



High-Noon for the High Street?

Responding to the cycle of decline in Britain's town centres

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1 Introduction

Town centres are a social and economic centre for everyday life. However, this position is increasingly under threat. In the last decade, the rise of out-of-town shopping centres and the growth of internet retail have directly challenged the centrality and sustainability of the British High Street. Brought into sharper focus by the recession, the picture is one of decline. As the governing social and economic conditions of the British High Street have changed, the effect has been significant and visible. Facing the highest retail vacancy rates since records began, Experian expect to reach 15 per cent by the end of 2009, and a 55 per cent increase in administrations and receiverships over the same period¹, the spectre of 'Ghost Town' Britain² is fast becoming a reality.

These trends have not gone unnoticed and both central and local government have already begun a course of action to counter and reverse the mounting challenge. These responses have provided important first steps. However, we suggest that more can, and should be done. Recent research is quick to highlight that the decline in town centres risks reaching a 'tipping point' beyond which hundreds of high streets could see the complete and irrevocable unravelling of their retail fabric.³ Measures, such as those put forward by CLG and the LGA, focussed on community initiatives and temporary 'pop-up shops' are important. However, we suggest that local authorities and government need to envisage a distinctly more pro-enterprise approach.

We believe that local authorities have increasing responsibility in promoting economic development in their communities. Moreover, the role of local state economic activism is growing in the recession. This role includes a proposed economic assessment duty and a duty to involve not only citizens and partners in decisions but also businesses. Among the tools at their disposal,

1 Anousha Sakoui, 'Insolvencies poised to rise', *The Financial Times*, February 5th 2009.

2 LGA, Media Release, 'Urgent Action Needed to Stop High Streets Becoming "Ghost Towns"', 28 February 2009.

3 New Economics Foundation, 'Ghost Town Britain II: Death on the High Street', 2003

there is significant scope for local authorities to work with other public sector partners to design procurement arrangements that promote opportunities for local enterprise and business. For instance, whether it is requiring fresh seasonal produce for school meals or requiring contractors to meet ambitious carbon reduction targets, councils can shape the nature of the market of providers with whom they work.

As a result, this paper seeks to explore how local authorities can take a more economically active role to avoid a high-noon for the high-street. In the crisis catalysed by the recession we see opportunity. Local government, we suggest, has both the capacity and the opportunity to re-design the shape, content and nature of town centres and the businesses they support. We argue that meeting national standards must be balanced with incorporating local variability. Adopting a pro-enterprise approach to the high street can not only support new and vulnerable enterprise, but attract footfall, strengthen local communities and revitalise the centre of town and city life.

2 *Understanding the Challenge*

The nature of the current crisis is not simple or straightforward. It is driven by multiple factors and its effect varies across regions.⁴ Moreover, it is important to recognise that multiple areas of people's lives both influence and are influenced by the High Street.

Long Term Factors

The factors that affect the High Street are both long-term and short-term. Over the longer term the rise of out-of-town shopping centres, large chain stores, and the internet have interacted to alter the retail market in the UK and divert resources away from the High Street.

The Growth of Out-of-Town Shopping Centres

Throughout the 1980s and 1990s planning policies changed to allow more diverse development patterns. One of the results of this was the development of out-of-town shopping centres. Consequently between 1986 and 1997, the number of out-of-town shopping areas increased four fold.⁵ A study in Stalham in Norfolk found a 55% decrease in footfall on the High Street following the opening of an out of town supermarket.⁶ Out of town centres have decreased town centre footfall but also spend. The average group spend for out-of-town centres, across the UK, is £55 compared to a mere £34 within in-town centres.⁷ Relatedly, the number of small shops fell by 40 per cent between 1986 and 1997.⁸ Dramatic shifts like this can significantly alter the retail landscape within town centres as, for example, prices might continue to rise due to reduced local competition. These developments have also had a significant social impact. From the mid 1970s to the late 1980s, total distances travelled for food shopping increased by 60 per cent.⁹

