, where he rose to become a director, before joining Tesco in 1986 as Customer Services Director.

In a varied and full retail career, Bill Grimsey went on to be chief executive of store groups both in the UK and abroad in South Africa and Hong Kong and has earned a reputation as a turnaround specialist. He gained particular attention for masterminding the recovery of DIY group Wickes, which had been at the centre of an accounting scandal that resulted in the suspension of its share price and the banks foreclosing.

Another of these recovery roles was during Bill's four years at the helm of Iceland, which was renamed the Big Food Group, and was later bought out by Icelandic investors Baugur Group. In 2007 he acquired Focus DIY Ltd with Private Equity firm Cerberus. Three years into the recovery Bill became the Non Executive Chairman and a year later the company succumbed to the prevailing economic conditions and went into administration in 2011. In 2012 Bill published a book called 'Sold Out: Who killed the High Street?'



Paul Turner Mitchell

Paul is the owner of an award-winning fashion boutique in Littleborough and a leading North West voice standing up for independent retailers. He is a columnist for many trade magazines

and a regular commentator in the media on the high street. He has campaigned on issues including business rates, credit insurance and town centre regeneration. Singled out for his "can do, no nonsense attitude", he was included in the Drapers latest top 100 Powerlist as one of the most influential people in fashion.



Jackie Sadek

Jackie has over 25 years' experience in property development, managing large-scale urban regeneration projects and public-private sector partnerships. She is a national spokesperson on

regeneration matters and a speaker and broadcaster on regeneration issues. As Chief Executive of UK Regeneration, Jackie is developing new models of delivery of regeneration projects, including mixed use pilots in Nottingham and Derby.



Nick Hood

Nick is a business risk analyst and media spokesperson at Company Watch, the corporate financial health monitoring specialists. He has specialised in researching and commenting on the

retail sector since the start of the recession in 2008. He is a Chartered Accountant and has been an insolvency practitioner for the past 23 years. He has been CEO of two listed companies and also held senior roles in the engineering, publishing, advertising and construction sectors in the UK, in addition to a spell with an investment banking boutique. He has worked overseas in Canada, Italy, the Middle East and South East Asia.



Eva Pascoe

Eva came to the UK from Poland in 1986 to study psychology and the ergonomics of human-computer interaction at London University. She co-founded the world's first Internet

café in 1994 and pioneered the early e-payment and e-commerce fashion solutions in the UK before going on

to develop the world's first mobile retail for fashion using WAP platforms for Topshop (Arcadia PLC).

She is currently Head of Retail Futures for The Retail Practice – a multichannel retail and technology consultancy in the UK and Europe. She also advises start-ups in the area of mobile payment parking, Big Data, cloud computing solutions, online products scalability (code-creators.com) and social media fashion marketing.



Sid Vasili

Sid is the chief executive of Invapay, the international business-to-business payment network he launched in 2007. He has 40 years of finance and procurement experience and

is one of the business process outsourcing industry's foremost innovators and out-of-the-box thinkers. He has developed groundbreaking global payables and shared service solutions for many of the world's largest corporations.



Matthew Hopkinson

As director of The Local Data Company, Matthew has led the development of the data insight and collection side of the business, winning high profile clients such as the John Lewis

Partnership, HSBC, Facebook, Alliance Boots, Tesco, PwC, O2, Henderson Global Investors and Experian.

He has undertaken joint research in all aspects of the retail and leisure market with leading universities including Oxford, Cambridge, UCL, Loughborough, Stirling, Manchester and Cardiff. He is a recognized expert on all matters regarding the high street.

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