



21 June 2018

## **Submission to the Housing, Communities and Local Government Committee inquiry looking at the future of England's high streets and town centres in 2030**

### **Key points**

- Retail undergoing the most prolonged and radical transformation in recent history
- We have too much retail space and there will continue to be fewer shops
- High streets are not dead, some will thrive and some will be less reliant on retailing, and instead more reliant on services, leisure and experiences

### **About the BRC**

Retail is an exciting, diverse and dynamic industry undergoing transformational change. The BRC is at the forefront – enhancing, assisting, informing and shaping. Our mission is to make a positive difference to the industry and to the customers it serves. Our broad range of stakeholders demonstrates how retailing touches almost every aspect of our culture.

The BRC leads the industry and works with our members to shape debates and influence issues and opportunities that will help make that positive difference. We care about the careers of people who work in our industry, the communities retail touches and competitiveness as a fundamental principle of the industry's success – our 3Cs.

### **Role in contributing to the local economy**

People depend on places for employment, to shop, for entertainment, public services, cultural events and businesses for profit making and growth. The retail industry is the largest private sector employer employing three million people across the United Kingdom, and forms an important part of the broader social function high streets provide. High streets are changing, but the fundamentals of successful places are the same as they have been. What is different is the backdrop for retail: the retail industry is undergoing a technology driven transformation in the way that people shop and cost pressures from Government policy impacting operations. High streets and town centres are likely to remain hubs for employment, and increasingly entertainment and living. Retail will continue being an important part of places, but in some cases, there will be less emphasis on retail as there has been in the past.

## **The economic and technological challenges**

More customers are shopping online than ever before leading to an excess of supply in the market driving down prices and reducing margins. Simultaneously, the retail industry relies heavily on discretionary consumer spending for growth which has been weakening. Comparatively disadvantaged and less affluent areas, where bricks and mortar retailers are seeing the greatest erosion of their margins due to a combination of high fixed overheads and declining sales are likely to be the worst affected by these shifts.

Online continues to grow driven by consumer demand. Consumers have become increasingly comfortable shopping online and this trend will continue. Online is currently over 15% of retail sales growing by about 10% per year. If the infrastructure and technological barriers to faster growth are removed, the share of online sales in non-food could reach half of non-food sales by 2030 and in food as high as 40%.

## **How to adapt to meet these challenges**

Treating online and physical stores as two separate channels will become increasingly irrelevant. Saying digital is taking footfall away from the high street is symptomatic of the lack of knowledge about how digital can be used to positively impact physical places and retail journeys. Today, nearly half of all retail sales are influenced by digital. The internet of things and harnessing the power of data will enable people to shop when and how they want. We are already seeing many traditional retailers invest in and grow their digital businesses and digital businesses move into physical space.

However, there is too much retail space in the UK and there will be fewer shops in the future. There are nearly 2,500 fewer retail stores in the UK than there were three years ago. Since 2014 there have been over 3,200 retail insolvencies in the UK, not to mention the growing number of Company voluntary arrangements (CVAs) – whereby store portfolios are being further rationalised. The role of the stores that remain will be different, based on convenience, fulfilment or most likely fulfilling a desire for experience and local community connection. There will also be fewer retail jobs. Two years ago, the BRC said that up to a third of retail jobs could go by 2025. Over the past two years we have seen this begin to play out. But at the same time, new jobs will emerge – today there are over 100,000 people working in retail in jobs that did not exist five years ago. Retail jobs of the future will be more digital, more customer focused, more productive and higher paid.

Consumers will demand more around the ethics of the businesses they buy from. Retailers touch the lives of millions of people every day and more and more businesses are recognising they have a responsibility to use this position to do the right thing for the common good as public scrutiny rises. Much of this will centre around local community connectivity. The combination of all these changes will deliver better service and experiences for customers and enable new emerging brands and entrepreneurs to grow. It is being driven by technology and an industry at the forefront of innovation. Both retail and high streets are undergoing re-invention which should not be discouraged, but instead understood to ease the transition.