4 LGA, 'From Recession to Recovery: The Local Dimension', 2009

5 ODP, Making the Connections: Final Report on Transport and Social Exclusion, 2003

6 Commission into Small Shops in the High Street, Briefing Paper, August 2007

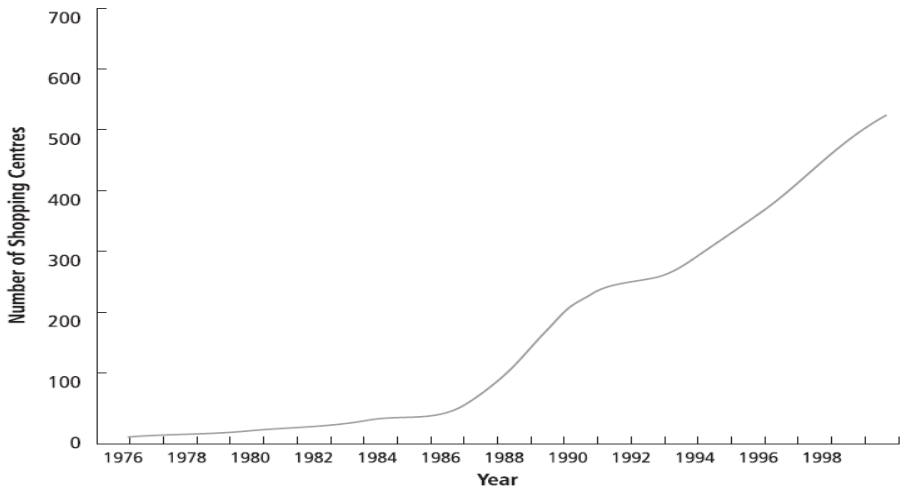
7 BCSC Retail Statistics October 2009

8 ODP, Making the Connections: Final Report on Transport and Social Exclusion, 2003

9 HEA (2000) Health Update, 'Environmental health: road transport'

This is particularly detrimental for socially excluded groups, the young, the elderly, and those with reduced mobility. It also has significantly negative environmental impacts, for example on local carbon emissions.

Growth in Out-of Town Shopping Centres 1976-2000¹⁰



The Introduction of Chain Stores

The term ‘clone town’ was coined by the New Economics Foundation (NEF) in 2004 and has become common lexicon for describing areas that lack uniqueness and display what Andrew Simms describes as a “gaudy sameness”. The caricature of such areas is typified by rows of identikit shops, common to almost all High Streets - Gap, Starbucks, McDonalds, WHSmith etc. As the growth of chain stores has increased, with critics suggesting that they bring with them aggressive pricing strategies and anti-competitive business practices, previously independent stores have decreased. In the five years between 1997-2002 specialised stores including butchers, bakers, fishmongers and newsagents closed at a rate of 50 per week,¹¹ driven by

10 New Economics Foundation, ‘Ghost Town Britain II: Death on the High Street’, 2003

11 New Economics Foundation, ‘Ghost Town Britain II: Death on the High Street’, 2003

the dual pressures of economies of scale and scope. The result is a stark reverse of the traditional high street

scene, leaving the local butcher, baker and candlestick maker to reside merely in the nostalgia of the greetings card industry.

Not only does the rise of the chain impact on independent enterprise but on the social environment. As chain stores spread, buildings and streets begin to look the same. Indeed, research from the Commission for Architecture and the Built Environment (CABE) suggests that it can even dissuade home buyers who “want character: neighbourhoods that feel like places with their own attractive identity”.¹² In an already depressed housing market, local councils must recognise the importance of the character of the towns and cities for which they are responsible.

Moreover, money spent in a chain may be more likely to leave the local economy. Research has shown that money spent with local suppliers is worth more to the local economy and tends to be re-spent locally so that locally owned businesses can generate up to a 70 per cent local premium in enhanced economic impact.¹³ In contrast, very little of the wealth that supermarkets generate actually stays in the communities in which they operate. For example, retail profits of large chain stores or multinationals typically flow direct from stores to the head office and ultimately to the corporation’s shareholders around the world.¹⁴

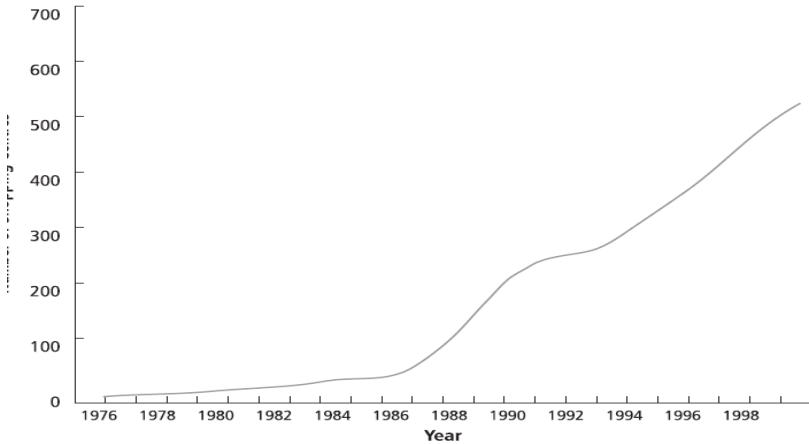
It is important however, to emphasise that chain stores can drive regeneration, contribute to the community and improve local economic prosperity. While the growth of the ‘cloned’ British High Street may have harmed local entrepreneurship it has also often provided much needed inward investment in a community. We recognise this tension fully and argue that it is important for local government to strike a balance between these important yet competing interests.

12 CABE (2007) *Delivering great places to live*.

13 Civic Economics (2004) *Andersonville Study of Retail Economics*

14 New Economics Foundation, ‘Ghost Town Britain: The Threat From Economic Globalisation to Livelihoods, Liberty and Local Economic Freedom’

Loss of Local Retail 1995-2000 and projected to 2010¹⁵



The Growth of Internet Retail

The growth of internet retail has impacted in several ways on the traditional High Street. Much of the growth in internet retail has come from a transfer of purchases from other retail channels. However, research suggests neither the growth nor transfer is as dramatic as often suggested. The Retail Think Tank (RTT) estimates that the actual assessment of internet retailing is between 3% and 5% of the total UK retail market. Of this retail mix, traditional retail still accounts for nearly 2% of the sector's overall 2.5% growth.¹⁶

