



**Government response to
the Eleventh Report of
Session 2017 – 19 of the
Housing, Communities
and Local Government
Select Committee inquiry
into high streets
and town centres in 2030**



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Presented to Parliament
by the Parliamentary Under Secretary of State, Minister for the
Northern Powerhouse and Local Growth
and the Financial Secretary to the Treasury
by Command of Her Majesty

May 2019



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ISBN 978-1-5286-1214-2

CCS0419979920 05/19

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

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Introduction

We welcome the Eleventh Report of Session 2017-19 of the Housing, Communities and Local Government Select Committee inquiry into High Streets and town centres in 2030 (HC 1010), which was published on 21 February 2019.

The Government has made it our priority to help areas through sustainable transformation of their high streets and town centres. Many high streets and town centres across the country are in a period of transition and we are committed to taking long-term action to help them adapt and meet changing expectations. This is why in July 2018 we commissioned Sir John Timpson to chair a review of how to make our high streets thrive and following the recommendations from the panel we launched *Our Plan for the High Street* at Autumn Budget 2018 which included £675 million for the Future High Streets Fund. As part of the Fund we are also supporting local leadership with a High Streets Task Force, giving high streets and town centres access to expert advice needed to help local areas to adapt and thrive.

Recognising the pressures on retailers, the Government also announced as part of last year's Budget package that from April 2019, the business rates bills of retail properties with a rateable value below £51,000 would be cut by a third for the next two years. This is worth an estimated £1 billion and is providing upfront support for small and independent retailers, including shops, cafes and pubs.

The retail discount is in addition to wider business rates cuts benefitting all ratepayers. Since Budget 2016, the Government has announced reforms worth more than £13 billion to business over the next five years, including switching the annual indexation from RPI to CPI, and making Small Business Rate Relief more generous, so that 655,000 of the smallest businesses now pay no rates at all.

Government also committed to unlocking investment by reforming planning. Alongside the Budget, we published a consultation on modernising planning rules, and committed to a further consultation on planning measures and to piloting a register of empty commercial properties to support wider regeneration of our high streets and town centres. We also announced the launch of an 'Open Doors' pilot in five town centres to bring empty properties back into use by matching landlords of vacant premises with local community groups looking for space.

These announcements marked a step change in the action the Government is taking to help high street and town centres evolve.

We are pleased that in this Report the Committee has recognised the Government's progress and that this package puts us on the right path. We agree with the Committee's diagnosis that local places are best placed to know what their local solutions are – with appropriate support from central government.

We are continuing to progress work on high streets and town centres. We are establishing the High Streets Task Force, and have recently published an invitation to tender for organisations interested in running the Task Force. As the Committee recognises, it needs to be much more than a 'talking shop'. Its remit includes on the ground support to local places, and it will also provide an online repository of best practice, guidance and data that is available to all, provide training for place leaders and play a coordination role in ensuring that relevant groups involved in high street improvements engage with each other better at both a local and national level.

We will also continue to celebrate what our high streets and town centres can achieve through the Great British High Street Awards. We recently announced that the Awards would run again in 2019, in partnership with Visa.

But we know that there is more to do, and that is why, at Spring Statement 2019, we reaffirmed our commitment to support the sustainable transformation of high streets by taking forward the planning changes we consulted on at Budget 2018. We will introduce new and amended permitted development rights to provide additional flexibilities for businesses, and support a mix of retail, residential and community uses on our high street. We will also be setting out practical ways to support local planning authorities in reshaping their high streets to create prosperous communities, particularly through the use of compulsory purchase, local development orders and other innovative planning tools.

We thank the Committee for their helpful recommendations. We will encourage all those with an interest in high streets, particularly landlords and retailers, to consider how they can take the Committee's recommendations on board in their own decision-making processes. For our part, we intend to look at options for reviewing the Landlord and Tenant Act 1954, as well as examining ways of better integrating community groups into Business Improvement Districts.

We are grateful for the Committee's work on taxation, and the insights gathered. The Government keeps all taxes and reliefs under constant review. We will continue to consider whether and how changes to the economy and emerging issues should be addressed by the tax system, weighing up the opportunities against the challenges of various potential reforms.

The Government expects the Treasury Select Committee will want to explore similar issues as part of their recently-launched inquiry, '*The Impact of Business Rates on Business*.' The Government welcomes this inquiry and will engage with it as required.

We shall endeavour to take the Committee's work into account as we move forward on this agenda.

The challenge of rebalancing the functions of our high streets and town centres is a real priority for towns and cities across the nation. Having adapted successfully before to new demands, we believe that places can and will do so again.

This Government remains committed to helping with this.

Response to recommendations

The inquiry has looked closely at a wide range of issues affecting high streets and town centres and the Government has considered the Committee's findings and recommendations carefully in formulating its response below.

We welcome the Committee's consideration of the action needed from various stakeholders to redefine our high streets and ensure their long-term sustainability. We believe the following responses to the recommendations demonstrate our strong commitment to helping high streets and town centres adapt.

The Committee has made recommendations on a number of key themes relating to high streets and town centres. Our response to these is given below. The text taken from the HCLG Select Committee report is highlighted in bold.

High streets and town centres today

1. **We do not believe that the high street is dead but we do agree that a tipping point has been reached. An enormous change has taken place in retail. The traditional pattern of making purchases in physical stores, both in and out-of-town, has been profoundly disrupted by the growth of online shopping. High streets and town centres need urgently to adapt, transform and find a new focus in order to survive (Paragraph 17)**

Response:

The Government recognises that changing consumer behaviour presents a significant challenge for retailers in our town centres. The way we shop and the way that communities use their high streets and town centres is changing: we are shopping more online, making fewer big shopping trips and shopping 'little and more often'. This changes the nature of what makes a high street successful.

We are committed to helping communities adapt and are taking action to help the high street evolve. *Our Plan for the High Street* aims to support the sustainable transformation of high streets and town centres.

More broadly, this Government has also announced the new Stronger Towns Fund: this will support towns in England to adapt to structural economic changes, to harness their unique strengths to grow and prosper. This will be a £1.6 billion fund targeted at places that have not shared in the proceeds of growth in the same way as more prosperous parts of the country, and is part of our wider commitment to build a more prosperous economy that works for everyone.

High streets and town centres in 2030

2. **We are convinced that high streets and town centres will survive, and thrive, in 2030 if they adapt, becoming activity-based community gathering places where retail is a smaller part of a wider range of uses and activities. *Green space, leisure, arts and culture and health and social care services must combine with housing to create a space that is the “intersection of human life and activity” based primarily on social interactions rather than financial transactions. Individual areas will need to identify the mix that best suits their specific characteristics, local strengths, culture and heritage. Fundamentally, community must be at the heart of all high streets and town centres in 2030. (Paragraph 38)***

Response:

The Government recognises that high streets and town centres will need to respond to how people want to use them, and we agree that community must be at the heart of all high streets and town centres. People increasingly prize experiences and leisure opportunities over simply purchasing goods. High streets are the locus for some of the highest levels of social interaction and activity. The most successful high streets know this and are transforming themselves into community hubs. Communities and the Voluntary and Community Sector (VCS), in partnership with government and private sector partners, can play a central role in this process. We want to see high streets and town centres becoming welcoming places that contribute to building a sense of community and civic pride in their local areas.

Many high streets are innovating and diversifying to offer a wider range of businesses, services and events in an attractive setting where people want to spend not just their money, but their time. In some cases, we are seeing local residents take the lead, taking over community assets to develop community-run shops and pubs.

MHCLG has an ambitious Communities Mission Statement that places communities at the very heart of the Ministry's work. Its themes include instilling in communities a sense of pride and safety by ensuring that they are economically and socially resilient in changing and challenging times. This includes supporting high streets and town centres through the Future High Streets Fund. More broadly, it includes work to support the resilience of community assets such as parks and green spaces (through the Parks Action Group and the Pocket Parks programmes), saving local pubs through community ownership (through joint funding of the More than a Pub programme in partnership with Power to Change), and supporting communities to bid on assets of community value. We also aim to provide opportunities for inclusive community

spaces to emerge on high streets. Specifically, the Open Doors pilot will match community groups to vacant high street properties to deliver their programmes.

