

Spotlight

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Public Finance

SUPPLEMENT ON

TOWN-CENTRE
REGENERATION

HOW to REVIVE the HIGH STREET



EVEN THE QUEEN OF SHOPS CAN'T REVIVE OUR AILING HIGH STREETS. SO WHAT CAN BE DONE TO END THE SCOURGE OF CLOSED SHOPS AND RUN-DOWN TOWN CENTRES? MIKE THATCHER REPORTS FROM THE *PUBLIC FINANCE/DELOITTE* ROUND TABLE DEBATE

IN SEARCH OF RETAIL THERAPY

It's two years since Mary Portas published her review into the future of high streets. The self-styled Queen of Shops produced 28 recommendations, persuaded the government to launch Town Teams and Portas Pilots and stimulated a huge debate about the survival of our town centres.

Portas managed to grab some positive headlines back in December 2011, but subsequently has faced a backlash. This culminated in a difficult evidence session at the Communities and Local Government Committee in September when she was questioned about her earnings from the TV series on the pilot towns.

Bill Grimsey, the former chief executive of Iceland and Wickes, also recently came up with his own review and damned the Portas report as 'nostalgic' and 'little more than a PR stunt'.

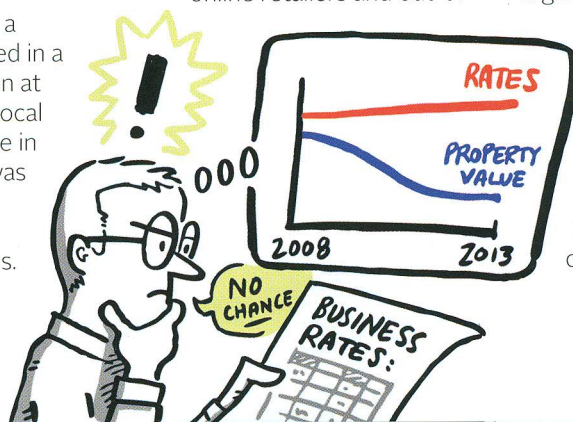
The Mary and Bill show has been good for journalists, but not great for the high streets. The problems have not disappeared – in many respects, they have increased. The recession, competition from online retailers and out-of-

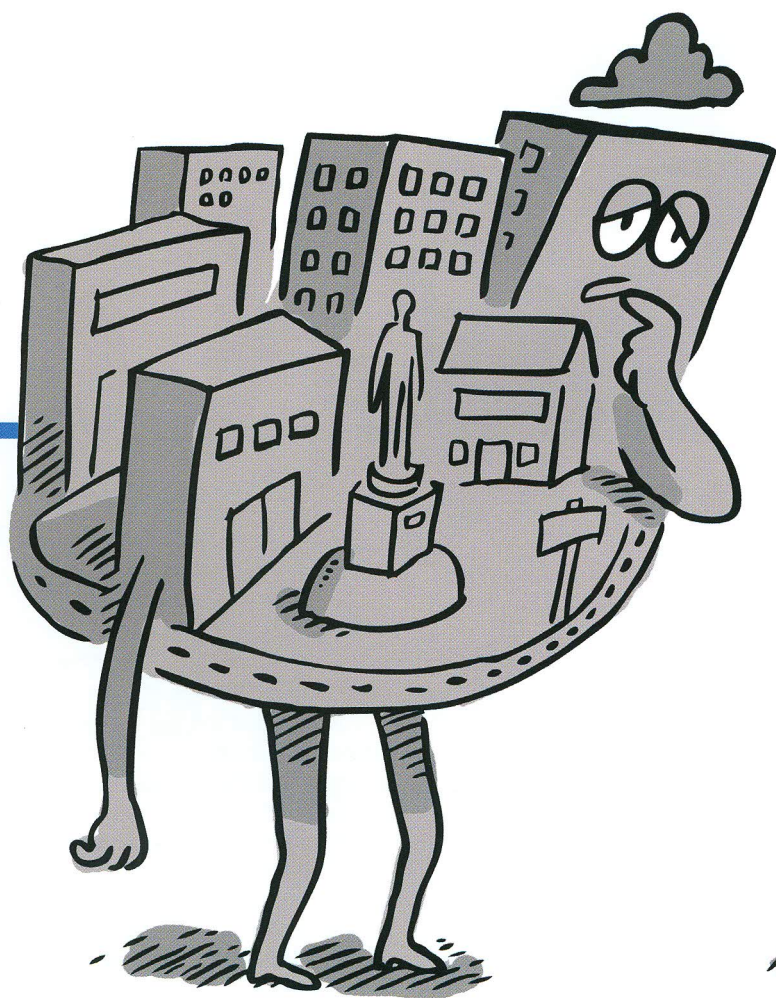
town shopping malls, rising business rates and increased parking charges have all heaped pressure on the high street.

