



House of Lords Built Environment Committee inquiry into high streets in small towns and cities

Submission from the British Retail Consortium

22 March 2024 | Contact: Tom McCarthy, Public Affairs Manager (tom.mccarthy@brc.org.uk)

About the BRC

The BRC is the lead trade association for UK retail.

Our purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future.

Retail is the 'everywhere economy', a vital part of the socio-economic fabric of the UK. The industry makes up 5% of the UK GDP and is the largest private sector employer, providing 3 million direct jobs and 2.7 million more in the supply chain. Retail has a presence in every village, town and city across the country.

Over 200 major retailers are members of the BRC, with thousands of smaller, independents represented by BRC's trade association members. Together, these businesses operate across all retail channels and categories and deliver over £350 billion of retail sales per year.

We build the reputation of the retail industry, work with our members to drive change, develop exceptional retail leaders, and use our expertise to influence government policy so retail businesses thrive and consumers benefit. Our work helps retailers trade legally, safely, ethically, profitably and sustainably.

Summary

The retail industry is transforming, driven by new technologies and changing consumer shopping habits, including the rise in online shopping. The role of the high street is evolving too. There is an oversupply of retail space in the UK – 6,000 shops have been lost in the last five years, although in many of these cases, overhead costs such as business rates will have had a material impact on the decision to close.

In the future there will be fewer shops, although retail will remain a key part of high streets and town centres, supporting local economies and continuing to act as a reliable provider of secure and flexible work. The role of the shop will evolve, based on convenience, fulfilment or providing consumers with experiences and services which can't be delivered online. Retail will be supplemented, rather than supplanted, by a wide range of other high street uses, from leisure, culture and hospitality to local service provision and residential.

To effectively transform and support high streets and town centres, we must stop viewing them as places from which value is to be extracted, to places which should be invested in for the benefit of communities. Moreover, online and physical retail should not be viewed as in competition with one another – rather, many retailers are omnichannel (selling both on- and offline) with both elements complementing one another. Indeed, online retailing can be a powerful tool to encourage consumers to visit their local high street.

The key points of our submission can be summarised as:

- 1) The retail industry is going through a period of transformation, driven by new technology and evolving consumer shopping habits.
- 2) This has led to an oversupply of retail space in the UK, although retail will continue to play an important role on high streets and other commercial spaces into the future.
- 3) Future high streets will see a greater mix of uses, including retail, leisure and hospitality, culture, residential and care in the community.
- 4) Local authorities and councils should have the proper resource and expertise to effectively develop and implement plans to support their high streets, in partnership with residents and local businesses.
- 5) Plans should ensure the right balance between uses and the continued economic vitality of high streets and town centres.
- 6) The planning system should be improved to address delays in processing applications and inconsistencies of approach across local areas.
- 7) The cost burden of operating physical premises should be reduced for all retail businesses, underpinned by a reduction in the business rates tax rate to its original level of 35p in the pound.

Responses

1. How do you define a high street in a town or small city and what is its purpose?

Applying a single definition to 'high street' is not straightforward. People's perception of what the 'high street' is is likely to be based on those areas in their community where goods and services are provided by businesses directly to consumers (B2C).

We believe that the definition set out in the Levelling Up and Regeneration Act 2023 works well: *an area (not necessarily a single street) in a community which is important to the local economy because of a concentration of premises with 'high street uses', including:*

- *Use as a shop;*
- *Use as an office;*
- *Use as a restaurant, bar, public house, café or other establishment selling food or drink for immediate consumption;*
- *Use for public entertainment or recreation*

2. What should be included on high streets to meet the needs of the whole community?

To truly benefit whole communities, all stakeholders - including residents, local businesses and local authorities - need to work together to develop and implement plans for their high streets and town centres. It is only through understanding a community and its needs that effective plans can be drawn up and put into practice.

Plans should be comprehensive and cohesive. Local authorities should be properly resourced to develop and implement plans.

There won't be a one-size-fits-all solution: a community with a predominantly ageing or retired population will clearly have different demands from their local high street than a commuter town with young workers and families.

There should however be a compelling mix of uses to encourage people to visit and spend time on their high street. This would include retail but also leisure, hospitality and cultural venues, office space, local services including care in the community alongside residential.

3. What are obstacles to bringing underused property on high streets back into use?

No landlord wants to have premises left unoccupied. Two of the most significant factors which have a direct impact on the number of vacant properties on high streets and in town centres are business rates and planning policy.