How we get there

3. ***Achieving the large-scale structural change needed for our high streets and town centres to survive will require an intervention led by the local authority, using all its powers and backed by cross-sector collaboration. However, given the financial pressure faced by local authorities, central government funding will be needed for this, as well as significant private sector investment. (Paragraph 54)***

Response:

The Future High Streets Fund is an essential part of *Our Plan for the High Street*, providing co-funding towards capital projects that bring transformative, structural change. We want to see the regeneration of our town centres through innovative proposals around transport, housing delivery and our public services.

The objective of the Future High Streets Fund is to renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability and this will require private sector involvement. This is why we have set out that we expect projects to be co-funded by the private sector.

The Future High Streets Fund has been designed to help support local authorities in their leadership and collaborative role in addressing large-scale structural changes. Those places that progress to the second, short-listed stage of application for the Fund will receive some revenue funding from government to support the development of their capital projects. In addition, they will have access to guidance from central government. For the second round of the Future High Streets Fund, which we expect to launch not before 2020, local authorities will also have access to guidance and some support from the High Streets Task Force in developing their capital projects.

The Local Industrial Strategies will set out clearly how local areas will maximise their contribution to UK productivity through local partnership, allowing them to make the most of their distinctive strengths and better coordinate economic policy at the local level.

4. **The Future High Streets Fund aims to kick-start this sort of intervention and, although the results have not yet been evaluated, based on the evidence we received, we believe it reflects the right approach. The requirement for bids to demonstrate local stakeholder support, strategic vision and, above all, transformative, structural change, as well as its focus on high streets and town centres that are facing the most significant challenges, are to be commended. *We recommend that strong local leadership should be one of the key criteria by which bids are assessed. (Paragraph 55)***

Response:

We welcome the Committee's sentiment that the Fund is focusing on the right areas. Sir John Timpson, in his review of the high street, also stressed the importance of local leadership and a locally-driven approach to effect change on the high street. This is described by Sir John as 'Upside Down Government': providing help on a town by town basis, enabling local leaders to design future town centres that recreate a community hub.

We agree with the Committee on this point and in designing the selection and assessment criteria for the Future High Streets Fund, MHCLG has placed the importance of local leadership and development of a coherent and ambitious vision at the heart. This is why we have placed a strong weighting on evidence of local leadership, vision and strategic ambition of places in the assessment of applications to the Future High Streets Fund, making it one of the key criteria, and in line with Local Industrial Strategies.

5. **However, given the scale of the challenge and the fact that local authorities are unlikely to be able to contribute much of their own resources to this work, a total of £675 million with a maximum grant of £25 million per applicant will inevitably mean that the vast majority of high streets and town centres will miss out on the funding they need to adapt for the future. *Funding for the next round of the Fund needs therefore to be enhanced and we recommend that the Government considers using revenue generated from the reforms that we recommend to business taxation for this purpose. (Paragraph 56)***

Response:

Local authorities are already incentivised to support local economic growth through the business rates retention scheme. The current 50% business rates retention scheme is yielding strong results, evidenced by local authority estimates that in 2019-20 the sector will keep around £2.5 billion in business rates growth.

From 2020-21, the Government is aiming to increase local government's retention of business rates to 75%. As the level of business rates retention is increased, certain existing grants will be funded through retained business rates. Moreover, individual local authorities will be able to retain 75% of local business rates growth. As such, the proposed business rates reforms will give local authorities some incentive to grow their business rates bases, including investment on high streets. This should also provide an opportunity for individual local authorities to direct some of the funds retained through increased business rates towards high streets and wider economic development.

6. ***Further, given that planning teams have been particularly affected by local authority spending reductions, we recommend that the funding is made available to resource the planning stages of the project which may require additional staff and expert help. (Paragraph 57)***

Response:

We would like to reiterate our commitment to providing revenue funding to support local authorities build and design successful projects. As Sir John Timpson set out in his review, local leadership and expertise is vital for driving change on our high streets.

The Government has increased planning application fees by 20% to help increase the funding and resources available to local authority planning services. At the Spring Statement in March 2019, we announced that we would prepare an Accelerated Planning Green Paper, which will set out proposals on how greater capacity and capability, performance management and procedural improvements can accelerate the end-to-end planning process.

7. ***Successful applicants should be supported by the Future High Streets Task Force in bringing their vision to fruition. We recommend that the Task Force takes on a more proactive, 'enabling' role than is currently envisaged and set this out in more detail in chapter eight. (Paragraph 58)***

Response:

Our Plan for the High Street stated that the Task Force will provide hands-on support to local areas to develop innovative strategies to help high streets evolve, connect local areas to relevant experts and share best practice. Our responses to chapter 8 set out its aims in further detail, but we expect the Task Force to play a proactive 'enabling role.'

8. ***But the Future High Streets Fund is only one part of the solution. Local intervention, while essential, needs to be accompanied by further action by central government and at local level, as well as by retailers and landlords, to create the conditions for high streets and town centres to flourish in the future. (Paragraph 59)***

Response:

The Future High Streets Fund is part of the package of inter-connected measures in *Our Plan for the High Street* to help local areas make their high streets and town centres fit for the future, and we agree it will only be part of the solution. The different elements will work together to have a real impact on high streets and town centres to adapt, evolve and become vibrant hubs.

We recognise that there are a large number of stakeholders involved with and key to the success of high streets, including local businesses, property owners, Business Improvement Districts (BIDs), local authorities, community groups and Local Enterprise Partnerships, particularly as they develop their Local Industrial Strategies. Successful high streets require an effective partnership between

these different types of local organisations. They all need to work together to shape the high streets and town centres that people want to use.

The Local Industrial Strategies have a role to play in boosting the national economy, driven by local leadership and ambitious visions for the future. The Grand Challenges set out in the Industrial Strategy (Artificial Intelligence & Data Economy, Clean Growth, the Future of Mobility, and Ageing Society) are set to transform industries and societies around the world. By addressing the Grand Challenges, we will help make the UK, including towns and high streets, competitive in the face of the most significant global economic trends, creating new society changing opportunities for towns and high streets to flourish in the future.

The new £1.6bn Stronger Towns Fund will also provide an opportunity for the Government to work with local partners in towns across England who are seeking to grow and prosper in a changing economy. The Fund will enable new Town Deals across England, and the money will be used to deliver locally led projects creating new jobs, providing further training and boosting local growth.

Central government action

9. **Business rates, a property tax in a digital world, as currently designed are increasingly outdated and far from ideal, and we heard many calls for complete review and reform of the system. We note that the Government undertook a fundamental review of the business rates system in 2015–16, concluding that business rates should remain. However, given the rapid changing retail environment, we welcome the Treasury Committee’s timely inquiry into the impact of business rates on businesses. (Paragraph 72)**

Response:

The Government welcomes the Treasury Select Committee’s inquiry into business rates, noting that property taxes have clear advantages and are an important part of the tax system. We address alternatives to business rates at paragraph 13-14.

10. ***Notwithstanding the forthcoming findings of the Treasury Committee’s inquiry and the Government’s response to it, we recommend that the complexity surrounding rate reliefs and the administrative burden they create for retailers should be addressed and the suggestion we received for an allowance, similar to an income tax allowance, should be considered. (Paragraph 73)***

Response:

Budget 2016 committed to considering the feasibility of replacing Small Business Rate Relief with a per-business allowance for small businesses, once local authority business rates systems are linked to HMRC digital tax accounts. This improvement to the system would be required before such a change could

be considered as individual local authorities that administer business rates have limited information on the businesses occupying the properties on which their rates are due, and as billing systems are not linked and do not recognise the other properties a business may occupy across multiple local authorities.

The implementation of this digital project is scheduled to take place after 2024, to allow the Government to deliver the next revaluation one year early in 2021, and revaluations every three years after that.

The Government encourages local authorities to work with their local businesses and to raise awareness of the support available through the business rates system. The Government has committed to additional funding to administer the retail discount scheme announced at Budget 2018. The Ministry for Housing, Communities and Local Government has also provided guidance and has written to local authorities to encourage them to raise awareness of the scheme with their ratepayers, for example through local campaigns and leafleting to ensure eligible businesses are able to access any support to which they are entitled.