According to the Centre for Retail Research one in five shops – more than 60,000 stores – will close over the next five years. It claims that only 59% of town centres are sustainable and that there are simply too many shops.

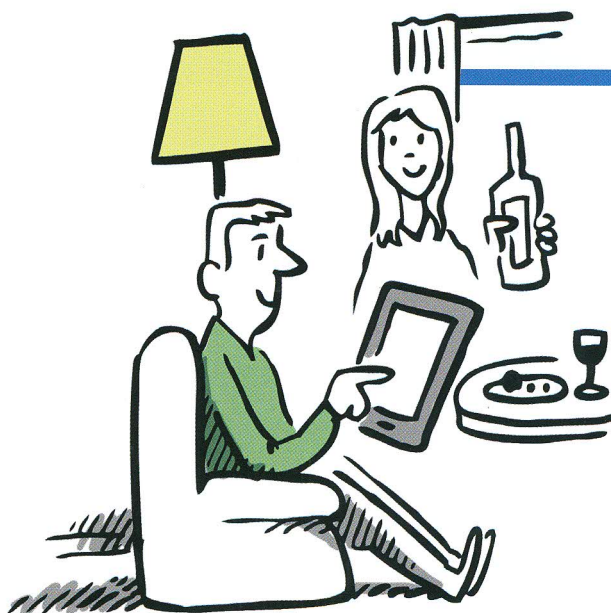
An apposite time then for *Public Finance* and Deloitte to organise a round table debate on reviving the high street.

A group of council chief executives and finance directors, regeneration experts, academics and think tankers gathered in London on November 5 to offer some retail therapy.





Town centres
are searching for
their meaning...



The session kicked off with presentations looking at one Portas Pilot – in Stockport – and an overview of retail progress over the past two years.

Eamonn Boylan, Stockport Council's chief executive, and Simon Bedford, Deloitte's real estate partner, explained that the authority had invested over £40m in town centre projects. This included £15m on buying the Grand Central site – a move that required political courage as the money was borrowed at the same time as the council had to cut its revenue budget by £22m.

Being a Portas pilot meant that Stockport had an extra £100,000 to spend – but there was much wrangling about where this should go and why it hadn't been spent immediately. What the Portas link did bring,

Round-table attendees

- Professor Joshua Bamfield**, *Centre for Retail Research*
- Simon Bedford**, *partner, Deloitte Real Estate*
- Eamonn Boylan**, *chief executive, Stockport Council*
- Steve Bundred**, *former head of the Audit Commission*
- Jonathan Carr-West**, *chief executive, LGIU*
- Hugo Clark**, *director, Deloitte Real Estate*
- Keith Davies**, *director of development and regeneration, Bolton Council*
- Jenny Douglas**, *head of area priorities, Liverpool Vision*
- Chris Gourlay**, *chief executive of Spacehive*
- Graham Harris**, *managing director, Dartford Borough Council*
- Mike Hayden**, *head of regeneration, Chesterfield Borough Council*
- Clyde Loakes**, *vice-chair, LGA Environment and Housing Board*
- Mike Owen**, *executive director of resources, Bury MBC*
- Philip Simpkins**, *chief executive, Bedford Borough Council*
- Leigh Sparks**, *professor of retail studies, Stirling University*
- Paul Swinney**, *senior economist, Centre for Cities*
- Mike Thatcher**, *editor, Public Finance (debate chair)*
- Ian Washington**, *lead local government partner, Deloitte*
- Rob Whiteman**, *chief executive, CIPFA*



In the round: Council chief executives, regeneration experts, academics and think tankers discussed a retail makeover for the high street

however, was communication with a wider group of people and organisations.

'Having Mary Portas involved galvanised some parts of the business community,' said Boylan. 'One of our success stories has been the teenage market – these are boys and girls who would previously have had no reason whatsoever to have a dialogue with the public sector, and they are now engaged.'

The second presentation described the progress – or lack of it – made since the Portas review was published. Leigh Sparks, professor of retail studies at Stirling University, offered a 'provocation' in which

he said that in two years Portas had gone from 'acclaim to dismissal'.

'She wanted to sweep away the bad management, the lack of proactivity, the antiquated mindsets, dysfunctional property systems and fear of taking risks or being different. All for £100k,' Sparks said.