However, while the impact of the internet on High Street retail may be less severe than feared, there is no question that it has had an effect on demand for types and times of services. Technological changes, such as the increase in mobile phones¹⁷ and internet usage¹⁸ across the UK, highlight a pressure to dramatically change service delivery. A growing number of people in Great

¹⁵ New Economics Foundation, 'Ghost Town Britain II: Death on the High Street', 2003

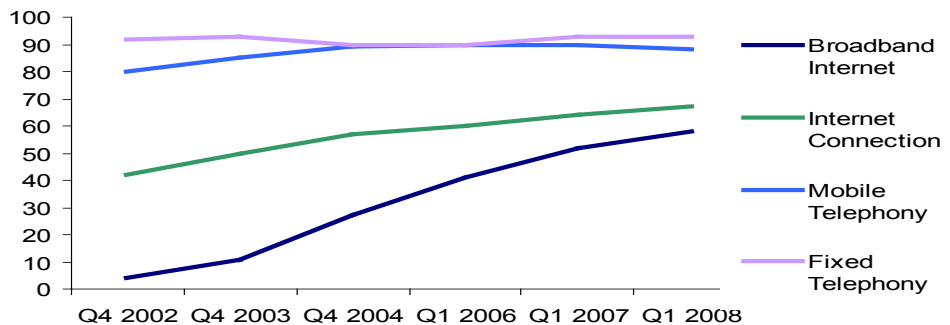
¹⁶ Retail Think Tank, 'Is Internet Retailing all it's cracked up to be?', White Paper, November 2006

¹⁷ Varney Report and ONS Social Trends 2007

¹⁸ Nielsen (2008) Nielsen/NER Ratings Q1 2008. <http://www.nielsen-online.com/>

Britain use the Internet to purchase goods and services online - between January and April 2006, 42 per cent of adults aged 16 and over in Great Britain purchased something online in the 12 months before interview.¹⁹ That this usage can and does occur outside normal office hours and so could not take place through a typical visit to the High Street is a significant challenge.

Household penetration of key telecoms technologies²⁰



These technological changes and the consequent change in shopping habits have significantly altered consumer demand. RTT suggests that consumer demand for greater choice, increased price sensitivity and mobility have left many local, independently-owned stores unable to compete.²¹

Short Term Factors

The short term challenge is both driven and defined by the current recession. Having enjoyed the NICE²² decade, where public spending rose as a percentage of GDP from 36% to 43%, the combined impact of the housing crisis, the banking crisis and the 'credit crunch' have led to a significant downturn in the UK Economy. As the financial climate worsened shops closures increased and local investment decreased. As a result, in the last

¹⁹ ONS Social Trends 2007

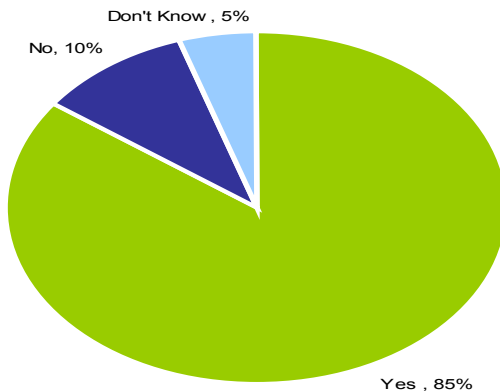
²⁰ Ofcom Research Q1 2008

²¹ Retail Think Tank, 'What impact do Shop Vacancies Have on Towns and Cities Across the UK and What can be Done to Address the Problem', White Paper, June 2009

²² 'None Inflationary Consistently Expansionary', Mervyn King, Governor of the Bank of England

year, local government has been faced with a 'perfect storm'²³ as demand for support and services have increased while resources have declined. Facing this, 85 per cent of Council Leaders reported an increase in empty properties in their town centres with more than 60 per cent citing consequent negative impacts. As a result, 10 per cent of Council Leaders identified the need to protect their town centres from decline as one of the most pressing challenges of the downturn immediately behind unemployment, housing and debt concerns.²⁴

Responses to: Has there been an increase in the number of empty properties in your town centres as a result of the economic downturn?²⁵



Currently, shop vacancies stand at 12 per cent but are due to rise to 15 per cent by the end of 2009. Moreover, 7 out of 10 former Woolworths stores remain empty.²⁶ Of those that have been let, almost 40 per cent have gone to pound stores, under a third have gone to large supermarkets and 15 per cent have gone to fashion retailers²⁷ - a trend that has accelerated

23 Sir Jeremy Beecham, Vice Chairman Local Government Association

24 LGA Council Leader Survey March 2009

25 LGA Council Leader Survey March 2009

26 The Times, July 13 2009 Seven Out of Ten Woolworths Stores Remain Empty

27 Property Week, Pounds Shop Fills Empty Woolies Stores, August 2009

the degradation of the traditional high street. Moreover, unlike previous recessions where a tide of coffee shops and mobile phone stores colonised Britain's High Streets "there are no new retail formats on the horizon" to fill the void.²⁸

The impact of this increase in empty properties and shop closures is significant. Choice is diminished as specialist needs become less well catered for; without variety the town centre experience diminishes; and there are significant accessibility concerns for segments of the population reliant on local facilities.²⁹ More significant than this however, is the cycle of decline initiated as closed shops begin to disproportionately and negatively affect neighbouring outlets.