Business rates

Business rates represent a very significant overhead cost for any business which operates physical premises. Since the tax was introduced in 1990, its level – the 'multiplier' – has increased by around 50%, a rate of growth not witnessed in any other tax. This April, Business Rates will rise by September 2023's CPI which, at 6.7%, is considerably higher than the rate of inflation at present. This will add an extra £500m to retail's already bloated bill.

Indeed, the UK has amongst the highest property tax rates of any OECD country. Business rates threaten the viability of existing stores; limit retailers' ability to invest in their property estates; and acts as a barrier to the opening of new premises on high streets and in town centres.

The Government carried out a fundamental review of business rates in 2020, and whilst there have been some welcome improvements to the system (moving to three-yearly revaluations and abolishing downwards transitional relief) these do not represent fundamental reform. The most significant part of the business rates burden is the overall tax rate, and despite welcome freezes in recent years due to the pandemic, it has increased between the start of the fundamental review in 2020 (51.2%) and this April (54.6%).

Reducing the business rates burden for all retailers should be a priority for any government seeking to support high streets. This should see the Government committing to no further inflationary annual rises to the business rates tax rate, and a reduction in the multiplier to its original rate of 35p. This would help mitigate the deleterious impact business rates have had on high streets across the country, making it more economically viable to operate a store whilst encouraging investment to improve and transform existing non-domestic building stock – in turn, supporting local economic activity.

Planning policy

As set out earlier, retail is going through a period of transformation, driven by new technology and changing consumer shopping habits. Retail is no longer solely about physical shops, although they will continue to be a key part of many retailers' omnichannel (online and offline) offerings. But, there is an oversupply of retail space in the UK. It is imperative that the planning system supports the transition to the high streets of the future, which will continue to feature an important retail presence, supplemented by other uses including a mix of leisure, hospitality, residential and care in the community.

At present, retailers face considerable delays in processing planning applications and there is inconsistency of approach across local areas. Together, delays and inconsistency, plus new application requirements, are acting to inhibit new developments from progressing and hindering the conversion of empty retail space into new uses. A clear, effective and consistent planning system is needed to support the transformation of both retail and the public realm.

To this end, Government should:

- Introduce a fast-track planning approval system for low key applications, with potential for automatic approval if certain criteria are met.
- Implement a statutory limit on the time taken for planning decisions to be made, alongside improvements to the committee process, a limit on the information required and mediated resolution process.
- Ensure local authorities and councils are properly resourced to carry out these activities
- Evolve landlord and tenant legislation (the Landlord and Tenant Act 1954) so that it better reflects the realities of modern property utilisation but does not undermine the principle of security of tenure, which has significant importance in the vast majority of retail leases: its removal would have an adverse material effect on investment in many retail properties.

We also wish to note the recent Government consultation on proposals relating to permitted development rights (PDRs). These proposals include repurposing certain existing properties that are no longer required into residential use. It is vital that this – and any other significant transformations or evolutions of high streets – take place in a planned way, with the right homes built in the right places to support the coherence of town centres and local communities.

4. Who is involved in ensuring a thriving local high street and does the current structure of Government facilitate those groups in working together?

All stakeholders have a role to play – from central / devolved governments to local authorities, residents groups and businesses.

The current structure of Government means that initiatives are frequently siloed within

departments, leading to a lack of joined-up thinking. Retail touches upon the work of almost all government departments – but where there is a lack of coordination across departments, the impacts of new policies originating from different parts of Whitehall are rarely understood or appreciated. This results in a cumulative burden of policy costs which significantly limit retailers' ability to invest in communities, whether that be improvements to existing premises or the opening of new premises.

It is also important not to overlook the need for clear local leadership and coordination in delivering strategic approaches in local areas. All local parties need to work closely with the relevant local authority to develop and deliver effective strategies for the future.

5. What role does the planning process have in determining the success or failure of the high street locally and is it fully able to address the challenges high streets face?

See 'Planning Policy' subheading in our response to Question 3.

6. What has been the impact of national level planning policies regarding high streets in the last five years and are any changes required?

We have focused below on the changes we believe are required to national level planning policies.

National Development Management Policies (NDMPs)

Retailers are supportive of the intended scope and principles guiding NDMPs which – if implemented in the right way – should help resolve the tension which sometimes exists between the National Planning Policy Framework (NPPF) and local plans and leads to delays. NDMPs should complement the NPPF by preventing the duplication of policy development at a local level.

- The housing for town centres NDMP should work to support the NPPF's focus on ensuring the vitality of town centres.
- There should be support for policies which enable successful mixed-use developments – which provide housing but ensure a central role for commercial uses – to be brought forward.
- Care should be given to ensure that retail-to-residential conversions under existing PDRs do not undermine the commercial vitality of high streets and town centres.