Portas had done little to halt the decline of local retailing. Town centres had lost both form and function, he said, and were fast becoming 'anachronistic irrelevances'. The world changed 50 years ago, but the high street had been left behind.

'We have allowed our town centres to become vestigial

appendices to modern-day life by clinging to a belief that they have some unchanged purpose. We have decentralised and fragmented everything, and the town centre as a consequence has been blown to pieces and is searching for its meaning.'

The fact that there are 'no votes in town centres' meant councils had little incentive to get involved. Where they did, the results were not always positive.

'I think we have to rethink the role of local government in this, as not all are capable of doing the job. Are local authorities proud of their town centres and high streets? If they are not going to do anything, not going to sort it out, then [they must] get out of the way.'

Some attendees at the round table felt that central and local government initiatives had made the situation worse. Planning rules, for instance, had encouraged clusters of betting shops, payday loan companies and estate agents. Similarly, the popularity of out-of-town enterprise zones and business parks had pulled people away from local high streets.

'The places where the high streets are struggling are where there has been a decentralisation of activity. So what you need to be thinking about is how you pull people into city centres,' commented Paul Swinney, senior economist at the Centre for Cities thinktank.

He said Portas had 'completely ignored' the employment angle. But town centres and high streets needed to be about employment, residential housing





and leisure activities, as well as retail. In the bigger cities, excluding London, an average of 88,000 people commute in each day providing a captive retail audience.

The £1bn Liverpool One development provided an example of a combined retail and leisure environment. Completed in 2008, before the financial crisis, this was based on a mixed-use policy – combining shops, housing, leisure pursuits and cultural activities.

‘We now have one cohesive centre with a huge amount going on. When we analyse visitor numbers, we find that a lot of it is because of the leisure activities – the other things that are going on as well as the shopping,’ said Jenny Douglas, head of area priorities for Liverpool Vision. ‘We also have a strong emphasis on culture. If you have cultural activities within your centres, that gives people a reason to visit, a sense of pride to the local community and makes sure there is animation all year round.’

Graham Harris, managing director of Dartford Borough Council, suggested that a different ‘vision’ was needed for each town centre. ‘You have to have a vision of what you want to achieve, but a lot of town centres haven’t got that. The vision will differ for every town depending on your demography and rate of house building.’

Whether local authorities can provide this vision was a controversial issue at the event. Professor Joshua Bamfield, from the Centre for Retail Research, had his doubts.

‘Whilst I love local authorities and the people who work for them very dearly, I do question whether what has brought you to the top of the local authority is that sort of commercial mindedness that will enable you to forecast the future for retailing,’ he said.

‘One of the big questions is about online retail. It’s currently 12.5% [of the market]. Is that going to grow to 25% and stop? Or to 50% and stop? Or will it stop at 18%? On the answer to

that will depend whether many developments being planned, and existing shopping centres, will continue to exist.’

However, Steve Bundred, the former Audit Commission chief executive, took a different view on the contribution of town halls. ‘The role of the local authority is vital in providing vision,’ he said. ‘You have to have a vision, and I don’t see how you can have that from any other



Stockport success story: Eamonn Boylan explained that being a Portas Pilot helped to galvanise the business community in the town



organisation other than the local authority.'

Bundred stressed that we should not be too depressed about competition from the internet. Shops were being transformed into service centres rather than outlets that simply sell goods.

'In a lot of the town centres and shopping high streets that I see, shops that used to sell goods are being replaced by places that sell services – they are nail bars and beauty salons and coffee shops. And they are still vibrant high streets. It's footfall that matters, and you can get footfall through services as well as retail.'

An alternative view on vision was offered by Chris Gourlay, the chief executive of Spacehive, a company that promotes 'crowdfunding' to help regenerate town centres. This may be for smaller projects, such as play areas, community centres and free Wi-Fi zones, but can help to improve the environment

and get local people involved.

'We have talked a lot about vision. And vision is important and valuable. But if you think about the history of town centres, they never had great visions. They were collections of decisions made spontaneously by people and they grew over time in an ad hoc way.'

Gourlay said he wanted to argue the case for 'anarchy' to take over. 'When thinking about how we get away from the top-down approach to delivering the regeneration of town centres, there has to be a role for a mechanism that allows accidents to bobble up and things that are not part of the grand vision to take place.'