Accompanying these economic and social problems there is also a negative aesthetic effect caused by empty properties on the high street. Councillor Margaret Eaton, Chairman of the Local Government Association, says:

*"Rows of boarded up shops are a sad reflection of the recession the country is mired in. Not only do they signal a local economy in decline, they also become a hotspot for anti-social behaviour and drag down the whole feel of an area."*³⁰

There is significant regional variation also, with the impact of the recession much greater in some areas over others. For example, "towns such as Salisbury are only seeing vacancy rates of about 3 per cent, while others are seeing rates of 20 per cent or more."³¹ Results from the LGA Council Leader Survey also demonstrate this variation. All Respondents from the North East have seen an increase in empty properties in their town centres. The same was reported from all respondents in metropolitan districts and 90 per cent of respondents from London Boroughs.³²

28 Jonathan de Mello of Experian in Joyce, Julian, What to do with all the empty shops, BBC News 2009/02/28

29 Retail Think Tank, 'What impact do Shop Vacancies Have on Towns and Cities Across the UK and What can be Done to Address the Problem', White Paper, June 2009

30 Councillor Margaret Eaton, 14 April 2009, Government Backs Councils Plans to tackle ghost towns, LGA News Release

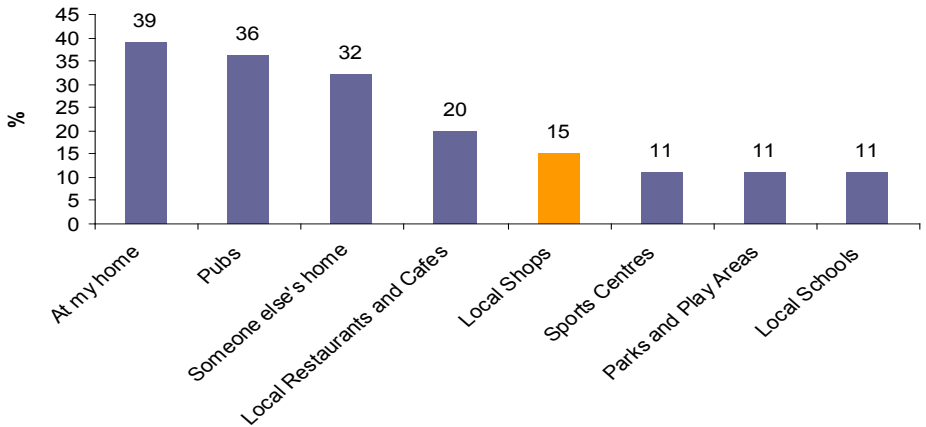
31 Martin Blackwell ATCM Development Director in 'Down Town', Regeneration and Renewal, 5 October 2009

32 LGA councils Leader Survey 2009.

Why is this important?

Taken together, the view is bleak. What makes this an important policy question however, is not only the extent and depth of the impact but also the centrality of High Streets to daily lives. For example, research from IPPR has illustrated that 15 per cent feel that local shops are the most important places where people meet and get together in their neighbourhood ahead of local schools, parks and sports centres. Moreover, this statistic increases significantly when assessed against both age and gender. ³³

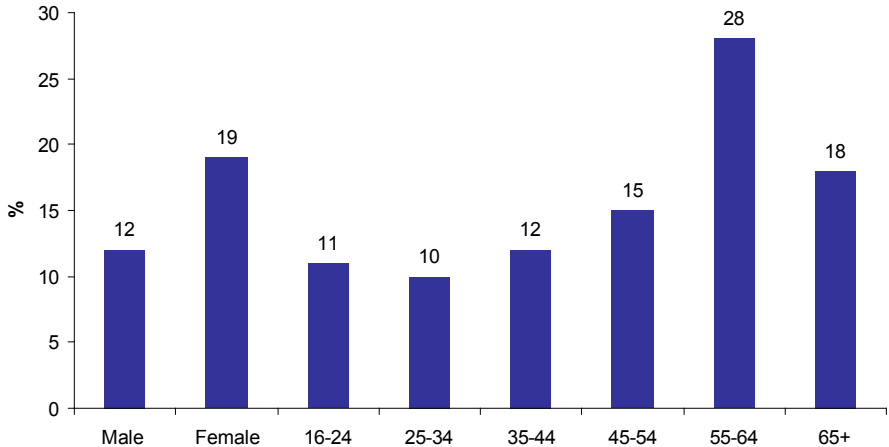
Responses to: The most important places where people meet and get together in their neighbourhood.³⁴



³³ IPPR, 'Pubs and Places: The Social Value of Community Pubs', July 2009

³⁴ IPPR, 'Pubs and Places: The Social Value of Community Pubs', July 2009

Local Shops are one of the most important places where people meet and get together in their neighbourhood.³⁵



Saving the High Street is also important for the nexus of agendas and benefits that intersect within town centre policy. As a result policies need to be mindful of:

- *Social Drivers:* High Streets are central to local environmental policy, street scene improvements, the aesthetic character of towns and cities, and their design can play a crucial role in addressing crime and vandalism
- *Economic Drivers:* High Streets can be the catalyst for regeneration, impact on local employment, can be central to increasing local tax and rate revenues, are central to driving footfall increases, and provide important opportunities for local entrepreneurship and enterprise.
- *Community Drivers:* High Streets are a focal point of encouraging locally retained spending, local self-determination, responsiveness to community engagement and consultation, contributing to the achievement of social inclusion and empowerment. Added to this, regions with higher economic performance, often driven by the performance of the High Street, are

35 IPPR, 'Pubs and Places: The Social Value of Community Pubs', July 2009

recognised to have higher levels of social trust and capital.³⁶

- *Environmental Drivers*: Promoting the High Street can encourage less travel and reduce local carbon footprints. Other benefits could be accrued on the basis that local shops tend to rely on local produce and suppliers more,³⁷ with possible benefits across food miles and a lower carbon footprint.