11. **The burden of business rates falls unfairly. High street retailers are paying more than their fair share of tax, while online retailers are not contributing enough. We welcome the fact the Government has attempted to reduce the burden with rates discounts for retailers and the move from RPI to CPI but more needs to be done. (Paragraph 74)**

Response:

The Government does not agree that the burden of business rates falls unfairly. Generally speaking, for all ratepayers bills are based on the rental value of the properties they occupy, ensuring similar businesses occupying similar properties will bear a similar level of tax, regardless of whether they choose to operate online or not. Higher-value property in higher-value locations bear a relatively higher burden of tax. This is integral to the nature of property tax.

Many sectors other than retail contribute to business rates revenue, as rates are due on many different types of non-domestic property, including shops, offices, and industrial property.

Property taxes play an important role in the taxation system of most modern economies. They provide a relatively stable source of revenue, are easy to collect and difficult to avoid, and in the UK context, can be clearly linked to local authorities, which they fund. Property taxes can raise revenue while supporting the efficient use of commercial property. Commercial property also remains a valuable asset in the UK, including for developers, inward investors and sovereign wealth funds. Further, as the Committee notes, when the Government carried out the last fundamental review of business rates, which concluded in 2016, no consensus on any alternative tax base was found. It is therefore right that the Government continues to tax commercial property, and that this is done through business rates.

Nevertheless, the Government recognises that business rates can represent a high fixed cost to some businesses, and has taken action to improve the system and reduce the burden for all ratepayers. Reductions announced since Budget 2016 are worth more than £13 billion to business over the next five years. In addition to the discount for small retailers and the switch to CPI indexation, recent reforms include:

- making 100% Small Business Rate Relief permanent and doubling the threshold for 100% relief from 2017, meaning 655,000 of the smallest businesses now pay no rates at all;
- raising the threshold for the standard multiplier to £51,000 rateable value from 2017;
- doubling Rural Rate Relief to 100% from 2017;
- increasing the frequency of property revaluations so that bills more closely reflect properties' current rental values;
- announcing a £435 million package to support ratepayers facing the steepest rises in bills following the 2017 revaluation. This is on top of the £3.6 billion transitional relief scheme; and
- legislating retrospectively to address the so-called 'staircase tax' to support affected businesses, including those that lost Small Business Rate Relief.

12. **The Government announced the introduction of a Digital Services Tax in April 2020 to address issues related to historic avoidance of corporation tax. However, this does not address the imbalance between online and high street retailers. The Government needs to go further and move faster to level the playing field between online and high street retailers. This is essential to securing the future of the high street and the retailers which will always be an important part of it. (Paragraph 75)**

Response:

The Digital Services Tax (DST) announced at Budget 2018 aims to respond to the challenge that the current international tax rules fail to recognise the value that certain digital business models derive from user participation. Pending global reform, the DST will ensure digital platform businesses make a fair contribution to the public finances. The Government is not introducing the DST to address issues facing high streets or to change the balance of taxation between different types of retail business models.

13. ***We believe that a change in the current tax system is needed to do this and recommend that the Government conducts an assessment of the main proposals that we received in evidence:***

- ***Introducing a specific ratings methodology for the warehouses of online retailers which is based on turnover above a certain threshold;***
- ***Replacing business rates for retailers with a sales tax or an increase in VAT;***

- ***Introducing an online sales tax that would supplement the existing business rates system; and***
 - ***'Green taxes' on deliveries and packaging. (Paragraph 76)***
14. ***In conducting this assessment, the Government should have particular regard to the connection between business rates and local areas and the Government's wider devolution agenda. In addition, we note that each of these proposals would have the benefit of building on the existing business rates system, as opposed to requiring the wholesale reform of business taxation. We request that the Government reports to us with its findings by October 2019. (Paragraph 76)***

Response:

When considering shifting revenue from business rates onto an alternative tax base, a number of issues must be considered, as well as whether the reforms would meet the stated objective. They include:

- the interaction with local authority funding, including the top-up and tariffs system and the aims of rates retention;
- the treatment of businesses based in the UK but with overseas sales, and those based overseas but with sales in the UK;
- devolution - the interaction between England-wide and UK-wide taxes, and the impact on business;
- legal constraints, including under international and EU agreements¹;
- the compliance and avoidance risks of different taxes;
- the administrative work required to develop and implement a new tax;
- the impact on retailers that operate both physically and online, and their investment into developing digital services and innovations;
- the distortions and wider impacts on the economy and society, including on consumers, small business, and non-retail businesses; and
- the sustainability of any new tax base, and how a new tax would affect it.

There are additional considerations specific to the alternative tax bases suggested in the report.

- **Treatment of warehouses**: introducing a specific ratings methodology for the warehouses of online retailers which is based on turnover above a certain threshold would raise significant challenges. In particular, it would mean business rates were no longer consistently based on assessing the open market rental value of the property concerned; distinguishing between warehouses used by online retailers is unlikely to be feasible, and would raise State aid issues; and there is currently no basis on which to assess the turnover of a business occupying a property within the business rates system.

¹ ¹ Until negotiations on the UK's exit from the European Union are concluded, the UK remains a full EU member and all the rights and obligations of EU membership remain in force, including on EU legislation.

- VAT and sales taxes: the introduction of a sales tax (including an online sales tax) or an increase in the standard rate of VAT, which is already at 20%, would have significant impacts on consumers, inflation and the wider economy. Changes to VAT would apply UK wide, while any changes made to business rates would be in England only. The introduction of a sales tax would also need to be very carefully considered as EU law and international agreements prohibit the introduction of sales taxes that are too close in design to VAT, or that are distortive of trade.
- Green taxes: introducing new taxes on deliveries would require consideration of operational burdens on business, and the ability of HMRC and potential taxpayers to identify the new tax liability, especially given the wide range of goods that are delivered both from online and physical retailers. It is likely costs would feed through to consumers and detract from the benefits of deliveries. In addition, we would have to consider the overall incentives and impact on pollution and congestion. The Government has already launched a consultation on a new tax on the production and import of plastic packaging which does not contain at least 30% recycled plastic, from 2022. Together with the planned reform by Department for Environment, Food and Rural Affairs to the Packaging Producer Responsibility System, this will transform the economic incentives for businesses to use more sustainable packaging.

15. ***We recommend that the Government explores how an online sales tax could be designed, including undertaking the full legal and factual analysis needed, to ensure compliance with State Aid rules. Whatever tax solution is found, it is imperative that it is implemented at speed to provide fast relief to high street retailers. (Paragraph 77)***

Response:

As the Committee suggests, the potential merit and impacts of an online sales tax (OST) would have to be carefully considered. The main challenge is that the burden of an OST is likely to fall on the consumers of goods bought online. The appropriate scope of the tax, and consequential business impacts, are also highly uncertain.

It is not clear that an OST would be of benefit to high street retailers through significantly altering consumer behaviour, as in practice there is no clear distinction between bricks and mortar and online retailers. Notably, many physical retailers are increasing their offer of online services, including click and collect, an innovation the Government would not want to deter through tax, and which the report recognises as a benefit to high streets. A number of retailers giving evidence to the Committee also noted the detrimental impact of burdening their online activity with a new tax.

Most of the reforms suggested by the Committee go beyond the current business rates system. They would require significant time to consider, consult, legislate,

and build the IT and other systems required for implementation and to communicate the changes to business and to the public. Therefore, it would be extremely challenging to introduce them in the short term, or as extensions of the current business rates system.

Given the challenges associated with the proposed reforms set out above and in our answer to recommendations 13-14, the Government does not intend to publish a separate detailed assessment of the reforms proposed in the Committee's report, including the recommendation for a State aid assessment of an OST. The Government will continue to consider whether and how changes to the economy and other emerging issues should be addressed by the tax system, weighing up the opportunities against the challenges of various potential reforms, as demonstrated by our recent announcement on the Digital Services Tax. We are grateful for the work of the Committee and the insights gathered.

The Government expects the Treasury Select Committee will explore similar issues as part of their recently-launched inquiry, '*The Impact of Business Rates on Business.*' The Government welcomes this inquiry and will engage with it and provide evidence as required.