A number of attendees said 'vision' and 'anarchy' could co-exist, and that it should be the council's role to make this happen. Jonathan Carr-West, the chief executive of the Local Government Information Unit, was one who took this view, and suggested that town halls should

go further. He advocated local government getting directly involved by locating services in shops and supermarkets, rather than setting up 'one-stop shops and council websites that nobody ever looks at'.

He added that there was an explicit link to public sector reform. 'In the end, this is about being nice places to live. If you don't have decent public services, doctors and schools and housing, if you haven't tied it into that conversation, your capacity to regenerate anything is limited.'

There was agreement among participants over the negative impact of business rates. This, they suggested, was putting many small retailers at risk and encouraging the growth of empty shops on the high street.

Business rates are calculated on rental values from 2008. Following the recession, shops in many areas have seen rents fall while rates have risen in line with the Retail Prices Index. A

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revaluation was due in 2015, but has been delayed by the government until 2017.

Bamfield said his research shows that if rates had been revalued, they would have fallen by 17% in most of northern England and the Midlands. The only areas with an estimated increase were London and other parts of the South East. He added that by 2015, more money will be raised from business rates than from council tax.

Mike Owen, executive director of resources at Bury Council, said the lack of a revaluation had created a 'massive impact' in the town. He estimated that it had cost between 10% and 20% of occupancy in Bury's Rock shopping and leisure development, which opened in 2010.

'Traders are coming in saying "you can't be serious, this rate is ridiculous". Property prices were much higher in 2008 and it has really caused a significant problem.'

Concern is not just restricted to northern England. Hugo Clark, director of Deloitte Real Estate, said he had anecdotal evidence of leading retailers being offered space for free in a number of prestigious shopping centres and turning it down because of the costs of business rates.

'The problem with business rates is that there is absolutely no linkage with the business's ability to generate sufficient income to pay. There is a complete fracture between the performance of the retailer and the business rates that are levied on the property.'

Clark added that business rates were 'extremely unhelpful to any sense of regeneration' and that the issue needed to be addressed. However, he suggested the government was unlikely to take up Grimsey's proposal and introduce a one-off levy on the profits of large retailers that could then fund a high-street recovery plan.

There were also assertions that reforming business rates could merely be a sticking plaster that hides the real ailment. Simon Bedford from Deloitte emphasised that altering the system might save some shops that did not deserve to survive.

'The evidence is that we need some shops to close if we are going to reinvigorate town centres and find a new future for them. So we need to be careful about how we use business rate reform to change the dynamic of the town centre.'

Rob Whiteman, CIPFA chief executive, said that reform of business rates could not really happen until the wider role of local government had been addressed. However, there were ways to take some of the politics out of decisions such as the timing of a revaluation.

'We ought to have an independent commission that deals with fair and equal distribution because over the decades we have seen gerrymandering of the settlement – revaluations should just happen automatically unless there is a good reason not to.'

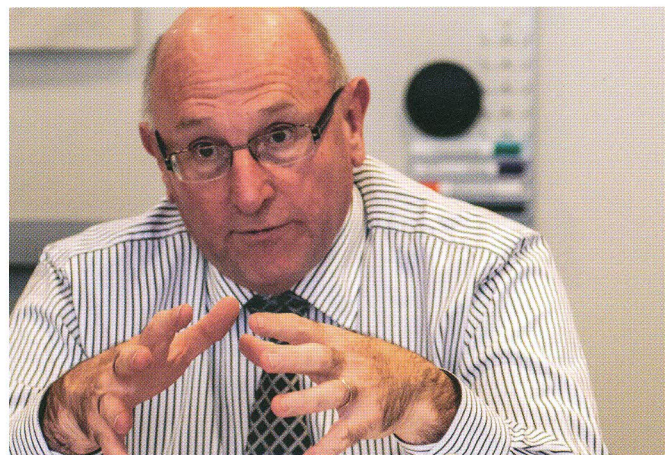
He said that local government funding was now 'clunky and

didn't really work'. Business rates had to fit into this bigger picture. 'At some point, local government finance will fall over. I don't know if that is 10 years, 20 years or 100 years, but the system we have at the moment doesn't really work.'

'It's quite difficult to decide what to do on business rates without that bigger discussion about what is the role of local government and how best it is funded.'

As the discussion came to an end, it was clear that there are no simple remedies for the steady decline of our high streets. There will inevitably be further growth in online shopping and the opening of more out-of-town retail centres. High streets have to accept the painful truth and play to their local strengths.

Local government can have a big role in the regeneration of the high street – if it can provide the vision, and perhaps a little anarchy as well.



Professional provocation: Leigh Sparks said that town centres had lost form and function and were becoming 'anachronistic irrelevances'