36 DCMS, 'Lifting People Lifting Places: Culture, Media and Sport helping the country come through stronger – at the heart of the new economy, May 2009

37 Civic Economics (2004) Andersonville Study of Retail Economics

3 *The Current Response*

Faced with multifarious problems, what can be done to save the British High Street? The response so far appears to have three key emphases: investment, business support, and town centre partnerships. Asked particularly, what their authority was doing to address the issue of empty properties in their town centres 26 per cent of council leaders were trying to attract inward investment including through regeneration and marketing strategies, 24 per cent stated they were conducting work with businesses and business groups such as chambers of commerce and 16 per cent were working with their town centre partnership or town centre management company to find solutions.³⁸

Beyond this, government has already outlined several strategies, both emergency measures and longer term solutions that are currently being utilised.

Emergency Measures

- *£3m Empty Shop Revival Fund*: The Government announced a £3m fund in April 2009 to enable councils to turn empty high street shops into community facilities such as meeting places or learning centres in 57 areas “hardest hit” by the recession amounting to approximately £50,000 per council.³⁹
- *Standard ‘Interim Use’ Leases* have been applied to assure landlords that there is proper legal basis for any temporary uses and that Landlords will be able to take the empty premises back as soon as commercially viable. To minimise the costs of setting up these arrangements government intends to create specimen legal documents that landlords can use for temporary occupiers.
- *“Meanwhile” Leases*: The Development Trusts Association is leading a

38 LGA Local Leaders Survey March 2009

39 Communities and Local Government ‘£3million empty shop revival fund for most deprived and hardest hit high streets’, 13 August 2009

scheme, funded by the CLG, to enable landlords to lease vacant business properties to community groups on an interim, “meanwhile” basis if a commercial tenant cannot be found.⁴⁰ By this method, properties could be temporarily leased to councils, who would act as an intermediary when landlords are reluctant to lease to temporary occupiers. Councils can then lease the property through an interim license to a local community group.

- *Social Planning Application Wavers.* It was announced in June 2009 that Local Development Orders (LDOs), which allow local authorities to permit changes to small-scale developments without planning permission and which could make it easier for developers and councils to find new uses for empty high street shops, will be simplified. The Government will also provide funding for 12 local authorities to set LDOs up.⁴¹ New legislation will mean these powers no longer need to be linked to existing development plans which will allow local planning authorities to implement LDOs with greater speed and flexibility
- *Real Help for Businesses Now Scheme* offers free business health checks, skills training, a £20bn working capital scheme and an aim to pay Government suppliers within 10 days. It also ensured that 70 per cent of all properties will be exempted from empty property rates.
- *Rate Relief:* The Chancellor announced on 31 March 2009 that he would bring forward legislation to enable businesses to spread a planned increase in business rates over the 3 years to 2011-12. The threshold for empty property rates was also temporarily raised from £2,250 to £15,000 as of 1 April 2009.⁴²
- *Cultural Support:* Arts Council England said in August it will make £500,000 of funding to enable artists to turn vacant high street shops into vibrant and attractive places. The DCMS have also announced their own forms of support, for instance through the “Sea Change” programme.⁴³

40 “Looking after our town centres” (CLG, April 2009), p. 30-31

41 <http://www.communities.gov.uk/news/housing/1259941>

42 “Looking after our town centres” (CLG, April 2009), p. 32

43 <http://www.communities.gov.uk/news/corporate/1311364> for details on Arts Council England funding, and “Lifting People Lifting Places” (DCMS, May 2009), p. 16 for details of “Sea Change”

- *Advice*: The CLG published *Looking after our town centres* in April 2009, aimed at helping town centre managers and their partners deal with the recession, and the Real Help Now website has been set up to provide support to businesses. As well as this, many councils, for example Cheltenham Borough Council, along with business representative organizations such as the Chamber of Commerce and the British Retail Consortium have already set up spaces in which businesses can seek advice on a wide range of issues.⁴⁴ The facilities these spaces provide range from providing grants and training to offering advice on saving money, reducing costs and maximising profits.