16. ***We recommend that the revenue raised should be used to support the high streets in the following ways:***
- ***A reduction in business rates for retailers in high streets and town centres, which would have the additional effect of balancing competition from out-of-town shopping centres;***
 - ***A 12-month holiday for high street retailers from rates increases which result from investments to improvements in property; and***
 - ***An increase in the funding available to local areas through the Future High Streets Fund. (Paragraph 78)***
17. ***In due course, there may be a need for the Government to undertake a wider review of business rates and business taxation, which should consider complete alternatives to business rates. (Paragraph 79)***

Response:

As set out above, the Government has already taken significant steps to reduce the burden of rates for all ratepayers, and for retailers in particular.

Furthermore, business rates are a key source of revenue for local authorities in England, funding essential services such as adult social care and children's services. To protect this revenue, any further cuts may have to be offset by increased business rates liabilities for different sectors and types of ratepayers, or corresponding increases in other taxes.

In general, the incidence of business rates falls on property owners rather than the businesses occupying them. This is because although it is the tenant that is responsible for the rates bill, the amount due will affect how much rent the landlord is able to charge. Over time, changes to business rates are capitalised into rents, meaning that long-term cuts ultimately largely benefit landlords, who are able to charge higher rents. This view is supported by evidence from the Institute for Fiscal Studies and the British Property Federation.

Furthermore, the report recognises that the retail sector must evolve and provide new services, including online, in order to stay relevant. It also recognises high streets must be put to other uses beyond retail, including leisure activities, public services, community spaces, and housing.

That is why Budget 2018's *Our Plan for the High Street* is the right policy approach. It combines a temporary business rates cut of one third for small retailers, providing upfront support to help them meet the challenges facing the sector, with a £675 million Future High Street Fund to support our high streets and town centres as they evolve in response to changing consumer behaviour.

The Committee suggests cutting rates specifically for high streets and town centres. It would be very challenging to limit business rates cuts to high street as opposed to out-of-town retail as the distinction is difficult to define, especially given that many retail parks and shopping centres are located within towns. State aid rules would also restrict the Government's ability to support or discriminate against particular business sectors.

The report suggests providing temporary rates relief on improvements to property. In practice, identifying the proportion of rateable value that can be attributed directly to the renovation would add significant complexity to the system for local authorities. The Government is aware of similar reforms being recently introduced in Scotland, and we are monitoring it with interest.

Further points on the funding of the Future High Streets Fund are addressed at recommendation 5.

Planning

18. **Planning is crucial to high street and town centre transformation. Given this, the Government should ensure that planning powers are fit-for-purpose, sufficiently responsive and up-to-date. To this end, we recommend that the Government undertake a comprehensive review of planning as it pertains to the high street, focusing in particular on the following elements: Compulsory purchase orders, the 'town centre first' policy, use classes and permitted development rights.**
 - **Compulsory purchase is an essential tool for local authorities acquiring and assembling land as part of high street and town centre regeneration. However, the process is cumbersome, expensive and time-consuming, making it too slow to be of real use in a retail environment that is changing so rapidly. The review of the Compulsory Purchase Order**

process promised by the Government is welcome, but we recommend the review begins immediately and focuses in particular on how the process could be speeded up.

Response:

We agree that the effective use of planning tools such as Compulsory Purchase Orders and Local Development Orders can be used to regenerate high streets and town centres. We will be setting out over the coming months practical ways to support local planning authorities in reshaping their high streets to create prosperous communities, particularly through the use of compulsory purchase, local development orders and other innovative planning tools.

Through the Housing and Planning Act 2016 and Neighbourhood Planning Act 2017 we have already introduced wide-ranging reforms to make the compulsory purchase process clearer, fairer and faster for all. These reforms included measures specifically designed to speed up the process for deciding whether compulsory purchase orders are confirmed. Specific targets for the time taken to examine and decide cases were introduced in April 2018, and the Government is now required to report to Parliament on its performance against these targets. This should provide parties with greater certainty about how long it will take to get a decision on compulsory purchase orders from Government, which should in turn assist with project planning and delivery.

To streamline the process further, we also introduced a new power for the Secretary of State to delegate the final decision on certain compulsory purchase orders to an Inspector, helping to reduce instances of 'double handling' by the Planning Inspectorate and the Department.

At Spring Statement 2019, Government committed to considering the case for further reforms to the compulsory purchase regime, in line with the Manifesto commitment to make Compulsory Purchase Orders easier and less expensive for councils to use and to make it easier to determine the true market value of sites.

- ***The 'town centre first' policy was first developed in the 1980s and is little changed since then. We recommend that the Government consider whether the policy should be updated to reflect better the non-retail uses, for example health, education and leisure services, that will become increasingly important in the future. Notwithstanding the outcome of the review, we believe that, where appropriate sites are available, public bodies should take the lead and locate health, education, leisure, administrative office and other services in town centres first.***

Response:

The Government agrees with the Select Committee that high streets and town centres are changing and recognises that consumers and communities are looking for a range of experiences when they visit a high street, not just restricted to retail. In order to support the vitality of town centres and the 'town centre first' approach, the National Planning Policy Framework makes it clear that in the first instance main town centre uses should be located in town centres. The definition of main town centre uses in the Framework already covers a wide range of non-retail uses – this includes leisure, entertainment, and more intensive sport and recreation uses, offices, and arts, culture and tourism.

In terms of allocating particular uses in town centres, planning authorities, as part of the plan-making and site allocation process, are responsible for deciding where particular uses may be located having considered the suitability, appropriateness and need of a particular use. The National Planning Policy Framework is clear that an integrated approach should be taken in considering the location of housing, economic uses and community facilities such as health, education and cultural infrastructure, so that these enhance the sustainability of communities and residential environments.

- **High street and town centre activities are becomingly increasingly diverse and it is therefore right for the Government to consider in its current consultation whether use classes need to be updated and made more flexible. However, we believe that the approach taken needs to be much bolder and we recommend a complete overhaul and rewrite of the Use Class Order, which dates from 1987, with the needs of the modern high street, and the need for flexibility and building a more coherent and sustainable mix of uses, in mind.**

Response:

We agree that planning needs to support our changing high streets and therefore we intend to introduce additional flexibilities for businesses. We continue to keep the Use Classes Order under review to ensure that it captures both current and future business models. This includes uses commonly found on the high street and in our town centres, where new uses continue to emerge or where the proliferation of particular uses, such as betting shops, merits local consideration. The Order provides both for movement within a use class and flexibility for businesses to diversify by allowing for use which is ancillary to the main purpose of the premises.

We demonstrated our commitment to ensuring that the Order continues to remain up to date and able to support the diversification of high streets in our recent consultation: 'Planning reform: supporting the high street and increasing the delivery of new homes'. Following this consultation, we will amend the shops use class to ensure it captures current and future retail models, which will include clarification on the ability of (A) use classes to diversify and incorporate ancillary uses without undermining the amenity of the area. Separately we will publish updated planning practice guidance on

High Streets and Town Centres. Other planning tools already support varied and vital high streets and town centres. Local authorities and communities can set out their vision for the high street and town centre, the sustainable balance of uses in their local and neighbourhood plans or bring forward a Local Development Order to regenerate an area.

- **We believe that permitted development rights (PDRs) risk undermining the strategic vision that a community has developed for its high street or town centre. While we understand that PDRs provide much needed housing—which we see as a key aspect of high street and town centre sustainability—a planned approach, with Local Plans identifying where housing should be situated, is far preferable.**

Response:

Permitted development rights make a valuable contribution to supporting development, by simplifying the planning process and reducing the matters that local planning authorities have to consider. They provide greater flexibility and freedoms to support our changing high streets and help businesses to adapt and diversify quickly to changes in consumer demands. Permitted development rights play a key role by allowing change of use between certain use classes, helping to ensure premises are not left empty on the high street. Additionally, as the Committee's report acknowledges, they make an important contribution to housing supply. In the three years to March 2018, 46,000 additional homes were delivered through permitted development right for change of use, including the conversion of shops to residential use. The rights also bring the added benefit of increasing the number of residents who live in or near town centres, in turn, increasing footfall, and supporting local shops and restaurants during the day and at night. This right is subject to a prior approval by the local planning authority which allows consideration of both the impact on the sustainability of a particular local area and the level of retail services available to its residents.