Local planning authority decision making

There should be a more effective, risk-based approach to decision making which ensure PDRs for straightforward applications. This would help reduce the burden on local planning authorities, helping them to allocate resource to more complex applications.

Planning enforcement

The provision of enhanced resources to planning enforcement would help deter poorly

executed or unscrupulous development.

7. What should be done to ensure that high streets being redeveloped are now structurally and financially resilient for future societal changes?

As set out in responses to previous questions, communities should be empowered to create and implement plans for their high streets which reflect and leverage local attractions, culture and heritage. Local authorities and councils must have the resource and expertise to effectively work with stakeholders including residents and businesses to plan, execute and monitor redevelopment projects. A framework which sets out best practice would provide an effective starting point for many local areas.

There should be a focus on ensuring that new developments are environmentally sustainable. In some cases, support will be needed to decarbonise existing building stock, especially pre-20th century and irregular units. Incentives and financial support should be considered. This would also encourage greater retail investment in renewable energy generation projects, including the use of solar PV on roofs.

The costs of operating on high streets must also be sustainable if businesses are to continue to locate and invest in town centres. The most urgent cost barrier to financially resilient high streets is the business rates system: the burden on all retailers should be reduced to encourage more businesses to take up occupancy of vacant units and improve those buildings. To ensure structural resilience, the planning framework must be effective but adaptive. Due consideration should be given to applications to ensure the continued commercial viability of high streets and town centres, and improvements made to address delays and inconsistencies in processing applications across the country.

8. How can spatial planning, street design and layout help to drive greater footfall to high streets?

We do not propose to answer this question.

9. Has the High Streets Taskforce been effective in providing support and expertise in high street recovery and what should this look like in the future?

The High Streets Taskforce is a valuable source of expertise, helping to facilitate the sharing of ideas to support high streets and town centres. There are practical guides, tools and resources to help local governments and communities transform their high streets.

The Taskforce also recognises that the role of the high street is changing, and that multiple retailers will no longer be the dominant attraction on most town centres. Acknowledging and embracing this transformation – rather than trying to resurrect the high street of 40-plus years ago – is crucial to delivering effective transformation of high streets and town centres.

There is still, however, a clear role for central and local governments to deliver meaningful measures on the ground, including those recommended by the Taskforce.

10. How can transport connectivity be improved to facilitate better access to high streets and town centres and how should this be funded?

If high streets in towns and small cities in particular are to thrive, they must have good transport connectivity and adequate, affordable parking. In many parts of the country, large towns and small cities act as a local economic hub, bringing in footfall and consumer spending from other nearby communities. If they are to continue to play this role, Government should ensure that local transport services provide convenient connections between communities.

11. To what extent are the Government's funding programmes to support high streets, such as the Town Deals and Future High Streets Fund, successful?

We welcome any initiatives or programmes designed to provide towns and small cities with the resources – including funding – to invest in and transform their high streets and town centres.

It is perhaps too early to ascertain how successful various funds have been in supporting high streets but we wish to draw attention to the Public Accounts Committee's recent [report](#) on levelling up funding to local government, which found that only around one-quarter of funds have been allocated, with local authorities only able to spend some 10% of total funding. The report also notes the lack of transparency in how funds have been allocated and highlights that local authorities – already with stretched finances – spent an average of £30,000 on their bids for funding; for those who were unsuccessful, this surely represents a waste of public money. With March 2026 deadlines for funding streams, we would welcome clarity from Government on how and when further funds will be allocated; how success will be defined, measured and reported on; and how learnings will influence future policy.

Moreover, it is not always clear how the multiple funding initiatives announced in recent years (the Town Deals Fund, Levelling Up Fund and Future High Streets Fund, for example) interact with and complement each other. It can be difficult to identify the overarching strategy bringing these initiatives together.

Additionally, the requirement for towns to bid for funding means that there will always be some areas which lose out. Consideration should be given as to how towns which are unsuccessful in their bids for funding can still receive support from central government, or alternative mechanisms which ensure that all communities have access to the resources they need to successfully transform their high streets.

To ensure the success of any funding programme designed to support high streets, we

believe there should be:

- Better coordination between various funding streams, ideally into one single programme.
- This programme should have clear aims and objectives to support effective decision making when it comes to awarding funding to applicants, to ensure monies are put to best use.
- A clear, simple and ideally cost-free application process for local authorities and councils to apply.
- There should be full transparency into how funding decisions are arrived at, with applicants given feedback if unsuccessful.
- Government should provide regularly updates on the progress of funded projects.
- There should be a robust review process, underpinned by key metrics, to determine the efficacy of projects designed to support high streets.