Long-Term Measures

- *Business Improvement Districts (BID)*: Established by the Office of the Deputy Prime Minister in 2004, businesses in a BID (which often encompasses a town centre) will pay an additional levy on their rates. The resulting funds are ring-fenced and used to support projects and services which improve the business environment. 71 BIDs have been established over the past five years.⁴⁵
- *Local Enterprise Growth Initiative (LEGI)*: The CLG pays £100m annually to 20 local areas. This LEGI fund aims to promote town centres as a focal point for business support, helping provide the likes of incubator space and walk-in business advice centres. Local authorities bid for LEGI funding on a competitive basis, with the first 10 successful bids from Round One announced in February 2006 and 10 more from Round Two announced the following December.⁴⁶
- *Government Strategies*: In March 2005, “Planning Policy Statement 6” set out the Government’s policy vision on planning the future of town centres. A public consultation subsequently took place around certain aspects of this,

44 <http://www.britishchambers.org.uk/6798219247015824031/real-help-for-businesses-now.html>

<http://www.britishchambers.org.uk/6798219246157544791/small-business-essentials.html>

<http://www.cheltenham.gov.uk/site/scripts/documents.php?categoryID=200013>

<http://www.gloucestershire.gov.uk/index.cfm?articleid=20534>

<http://www.businesslink.gov.uk/bdotg/action/home?domain=www.businesslink.gov.uk&target=http://www.businesslink.gov.uk/>

45 “Looking after our town centres” (CLG, April 2009), p. 11

46 “Looking after our town centres” (CLG, April 2009), p. 11 and “LEGI: National Baseline A Final Report” (CLG, December 2008), p. 8-9

with responses published in February 2009. In May 2009, the Government published “World Class Places”, a long-term strategy for improving quality of place in public spaces.

- *Town Centre Partnerships*: Town Centre Partnerships are forums bringing together stakeholders from the public, private and not-for-profit sectors to promote the health and wellbeing of a town centre. The Partnership’s Board of key local actors provides direction, while the Town Centre Manager usually acts as secretary and implements the Partnership’s strategy on a day-to-day basis. Town Centre Partnerships have been developed in a range of areas to promote the health and well being of town centres and high streets. These have been particularly valuable in the last year. Research illustrates that areas where there have been town centre partnerships do seem to have been able to react more quickly to recent economic pressures. For example, Mansfield’s ability to quickly abolish parking charges was a direct result of having an Executive Mayor through the Town Centre Partnership.⁴⁷ Town Centre Partnerships are useful for the formal structure they give to local relationships. They can provide local authorities with more leverage to draw in funding from Government and from partners (i.e. securing local authority grants, creating business improvement districts). They are also a vehicle to enable local councils to establish ‘integrated public realms’ that attract and spread custom throughout retail areas.⁴⁸

Progress

Current strategies and proposals to save the high street are varied, dynamic and extremely positive. However, we suggest that within the policy framework now established there is a need to balance national standards and centrally driven support with local needs, variability and innovation. As well as this, current policy proposals have focussed on cultural solutions – pop up art galleries, space for community groups etc. We support these developments fully, but suggest that the policy space created to support these endeavours could also be extended to support local enterprise and entrepreneurship.

⁴⁷ <http://www.mansfieldtowncentre.co.uk/>

⁴⁸ For further information on Town Centre Partnerships see <http://www.towncentrepartnership.com/> <http://www.huddersfield-htcpl.co.uk/>

We also note that recent policy developments have impacted extremely positively on the way that councils can respond to this challenge. For example, the Barker Review 2004 streamlined and established a more efficient planning system, the Lyons Review 2007 embraced a wider strategic role for local government which together established the premise for the need to keep a balance between national standards and local variability,⁴⁹ and the Sustainable Communities Act 2007 which established the basis for dialogue between central and local government on shaping local governance structures, a move that has enabled concrete discussion on difficult issues such as business rate relief.

49 For more information see 'Pacing Lyons', NLGN, July 2006

4 Recommendations

The recommendations suggested below are approaches we feel could help councils to respond to the cycle of decline witnessed in the British High Street over the long and short term. It aims to provide solutions which focus on the ways in which councils can use empty properties to enhance local economic activity and how they can deliver long-term solutions that revitalise town centres.

Despite resource constraints on council action, there are a range of powers and abilities which Local Government can harness to achieve change and react to the shrinking of the High Street. These include:

- Local Strategic Partnerships
- Planning and Development control powers
- Partnering with Regional Development Agencies
- The ‘well-being power’ which allows authorities to do anything they consider likely to promote the economic, social and environmental well being of their area.⁵⁰ For example, Wakefield recently addressed problems with a run-down housing estate through this Act rather than through CPOs.

Such developments, have in particular, increased the capacity for councils to tailor policy solutions to their area. We suggest that the approaches discussed below need to be considered in light of local data and local needs. The benefit of a tailored approach is demonstrated in the regeneration of Marleybone High Street. Two decades ago it closely mirrored the current state of the British High Street – a street lined with charity shops and shuttered windows. Its development into a booming centre for commercial and social life was achieved, it is argued, not by following a general model but by designing a unique High Street that could attract investment and footfall

⁵⁰ It does not extend to raising taxes.

on that basis alone.⁵¹

We suggest there are three channels through which local government can respond to the cycle of decline in Britain's town centres:

- 1) Stimulating Local Economies;
- 2) Realigning Economies of Scale; and
- 3) Exploiting Existing Planning Powers.

Stimulating Local Economies

There are several related strategies to stimulate local economies by focussing on revitalising the High Street. They include business coalitions, marketing campaigns, innovative use of empty property and a flexible approach to business rates and rate relief.