Following our consultation: '*Planning reform: supporting the high street and increasing the delivery of new homes*' we are introducing further measures to help our high streets to adapt and diversify. This will include introducing new permitted development rights to allow shops (A1), financial and professional services (A2), hot food takeaways (A5), betting shops, pay day loan shops and launderettes to change use to an office (B1), and to allow hot food takeaways (A5) to change to residential use (C3). Additionally, to give businesses sufficient time to test the market with innovative business ideas we will extend the existing right that allows the temporary change of use of buildings from two to three years and enable more community uses to take advantage of this right, enabling such premises to more easily locate on the high street.

- ***The Government should suspend any further extension of PDRs, pending an evaluation of their impact on the high street. Policies should reflect the wide variety of local circumstances. Councils should be***

actively encouraged to develop town centre masterplans and use their powers positively to renew their town centres. Where PDRs conflict with particular designations in the Local Plan or other established planning documents, councils should be given greater freedom to suspend PDRs in the affected area. As they currently operate, Article 4 Directions do not give councils adequate ability to remove PDRs quickly and without liability to pay developers compensation.

Response:

Local planning authorities can make an Article 4 direction to limit permitted development rights. Paragraph 53 for the National Planning Policy Framework provides that directions should be limited to situations where it is considered necessary to protect the local amenity or well-being of an area. They are subject to oversight of the Secretary of State who can, after engaging with the local authority, modify or cancel a direction where he considers there are reasonable grounds. By giving 12 months' notice of the date an Article 4 direction will come into force, in many cases authorities can remove the risk of compensation liability in relation to subsequent planning decisions for permissions which would have previously been permitted development. We have published guidance on the use of Article 4 directions which is available at: <https://www.gov.uk/guidance/when-is-permission-required>.

Local action

19. **Change is happening at a rapid rate in high streets and town centres and, as currently formulated, Local Plans cannot keep up. We note that if online sales continue to grow at their current rate, they could account for around 30% of all retail sales by 2030. A Local Plan created five years ago will therefore be completely out-of-date and, quite simply, useless. (Paragraph 106)**
20. ***Local Plans, which we urge all local authorities to adopt, must be living documents, regularly updated to capture and reflect changing trends, and must be forward looking, anticipating what will happen in five years' time. We recommend that they should also be supplemented with dynamic strategies covering specific high streets and town centres. In addition, we recommend that all local areas develop an overarching vision setting out the direction for the future of their high streets and town centres. Successful applicants to the Future High Streets Fund bids must have a bold, visionary strategy prepared in consultation with the community. (Paragraph 106)***

Response:

We continue to put plans and local communities at the heart of planning. The Neighbourhood Planning Act 2017 put beyond doubt the requirement for all areas to be covered by one or more plans, and the National Planning Policy Framework reinforced the role of plans as the primary basis for identifying what development is needed in an area. Authorities must keep their plans up to date. Policies in local plans and spatial development strategies should be reviewed to assess whether they need updating at least once every five years, and should then be updated as necessary, to effectively address the needs of the local community.

While the National Planning Policy Framework states that strategic policies should look ahead over a minimum 15-year period from adoption, policies for town centres should look ahead at least ten years, to allocate a range of suitable sites to meet the scale and type of development likely to be needed, keeping town centre boundaries under review where necessary.

Up to date plans should provide a positive vision for the future of each area, and are key to articulating a positive strategy for successful town centres which enable sustainable economic growth and provide a wide range of social and environmental benefits. Authorities are free to produce supplementary strategies in relation to specific high streets and town centres if this is helpful.

We agree with the sentiment outlined by the Committee that bids for the Future High Streets Fund and local plans should be bold and forward-thinking. Having a strong, transformative and sustainable vision for a town centre or high street is an important component in achieving transformational change. In designing the selection and assessment criteria for the Fund, this is reflected by the strong weighting placed on evidence of a vision and strategic ambition for a town centre.

21. ***Whatever form it takes, the strategy for the high street should be formed around local characteristics, strengths, culture and heritage and, most importantly, it should have the backing of the public, private and community sectors. In addition, local areas should develop their plans in consultation with the areas around them and consider how high streets and town centres can complement one other within a wider spatial hierarchy. (Paragraph 107)***

Response:

We recognise that any strategy for high streets and town centres should be based on evidence of their current state and the opportunities that exist to accommodate a range of suitable development and support their vitality and viability. The Government shares the Committee's view that the strategy should involve public, private and community sectors. Local planning authorities can take a leading role in developing and promoting a positive vision for these areas, bringing together stakeholders and supporting sustainable economic and employment growth.

We also agree with the Committee that local areas should collaborate with the areas around them in planning for employment, retail and other commercial uses.

The revised National Planning Policy Framework sets out that as part of their plan preparation authorities should prepare and maintain statements of common ground, to demonstrate effective and on-going joint working on such strategic cross-boundary matters, including the distribution of needs in the area as agreed through the plan-making process, or the process for agreeing the distribution of both met and unmet needs. They should define a network and hierarchy of town centres, to help inform the development of a strategy for the overall pattern, scale and provision of development that is sufficiently flexible to respond to future changes.

22. ***Local authorities should consider the long-term benefits for their high streets and town centres of providing targeted support to local traders with business rates discounts and other schemes. We were particularly impressed with Stockton’s Enterprise Arcade which supports fledging retail businesses with a view to them diversifying town centre retail once established. We believe that a similar scheme could be successful in many towns. However, we recognise that for many local authorities such spending may not be a priority given the financial pressures under which they are operating and the necessity of prioritising statutory services. (Paragraph 111)***

Response:

Local authorities have broad powers to provide targeted support to local businesses. In addition, the business rates retention system provides local authorities with some incentive to promote local economic growth. As part of the Government’s package of support for business, the generous retail discount offers retail businesses with a rateable value under £51,000 one third off their business rates bill, subject to State aid and other reliefs. Business rate reforms and measures announced since Budget 2016 are worth over £13 billion over the next five years in reduced rates.

23. ***We agree with the MHCLG Minister that some free parking is bound to have a positive effect on high street footfall. It would also enable towns to compete more effectively with out-of-town retail centres. However, parking is very place specific, depending also on the public transport available. We believe that local authorities should test the impact of different levels of parking charges on footfall and collect data, as well as consulting with local businesses, to understand which interventions will be most effective for that particular place. (Paragraph 114)***

Response:

We agree with the Committee’s view on the issue of parking. Parking provision is vital to enable access to our high streets and town centres. The Government recognises that councils should be treating motorists fairly and promoting access to town centres through their parking strategies.

That is why, in 2015 the then Department for Communities and Local Government published new statutory guidance describing how local residents

can petition to initiate a formal review of parking policies in their area by their council, with councillors then voting on the action to be taken. More information on the Right to Challenge Parking Policies can be found here: <https://www.gov.uk/government/publications/right-to-challenge-parking-policies>.

As the Committee has highlighted, parking ultimately is the responsibility of local authorities and it is for them to determine what is appropriate in their own area. We encourage local authorities to design their parking strategies to support local needs.

24. **Wide community collaboration is essential to high street and town centre regeneration and, in many local areas, place partnerships will be a key vehicle for this. We are concerned that a truly collective vision will be hard to achieve in areas where they do not exist. *While we welcome the recently announced 11th tranche of the Business Improvement District (BID) Loan Fund which could have an important role in enabling BIDs to develop in new locations, we believe the Government should take further steps to encourage wider coverage of place partnerships. To start with, we recommend that the Government creates a register of BIDs and undertakes a census of place partnerships to identify areas without one in place. The Future High Streets Task Force should then play a role in helping areas to establish such a structure.*** (Paragraph 122)

Response:

We agree with the Committee's view that community collaboration is essential to high street and town centre regeneration in many local areas. We are committed to supporting BIDs, as they have been a key vehicle in providing business community-led improvements to local areas since 2004, and they remain an important part of our high streets and town centre agenda.