## **The outlook for places that cannot rely on growth and investment**

This backdrop of retail re-invention does have implications for high streets and town centres. The high street is not dead. There are those destinations that will thrive and some that will find it much more difficult but their future will be less reliant on retail, and more reliant on services, leisure, experiences and care in the community as the population continues to age and consumer expectations change. Places able to effectively adapt to the transformation require less intervention, however, those in more challenging circumstances may require 'special measures' such as the use of Enterprise Zone powers such as relaxed planning which we explore later in our recommendations.

In some places local leaders may be required to make difficult decisions about an area's future. This may involve supporting the contraction of retail space available, instead focusing on other commercial uses, services or residential space. Increasingly important to developers, investors, businesses and residents is the need for a long-term vision for a place which provides some certainty of an inspiring shared vision.

## **Whether councils have the tools needed**

Some local councils are in a stronger position to respond to this transformation including the challenges and opportunities it presents. However, local authority budgets are stretched thin which often leads to non-statutory duties such as providing a business-friendly environment being deprioritised. However, more should be done to involve the voice of business in responding to this transformation including better retail representation on Local Enterprise Partnerships (LEPs) and Business Improvement Districts (BIDs). Due to local government budget constraints, there is concern some BIDs are taking on functions which local government has traditionally undertaken in the past such as street cleaning. BIDs often perform an important function, but should provide additionality which is why we have proposed changes to BID procedures in our recommendations. Local authorities should also avoid considering town centre parking charges as a form of revenue generation because excessive parking charges discourage visitors and harm the local economy.

There is a debate whether there should be more local intervention, or curation of the high street. No two places are the same. One can easily identify a place that has performed well under strict curation by a large property owner for instance, but equally can find examples where little interference has resulted in a diverse mix of spaces addressing the area's needs. Overall, we support local authorities presenting a strong vision for an area and doing more to attract and retain enterprise, however, some flexibility for business is required given the unprecedented pace of change. In some cases, we are concerned regulations have not kept pace with the rapid transformation underway i.e. the use-class system designed in the 1970s during a completely different era is outdated for the 21<sup>st</sup> Century economy. There should be more flexibility between commercial use classes and licensing so that for example a bookseller can easily sell a glass of English sparkling wine at a book launch or a larger retailer can freely add new concessions to their existing footprint.

We have been impressed by Public Practice which embeds planners and design professionals into local authority teams tackling big issues of the day. Their work is just getting underway, but we are hopeful this model can be replicated across the country because to design high streets of the future will require big thinking and consultation with the communities they serve.

### **Business taxation distorting, accelerating transformation**

The central problem with the business rates system is that the national multiplier has grown out of proportion since its introduction in 1990 irrespective of the strength of the economy or success of businesses. The Government's dependence on input taxes especially harms retailers which are people- and property-intensive. Retailers alone are responsible for £7 billion in business rates annually or a quarter of the overall total. It is critical that the changing dynamics of today's economy are considered so that a business taxation system fit for the 21st Century is established. Changes underway have been consumer led, but business rates are accelerating and distorting the successful reinvention of places. Business rates serve as barrier to new entrants whether hospitality, services, retail, etc. as well as decides future of non-domestic uses on the margin.

### **Role of the Future High Streets Forum and the Great British High Street competition**

We have been pleased to be involved in the Future High Streets Forum and the Great British High Street competition over the past few years. Given the pace of transformation it is critically important a forum of stakeholders explore the challenges and opportunities underway, and share experiences and insights because to achieve the greatest amount of success will require strong collaboration between partners. It is equally important to identify what is working well and to share good practice through the competition. However, the Government should not stop there. We recommend eleven recommendations below which would have a positive impact on places across England as we navigate the retail and high street transformation.