Business Coalitions

A coalition of local business and enterprise is a powerful way of revitalising the High Street and attracting footfall. For example, the London Borough of Brixton has become the latest town to adopt its own local currency, the Brixton Pound (B£). The currency can be exchanged for goods in local independent retailer and allows the purchaser to benefit from exclusive special offers. The currency was introduced by *Transition Town Brixton*, a community led organisation with the support of the London Borough of Lambeth in September 2009. The aim of the B£ is to encourage people to buy locally in order to reduce the carbon footprints of customers and encourage, safeguard and publicise local businesses. At its launch approximately 60 businesses had signed up to accept the currency, this has now risen to over 90 proving that the scheme is viewed as successful by local retailers. Early on the first day, queues had formed at cash registers and shops were selling out as customers, including both locals and many who had

51 Kay, John, How Private Equity Revamped a London High Street, Financial Times, December 18 2007

travelled for the experience, clamoured to get their hands on the currency.⁵² The Brixton Pound has become one of an estimated 2,500 complimentary currency systems in the world.⁵³ Not only does it seem an effective means of pooling resources and leverage in the local community it represents a highly visible localism which can inspire and empower local communities. Councils should be mindful of the challenge involved in successfully launching a local currency. Evidence from the US highlights that start-up costs, currency design, and educating residents and businesses involves effective monitoring and scrutiny. Although local currencies are only a small party of local economic activity in a given region they can have significant benefits in establishing local camaraderie, networks and healthy conversations about money,⁵⁴ as well as a means of building community leverage.

Branding the Local

A further example of highly visible localism exists in several marketing campaigns pursued by local councils. They include Lambeth's "*We're backing Brixton*" and Camden's "*Love your Local High Street*". Research has shown that independent retailers in communities with active "Buy Local" or "Local First" campaigns reported stronger sales than those in places without such campaigns.⁵⁵ However, not only is it a policy which capitalises on coalition between the council and the corporate within a community but it can actually actively help small businesses. For example, Westminster City Council decided to write to all of the Small and Medium Enterprises in its area actively advertising the Business Rate Relief available to them, which combined to reduce overhead bills by £265,000.

Using Empty Property for Local Enterprise

Recent policy has opened up routes for empty property to be used by community groups as for cultural, educational or promotional projects. As

52 Times Online, Brixton Has Run on Pound as Shoppers Clamour for Local Currency, September 21, 2009

53 CNN, Money and Main Street, 'Some Communities are Printing Their Own Currency', April 22, 2009, by Jen Haley.

54 CNN, Money and Main Street, 'Some Communities are Printing Their Own Currency', April 22, 2009, by Jen Haley.

55 Responding to the Economic Downturn, Forum Journal, Summer 2009, Vol 23. No.4

discussed earlier, these are important first steps. However, strategies to attract shoppers need to take account of the existing competition – Out-of-Town shopping centres. As the BRC notes, art galleries and community groups are not enough to attract shoppers in the long term.⁵⁶ As a result, we suggest that councils should support the use of empty spaces to give opportunities to thousands of small businesses and entrepreneurs that do not have properties of their own or who want to move their businesses closer to their town centre. According to the Federation of Small Businesses there are currently 2.5million people who run a small business at home. Business start-ups, in particular, can find themselves unable to rent properties because of the finance needed for a deposit and long-term rent. A pro-enterprise approach would help support the presence of high-street outlets that attract repeated and frequent visitation, such as retail, over culturally important but less habitually visited facilities such as art galleries. As well as opening up possibilities for increased job creation.

We suggest that if the property is owned by a private landlord, local authorities should be encouraged to offer to underwrite their rent and utility costs for an initial period of time. This initial outlay would allow councils to offer premises to fledgling businesses on the basis of free or low level subsidised rent. Local authorities with an eye for investment might choose to offer this to a business on the basis of future profit shares etc. Alternatively, local authorities could be empowered to take control of private high street properties. If the owners show no interest in leasing the building or allowing it into council control.

Policy solutions in this direction can take advantage of the current framework established for community groups by exploiting powers granted within ‘interim use’ leases, ‘meanwhile’ leases and Social Planning Application Waivers as illustrated earlier. Government could also consider institutionalising a model similar to the Empty Dwelling Management Order which was introduced as part of the 2004 Housing Act. This allows local authorities to take over residential dwelling that have been unoccupied for more than six months, providing that an independent tribunal accepts that the move would be beneficial and that owner receives rental money for the occupation. Objections from owners are likely to be minimal given that the

local authority will be paying rent on a property that is currently earning no income. Such a move could be instrumental in boosting local commerce and entrepreneurship with council oversight and landlord protection.

We suggest that developments in this line could be supported by the Local Government Association's call (February 2009) to cut VAT from 15% to 5% on the refurbishment of empty shops to encourage new businesses into them.