The latest round of the £500,000 BIDs Loan Fund will support business owners and local leaders to set-up a BID, which will allow communities to come together to deliver additional local services and upgrade commercial areas.

The two main sector bodies, British BIDs and The BID Foundation, play a crucial role in supporting the development of BIDs, and we are committed to support them in their role in supporting the development of new and existing BIDs.

Those organisations are also currently developing their collection of data on BIDs, supported by intelligence. We have also taken steps to ensure that the 84 and 42-day notifications of ballot from developing BIDs received by the department as part of the 2004 BIDs Regulations are shared with the sector bodies to support their data collection efforts.

We would not want to duplicate the efforts of the sector bodies who already have good data collection on developing and existing BIDs by introducing our own register of BIDs.

In addition, the High Streets Task Force will be asked to improve coordination, locally and nationally, between the groups involved in high street work and this will include community groups and BIDs. Further information on the Task Force is set out in our response to chapter 8.

25. ***In addition, we recommend that the Task Force facilitates the creation of a local authority-wide network of BIDs and encourages them to share resources, knowledge and expertise with each other. Particular effort should be made to encourage well funded BIDs to share resources with less well-funded BIDs nearby. (Paragraph 123)***

Response:

Many well-funded BIDs will already share advice and best practice with the less-well-funded BIDs through their networks within the sector bodies, and we are supportive of this practice. The sector bodies also play a vital support role to developing and existing BIDs, and we are always keen to engage with the sector bodies and to support them in this role.

The Task Force's coordination role will include working with BIDs and we also expect the Task Force to work with the existing sector bodies.

26. ***We were attracted by the idea that BIDs should be replaced with community improvement districts but recognise that legislative changes might be needed to implement this. We encourage the Government to consider how this might be done and, in the interim, recommend the appointment of community representatives to BID panels in order to encourage a wider, more balanced approach in their work. (Paragraph 124)***

Response:

Under the current regulations, BIDs are granted a large degree of freedom to determine the structure of their managing body, including private limited companies, partnerships, or not-for-profit organisations.

We recommend that BIDs seek to improve their engagement with community groups, and that BIDs consider the option of appointing a community representative to their boards, in a way that best fits with their corporate structures and existing business plans.

We accept the Committee's recommendation and will consider the options for promoting community engagement and involvement with BIDs.

Retail

27. ***The closure of a shop, particularly a long-established 'anchor' store, can be crushing for the community and blight the wider high street or town in which it is situated. Such effects are particularly stark in smaller towns***

where large chains often decide to make closures first. We believe that such smaller towns, which lose stores to neighbouring large towns, cities and out-of-town retail parks, are particularly affected yet less well placed to respond in terms of their resources, capacity and their ability to attract redevelopment. (Paragraph 132)

28. **Retailers clearly need the flexibility to respond to the significant changes in the industry by closing and restructuring stores and, from what we heard, these decisions are never taken lightly. *While a focus on redeploying staff is absolutely correct, we encourage retailers to consider that their corporate social responsibility extends beyond this to helping to find a future for the empty property they have left behind.*** (Paragraph 133)

Response:

Store closures are commercial decisions for retailers. However, we recognise that this can be difficult for places where closures occur and can have a knock-on effect on footfall for other retailers. It is ultimately a commercial matter for the property owner as to how to make best use of the property a retailer has vacated. The Government is introducing additional national permitted development rights to further support the change of use on the high street. It is also making changes to the A use classes to ensure it allows for current and future business models, and allow for movement within the use class of a wider range of premises.

29. ***We believe that retailers considering closing a large long-established 'anchor' store should contact the local authority as soon as possible and explore with them, the landlord and the Business Improvement District or place management partnership whether a creative solution can be found for its future.*** This might include finding a new use for the empty property or putting together a plan to save the store which might require reducing its size or converting it partly to residential accommodation. (Paragraph 134)

Response:

Retailers will have different strategies on how to make best use of their empty property and this is ultimately a commercial matter for them. However, we recognise the impact of empty properties on the high street. Through the local plan, communities can set out the vision for the high street, including the mix of uses. A targeted local development order may be helpful in respect of alternative uses for large anchor sites.

We also set out our 'Open Doors' pilot in five town centres to bring empty properties back into use by matching landlords of vacant premises with local community groups looking for space. At the end of the pilot, we will evaluate the impact of it against our original objectives, published in November 2018, and hope this will support future interventions around empty properties on high streets.

30. **Retail will always be a part of high streets and town centres in the future. *But to remain competitive, attract custom and add to the vibrancy of a place, we encourage retailers to consider how they could update their practices.* (Paragraph 144)**

Response:

Retailers themselves are best placed to make decisions on how to remain competitive, increase their productivity and attract more custom. As part of the Industrial Strategy, Government and the sector are working together through the Retail Sector Council to find sector-led solutions to increase productivity and to promote positive growth in the sector as it responds to the changing nature of retail. The Retail Sector Council has agreed to focus on priority work areas for the next two years, which include: the costs to business, skills and lifelong learning, employment protections, the circular economy, consumer protections, and retail and the Industrial Strategy.

31. ***Retailers should make an asset of their physical retail space and their staff by creating opportunities to interact with customers that cannot be found online. In addition to being well-stocked with interesting products, this could include providing personal shopping services, advice and consultations, using social media and investing in staff training and the store itself. Of course, we recognise that this is only possible if retailers have some headroom to invest which is why we have recommended that business rates for high street retailers be reduced.* (Paragraph 145)**

Response:

Many retailers recognise that innovation and imaginative ways of selling their products and service are key to their survival. The number of retailers now using omnichannels has increased significantly and retailers such as department stores that are adapting to this are finding themselves in a stronger position. A number of department stores are shifting away from the traditional service of selling products to a more experiential style of retailing, including the introduction of personal shopping services.

The Government is working with the sector to ensure it continues to thrive and responds to changes in consumer behaviour and challenging business conditions. Recognising the pressures on retailers, in last year's budget, the Government announced that from April 2019 the business rates bills of small retailers would be cut by a third for the next two years.

32. ***In many places, store opening hours do not reflect the fact that many people need and want to be able to shop at the end of the day after they have left work. If they cannot shop on the high street at their convenience, they will shop online or at an out-of-town retail centre instead. Retailers should conduct research with shoppers to find out whether their opening***

hours are meeting people's needs and adjust them in accordance with the results on a local, shop-by-shop basis. (Paragraph 146)

Response:

In the UK, small shops may open any day or hour. There are some restrictions to opening hours which apply to shops over 280 square meters, namely the Sunday Trading Act and Christmas Day (Trading) Act in England and Wales. It is a commercial matter for individual companies to decide on their opening hours and to ensure that they comply with the necessary legislation. Where there are planning or licensing restrictions on operating hours an application may be submitted for these to be varied.

33. ***In addition, we encourage more retailers to offer and host click and collect, providing their customers with convenience while supporting high streets and town centres through increased footfall. We were attracted to the idea of turning empty shops into an 'inventory hubs' where people could collect parcels at their convenience and we encourage local stakeholders looking for new uses for such properties to consider whether this might be appropriate for their local area. (Paragraph 147)***

Response:

Many retailers are moving to omnichannel system of retailing. Some small retailers are diversifying into parcel collections and efficient delivery systems. This is all part of a mix of innovative and creative ways of selling their products. Increasingly some retailers are making use of their premises for storage and the collection of goods ordered.

Empty properties

34. ***The reasons why some high street properties remain empty for extended periods of time appear to be complex. This is an issue which merits further investigation. We recommend that the Government commission research into why some high street properties remain vacant for long periods of time or have rapid turnover of occupants while some are refilled quite quickly. This should include an assessment of the impact of empty property rates and exploration of other measures which would encourage landlords to find new tenants, such as retail reoccupation relief. The Government should report its findings to us by October 2019.***

Response:

We agree with the Committee's view that the issue of vacancies in town centre and high street properties is complex.

At the Autumn Budget 2018, where we set out *Our Plan for the High Street* to support the sustainable transformation of high streets, we committed to pilot the development of a register of empty commercial properties to support wider

regeneration of our high streets and town centres. We are currently considering proposals for the pilot, including what other datasets the register could incorporate, and how the register could support local authorities, landlords, tenants and place managers in their work on high streets; inform policy development; and develop our understanding on the reasons for, and the impact of, vacancies in high streets and town centres.