### **Recommendations in response to the transformation underway**

1. **Recognition** – All stakeholders need to recognise that the future will not be the same as the past, that the focus should be on place, not high streets as shopping destinations, and think about how to future proof places that are undergoing transformation.
2. **Vision** – Government(s) and devolved decision makers (e.g. LEPs, combined and local authorities, BIDs and local partnerships) should take account of the transformation underway including recognition that retail space in town centres is shrinking in Local Industrial Strategies, masterplans and visioning statements, and take a strategic and holistic place-based approach. To assist envisioning the future of retail it is important LEPs work to increase representation of retailers on LEP boards and working groups especially as they work to develop Local Industrial Strategies.
3. **Local partnerships with strong leadership** – Success will depend on the mobilisation of the local ecosystem which includes public and private organisations, employers, services,

transport, parking operators and civic bodies. This includes but is not solely focused on retail. Government and local authorities should provide strong local leadership in these partnerships. This includes ensuring capacity (availability and accessibility of resources) and capability (skills and expertise) is in place at the local authority level.

4. **Centre of excellence** – Such a centre of excellence or research hub is needed to act as a national facilitator and to provide data driven insight to help support the identification and measurement of problems in places, to enable evidence based decision making by local partnerships and to inspire and enable places themselves to lead local revitalisation.
5. **Digital** – The industrial strategy needs to deliver more quickly better digital infrastructure, more widespread broadband and 5G and broader digital skills for young people entering the workforce. Businesses also need to upskill their existing workforces with digital skills.
6. **“Special measures”** – The more vulnerable and economically deprived areas will find the changes underway more challenging and therefore central intervention in the form of strengthened Enterprise Zones based in town centres may be required to incentivise businesses to locate there and drive growth. Improved incentives may include simplified Compulsory Purchase Orders procedures, reduced business rates and streamlined planning.
7. **Business Taxation** – Business rates whether directed at shops or distribution centres supporting shops distort the successful reinvention of places and are a barrier to investment and to new entrants. Government should set out principles for future business taxation, outline a long-term vision, align policies to international efforts, publish a holistic road map and take immediate steps to reduce the burden of business rates. At a local level, further tax raising powers should be considered such as council tax banding and stamp duty retention already established in Wales and Scotland to enable local authorities to reduce business rates, become more self-sufficient and respond to local needs.
8. **Planning** – Government should ensure use classes are fit for the 21<sup>st</sup> Century including more flexibility and ease of change of use between commercial use classes that do not require planning permission because the lines between retail, food and leisure are increasingly blurred. Separately more should be done to promote and incentivise greater residential development in town centres. Also planning conditions that seek to regulate existing floorspace i.e. sales space versus storage space, and the use of concessions reduce commercial flexibility and make it harder to keep stores viable. Authorities imposing restrictions on retail floor space in planning applications, needs to be reviewed considering the rapidly changing nature of the market.
9. **Tackling Crime** – A major threat to places which promotes social cohesion and employment is retail crime, particularly violence and abuse against staff. At the regional level, every Police and Crime Plan should make specific reference to the importance of combatting retail and wider business crime. At the local level, there should be credible and properly resourced approaches bringing together police, the wider criminal justice system,

retailers and others to provide colleagues with a safe place to work.

10. ***Business Improvement Districts*** – Government should require a minimum turnout of 50% for BID ballots and renewals in addition to mirroring the length of BID terms to three-yearly business rates revaluations from 2021 to improve accountability and sustain support. It should also publish a list of upcoming BID ballots, develop a national register of head office voters so that ballot papers reach the correct people and limit a levy payers mandatory levy to 10% of a BIDs total levy income otherwise support for BIDs may wane. Property Owner BIDs should also be permitted outside London so that more places can benefit from owners with long-term interest in the success of places.
11. ***Landlord and Tenant Relationship*** – The private sector should instil better working relationships between landlords and tenants and the Government should reform the Landlord and Tenant Act to remove delay, cost and resource inefficiencies in the way the Act works. This should include measures to level the playing field between landlords and tenants by limiting the use of upward only rent review clauses which discourage occupiers to take on property leases when there are not reasonable alternatives provided and injecting transparency into negotiations by taking steps to publish a lease register for leases under seven years.

**For more information please contact**

Jim Hubbard  
Policy Adviser – Local Engagement, Property and Planning  
020 7854 8957  
[jim.hubbard@brc.org.uk](mailto:jim.hubbard@brc.org.uk)