In addition, we also set out our 'Open Doors' pilot in five town centres in the Autumn Budget. We hope that this pilot, together with the register of empty properties, will add to the body of evidence available to help the Government and the Committee better understand the issue of high street vacancies, and the measures required to encourage the use of these spaces.

The business rates system already limits 100% empty property relief to three months (six months for some properties), which incentivises property owners to reoccupy the premises. The Government must strike the right balance between incentivising reoccupation whilst also recognising that it can be challenging to achieve for some landlords. Local authorities already have discretionary powers to provide up to 100% relief from business rates on empty property to assist owners who face particular difficulties in re-letting their properties, or to provide their own retail reoccupation relief scheme.

Landlords

35. **Landlords are often the least visible stakeholders in high streets and town centres but are among the most important. While there are many active and engaged landlords who take an interest in their tenants' businesses and are involved in high street and town centre transformation, there are equally many who do not. We encourage all landlords to recognise that the retail property market has changed and to take an active approach, providing their tenants with good quality properties on a flexible basis and investing in and reconfiguring properties for new uses. Further, we encourage them to fully engage in local partnerships working on high street and town centre transformation and to consider the potential for further investment to help bring plans to fruition. (Paragraph 156)**

Response:

This Government has made it clear that regenerating high streets and towns centres is a priority. We agree with these proposals for landlords' interaction with tenants and support the development of flexible partnerships between retail landlords and wider high street and town centre stakeholders.

Active participation by landlords in local partnerships can be particularly beneficial in town centres and high streets with high levels of fragmented ownership, facilitating cohesive and consistent delivery and action across a retail area. Whilst the Government encourages landlords to join partnerships for local places, we would also encourage local authorities to think creatively to facilitate

a strategy supported by and delivered by high street stakeholders. Place management organisations and BIDs can facilitate this.

36. ***We recommend that, in the next twelve months, the Government task the Law Commission with reviewing the Landlord and Tenant Act 1954, Part II, assessing in particular whether the law as it currently stands is impeding the emergence of a landlord tenant relationship which is more appropriate for the current retail environment. (Paragraph 157)***

Response:

The Government recognises the importance of having legislation that is relevant and appropriate for changing conditions across high streets. As such, we will consider options for reviewing the Landlord and Tenant Act 1954, Part II taking into account the current retail environment context. The Government will consider the best way to approach this review to ensure that legal considerations as well as stakeholder experiences and opinions are taken into account.

37. ***Many retailers are burdened by high rents which, in addition to business rates, are causing them significant financial distress. Upwards-only rent review clauses in long leases have artificially increased rents to a level that no longer reflects commercial reality. We recommend that, given the change in the retail sector, the Government should consult again (as it did in 2004) on outlawing the use of upwards only rent reviews. While new leases are likely to reflect the current market better, it is important that consideration is given to whether the practice should be curtailed. In the meantime, we recommend that the Government sets up a conciliation service, similar to that provided by ACAS, to facilitate negotiations between retailers in financial distress and landlords who are proving reluctant to engage in discussions or compromise on reducing rent. (Paragraph 158)***

Response:

The Government is committed to supporting businesses and SMEs, as they are the backbone of our economy and have a key role to play in driving economic growth.

Rent reviews are a commercial decision and the Government avoids interfering in commercial contracts between landlords and tenants so as not to restrict growth, distort the market or cause other unintended impacts. However, we recognise that in most cases, both parties will want to find rent resolutions that keep the property occupied as for it to fall vacant is in neither's interest. As such, the Government encourages landlords to work flexibly with tenants, taking into account the wider market context when reviewing rents, in line with the conclusion of the 2004 consultation on upwards only rent reviews.

The Government does not have any plans to set up conciliation service for landlords and tenants at present, instead encouraging the use of existing dispute resolution services. These include two government-approved redress schemes:

The Property Ombudsman or the Property Redress Scheme. Since 1 October 2014, the Government has made it a legal requirement for lettings agents and property managers to join one of these two redress schemes.

The letting agent or property manager should arbitrate any disputes between the landlord or tenant in the first instance, and should this be unsuccessful, a complaint can be made to the redress scheme. The Government also encourages tenants to seek independent legal advice if needed, such as through Citizens Advice.

38. **We heard competing evidence from both retailers and landlords about the use of Company Voluntary Arrangements (CVA) and the CVA process. While we were not able to delve deeply into the issue during the course of this inquiry, we believe that it warrants further consideration by the Government. We ask the Government to provide us with its assessment of the effect CVAs are having on the high street and any consequential reforms that may be necessary. (Paragraph 159)**

Response:

CVAs are a flexible rescue tool for distressed businesses, preserving jobs and shareholder value by allowing a company to settle its debts and obligations when it is otherwise unable to do so, thereby avoiding formal insolvency. If creditors agree to the company's proposals, the company is able to continue trading, restore its financial position and, if the proposal is fully implemented, safeguard its future, relieved of the burden of unsustainable debts and obligations. Creditors will benefit as a CVA is very likely to result in their recovering a larger portion of their debts than would be possible if the company entered administration or liquidation.

CVAs have been used by companies of all sizes across many different sectors, including by those that contribute to the fabric of our high streets, offering retail and leisure choices to consumers and providing employment for members of the local community. Several well-known retailers and restaurant chains for example, remain operating in high streets today owing to the fact they addressed their financial difficulties through the use of a CVA. Had they not done so, administration or liquidation would have been a likely alternative outcome, meaning fewer jobs would likely have been saved and many more stores closed, leaving greater numbers of empty units on our high streets.

In 2016 the Government published its 'Review of the Corporate Insolvency Framework' consultation, with proposals to improve the prospects of successful business rescue for financially distressed companies. Respondents to the consultation noted that CVAs were a useful tool, representing a low cost, flexible procedure to rescue companies. The Government published its response in 2018, announcing its intention to deliver a comprehensive package of company rescue reforms that will sit alongside CVAs.

The Government believes CVAs have an important place in the restructuring framework, as a valuable option in the toolkit for achieving company rescue;

therefore the Government does not intend to conduct a review of CVAs at this time.

39. **The Government's announcement that property-owner Business Improvement Districts would be legislated for in the Local Government Finance Bill, which fell as a result of the 2017 general election, was met with enthusiasm. Such a body could play an important role in bringing landlords into local discussions about high street and town centre transformation. We recommend that the Government revives the legislation relevant to this at the earliest opportunity. (Paragraph 160)**

Response:

Property Owner BIDs can exist where there is a Business Rates Supplement in place, which is currently only the case in Greater London. Upper tier, and unitary, authorities also have the power to raise a Business Rates Supplement if they wish to do so, and Statutory Instruments laid in July 2018 extend this power to other mayoral combined authorities (West Midlands, West of England, Cambridgeshire and Peterborough, and Liverpool City Region). This means that Property Owner BIDs could also be established in upper tier authorities or in those mayoral combined authorities if they introduced a supplement.

We also encourage BIDs to work with stakeholders beyond their occupier levy paying members and the local authority, including property owners and community groups.

The Future High Streets Task Force

40. **We welcome the creation of the Future High Streets Task Force but we have serious reservations about the scale of the Government's ambition for it. It must be much more than a forum for discussion and avoid becoming a 'talking shop' and, in combination with the Future High Streets Fund, must provide real and tangible support directly to local areas on a much greater scale than the Portas pilots. While centrally collated data, best practice and case studies will certainly be needed, given the enormity of the challenge they face, there is a clear need for local areas to have access to proactive expert support. (Paragraph 165)**

Response:

We agree the Task Force must be more than a 'talking shop' and its remit includes on the ground support to local places. The Task Force will provide an online repository of best practice, guidance and data that is available to all. In addition to this it will also provide training for place leaders, expert advice and play a coordination role in ensuring that relevant groups involved in high street improvements engage with each other better at both a local and national level.

While the Task Force will not be able to provide on the ground support to every high street, it will be expected to provide support on a large scale and be a national resource for all.

We have recently published an invitation to tender for organisations interested in running the Task Force and this sets out the aims of the Task Force in further detail.

41. ***Believing the Private Rented Sector Task Force to be an instructive model to follow, we recommend that, in terms of its set up and operation, the Future High Streets Task Force should:***
- ***Be staffed by experts with front line experience, including academics, planners, lawyers and developers;***
 - ***Second experts to provide direct support to local areas on all aspects of high street and town centre transformation, as well as providing advice and support in writing or over the phone;***
 - ***Collate data, good practice examples, case studies and guidance for local areas to access, but also proactively disseminate this information and advise local areas on how to interpret and apply it to their own circumstances;***
 - ***Provide help to local areas to attract private sector investment, including by maintaining a database of interested private sector developers and investors, facilitating meetings, and providing transactional support to local authorities once a deal has been reached;***
 - ***Help local areas to apply to the Future High Streets Fund, including developing a business case; and***
 - ***Provide advice and support to all stakeholders involved in high street and town centre transformation, including retailers and place management partnerships and Business Improvement Districts, and to all areas regardless of whether they have received funding from the Future High Streets Fund. (Paragraph 166)***

Response:

We welcome the Committee's suggestions and believe that these are consistent with the Government's vision for the Task Force. The invitation to tender for the Task Force sets out its four aims and these are:

Boost local authority capacity: Provide additional capacity (such as teams of experts) to local authorities, for example on planning policy and design, to help design effective and innovative high street strategies and to help implement these. This will include supporting places in developing proposals for the Future High Streets Fund, both at the expression of interest and business case development stages.

Build sustainable place-making skills: Provide training for place leaders, to ensure that they possess the placemaking skills required to deliver sustainable change in their high streets. This will also ensure that local high streets and town

centres have the capability and skills to be able to make best use of the data and information that the Task Force will be providing them with.

Coordinating the range of groups involved in sustainable high street placemaking: bring together in one place the diverse range of organisations and groups that make up the high street offer. This includes Business Improvement Districts (BIDs,) local authorities, property owners and businesses.

Information, best practice and data sharing: manage a repository of support, toolkits, data and best practice guidance that would be available to all local high streets and town centres and provide ongoing strategic guidance to local place leaders. This will include sharing the learning from both rounds of the Future High Streets Fund.

Between them, these aims cover bullets 1, 2, 3, 5 and 6 of recommendation 41 and we will consider whether and how the Task Force can provide help to areas in attracting investment from the private sector.

42. ***The Task Force should be equally wide-ranging in terms of its scope, providing support to local areas on the full range of issues pertaining to high streets and town centre transformation. Based on the evidence we received, we have identified some specific things that the Task Force should do:***

- ***Second planners to local authority planning teams to provide extra resource for local areas developing their high street and town centre strategies and vision for the future, and executing compulsory purchase;***
- ***Support independent retailers to develop an offer based more on individuality and 'experience', including, for example, how to use social media to promote their store and assess whether their opening hours should change to meet local needs;***
- ***Help local authorities to collect data on parking and understand how their parking policies affect high street footfall;***
- ***Provide financial advice to local authorities considering purchasing commercial property; and***
- ***Provide access to training and support for place partnerships and to individuals who wish to establish such a partnership. (Paragraph 166)***

Response:

The aims outlined in the response to paragraph 41 include the provision of expert advice and this will include the provision of planning experts. The aims also include providing access to training for place partnerships.

We would expect the Task Force to engage with business through engagement with BIDs and with representative bodies. We will consider further how the Task Force will interact with retailers.

The Task Force's remit includes to provide best practice and data and to help local places understand how their decisions and plans impact upon this. This process of sharing 'what works' will include the impact of local parking policies on the high street.

We do not expect the Task Force to be involved in providing financial advice to local authorities on commercial decisions on property; however training provided may cover how local authorities could attract investment and structure commercial decisions.

Conclusion

- 43. Without a crystal ball, we cannot predict what changes lie ahead. But, with online sales having nearly doubled in the last five years, it is almost certain that online shopping will continue to grow, all the while undermining physical retailers and our high streets and town centres. (Paragraph 168)**
- 44. However, we firmly believe that our high streets and town centres can have a better and more balanced future ahead of them. This will require a shift from the retail focused activities of high streets and town centres today to new uses and purposes which foster greater social interaction, community spirit and local identity and characteristics. (Paragraph 169)**
- 45. Achieving this will require significant structural change and concerted effort. But, with a properly planned strategic intervention led by the local authority, with the backing of local stakeholders and the wider community, we can redefine our high streets and town centres and make them sustainable and future proof. (Paragraph 170)**
- 46. We see the possibility of a bright future for our high streets and town centres if our recommendations are followed. The Future High Streets Fund and Future High Streets Task Force have the potential to kick-start transformation but are just a first step and must be accompanied by the more wide-reaching reforms that we have outlined in this report. (Paragraph 171)**
- 47. If action is not taken now we strongly believe that the future will see high streets and town centres with an increasing prevalence of empty shops, dereliction, deteriorating infrastructure and a loss of customers who will take their trade elsewhere. We are concerned that this will lead to some towns centres and high streets effectively closing down altogether, most likely disproportionately affecting people on lower incomes who have less opportunity to shop elsewhere. We therefore urge the Government, local government, retailers, landlords and the local community to act on our**

conclusions and recommendations now in order to save the high street and ensure its long-term sustainability for future generations to come. (Paragraph 172)

Response:

The Government agrees that high streets and town centres have changed and continue to change, impacted by developments in technology and changing social patterns. This adaptation is taking place across the world, as the ways that people use their town centres changes. Research by Public Health England (2018)² and British Property Federation (2016)³ suggests that high streets which provide a wide choice of retail services alongside well designed and planned residential and office space are more resilient to these changes and are adapting more successfully. High streets which rely heavily on traditional retail without sufficient office space and housing surrounding the high street have found it harder to adapt to these changes and tend to be the ones that are struggling.

High streets and town centres fulfil many functions and increasingly encompass more than just the retail sector. As the way in which people shop changes in the future, the importance of retail on the high streets is likely to decrease further. While retail will continue to be a part of the high street, research has shown that the local services and experiences provided by high streets and town centres are also important. People are looking for a range of experiences on the high street, from shopping to leisure to health services.

The most successful high streets and town centres will need to change to reflect the communities they serve by transforming themselves into community hubs, playing to their strengths of offering human interaction and unique sense of place and community. The Industrial Strategy recognises the need for locally-driven solutions to deliver prosperous communities, with the Local Industrial Strategies ensuring a partnership approach to allow places to make the most of their distinctive strengths and better coordinate economic policy at the local level. In working towards these transformations, we need to involve local communities, and to strengthen place-based partnerships between government, businesses, and the voluntary and community sector.

The Government agrees that sustained structural change in a high street or town centre is contingent upon strong local leadership, clear vision and strategy. The Future High Streets Fund marks a step change in the Government's policy interventions aimed at helping high streets and town centres, but we recognise that this is reliant upon local leaders' capacity and capability to implement the initiative. To that end, the High Streets Task Force will support local leadership. We believe that these, and the other measures in *Our Plan for the High Street* - which put high streets at centre stage in the Autumn Budget 2018 - will help ensure that high streets and town centres are able to adapt and thrive for generations to come.

² Public Health England (2018), Healthy High Streets

³ British Property Federation (2016), Town Centre Investment Zones: Getting investment back into the High Street

We recognise the need to continue to support the sustainable transformation of high streets and town centres. Many places will benefit from the new £1.6 billion Stronger Towns Fund announced on 4 March 2019, which will support towns to harness their unique strengths to grow and prosper, including through a series of Town Deals. The new fund will be used to create jobs, help train local people and generate growth. Individual communities will help decide how the money is spent and will be encouraged to come together to draw up proposals to restore pride and create new jobs in their area.

We will continue to celebrate what our high streets and town centres can achieve through the Great British High Street Awards. The Government announced on 4 March 2019 that the Awards would run again in 2019, in partnership with Visa. We will be building on previous successes to find Britain's best high street and shine a light on retailers and community groups across the country working in innovative ways to keep high streets and town centres vibrant and strong.

CCS0419979920

978-1-5286-1214-2