A Flexible Approach to Reducing Business Costs

Councils need to be able to intervene to support enterprise in their area and take measures to assist companies to reduce the number of bankruptcies, re-locations etc. Some local authorities have begun helping struggling businesses. For example, Belfast has chosen to reduce their service charges whilst Hillingdon are freezing council tax rates for 2 years. However, we suggest that there are several other mechanisms councils could consider to support and attract businesses during a challenging financial climate:

- *Rate Relief:* Some authorities have called for business 12-month business rate holidays to relieve small firms from "slow but sure destruction" over council taxes,⁵⁷ where the cost of complying with red tape caused by local taxes and rents can be proportionately up to 30 times higher for small and medium sized businesses than for larger firms.⁵⁸ Other proposals include rate relief for businesses that earn 50% of their turnover from selling local foods and goods.
- *Variable Business Rates:* Town centre planning rules already give councils the power to refuse a new development that might harm the high street. Local planning and licensing powers can also limit a particular type of shop in a town to prevent too much of the same business or unwanted nightlife. We suggest that this planning legislation provides a premise to extend control to councils to exercise variable business rates. Currently, larger businesses often pay higher rents with smaller business often excluded from burdensome charges, for example, via supplementary business rates. We believe that space exists within this policy context to introduce variable business rates for businesses that do not benefit the local area. Not only could this limit

57 Councillor Rhodri Traherne, Vale of Glamorgan Council.

58 Commission into Small Shops in the High Street, Briefing Paper, August 2007

undesirable businesses, or chains that are found to crowd out competition but can allow the promotion of independent, local enterprises, farmers markets etc.

This control is justified, we believe, in consideration of the varying effect of the economic downturn on different businesses. Fast-food takeaways, betting shops, and discount stores have all seen an increase in business during the recession. We would like to see local authorities given greater powers over and above planning regulations to introduce financial disincentives through the business rates for businesses that do not benefit the local area. This would allow a council to, in effect; introduce a supplement on businesses that do not enhance the local area and a discount for those that do. These monies could be used to improve the town centre or subsidise other more desirable business or development. For example, discounted business rates on what could be termed “positive” investments such as a new business offering highly skilled employment could be offset by increasing rates on businesses that have a perceived “negative” impact on the locality such as betting shops, fast food outlets and lap-dancing establishments. The idea could be partly designed on the proposal put forward independently by both the SNP and Conservative parties to charge public houses in an area a fee to go towards policing anti-social behaviour.

Variable business rates could also be important in so far as it allows councils to increase spending coordination. Current arrangements whereby, for example, councils are required to provide services for obesity and addiction yet remain powerless to stop or benefit from the influx of fast food or bookmakers in their area.

- *Revaluing Business Rates* “Real Help for Business Now” set up rules which allowed business to defer 60 per cent of next year’s rate increase and provided transitional rate relief for the following two years. However, we suggest that the Government needs to reconsider the baseline calculations for rate increases in 2010. Although the rate relief proposed by government is welcome, it is clear that attaching business rates to 2008 values is a grossly inaccurate picture of current market conditions. 47 per cent of town centre managers have indicated that this would damage their health significantly.⁵⁹

59 ‘Down Town’, Regeneration and Renewal, 5 October 2009

We feel strongly that in a period when businesses are crying out for rate relief and business rate holidays such a move, coming into effect in April 2010 will be particularly damaging. While we do not expect government to base values on the market prices witnessed this year, it cannot move forward by linking values to pre-recessionary prices. A middle way is badly needed. Moreover, the British Chambers of Commerce suggests that staggering the cost will not provide the relief claimed. Business rates will still increase and businesses will be hit at a time when they have both restricted cash-flow and growth.⁶⁰ A revaluation which accounts for recent changes is necessary.

Realigning Economies of Scale

Local councils need to adopt approaches which give the High Street a comparative advantage over super stores, chains and Out-of-Town shopping centres.

Parking Charges for Out-of-Town Shopping Centres

Town Centre car parking charges are a key barrier in attracting people into shops and increasing sales. In addressing this, councils have two options: abolish charges in town centres or achieve parity by imposing charges on out-of-town centres. There is evidence that the abolition or reduction of town centre car parking charges will increase the supply of people.⁶¹ For example, Sussex saw a significant closure of shops while maintaining parking charges whereas Essex saw a spike in sales and revenue in the town centre after abolishing parking charges. The same can be said for other towns that have implemented similar changes and noticed similar trends in business retail, establishing a stronger causative link.⁶² However, in the current tight fiscal climate, councils are unlikely to want to simply cut off an income revenue stream.

60 BBC 31 March 2009, Darling Cuts Business Rate Rise

61 Aidan McGurran And Euan Stretch, 'Save Our High Streets: A tale of two towns', The Mirror, 31 March 2009

62 Crain's Manchester Business 'Stockport hopes car-parking charges freeze will help beat recession' 13 March 2009 and This is South Devon 'Free parking trial in bid to beat recession' 4 February 2009 Mansfield.Gov, 'More free parking to drive Mansfield through recession and concessions for Market Traders'

We believe, the spectre of out of town shopping has haunted high streets since planning laws were relaxed in the 1980s to allow the growth of large scale retail outlets. Such outlets do provide a valuable function to many local communities and often bring together a large number of retail outlets, allowing customers to do their shopping more conveniently. They are however criticised for driving business away from town and city centres and only being accessibly by road, often meaning that those without a car cannot easily get to them. For example, 84 per cent of out of town shoppers tend to use the car as a means of transport, while 31 per cent of in-town shoppers typically use the bus for their shopping trips.⁶³ It is necessary then, we suggest, to correct the negative externality arising from out of town centres by subsidising transport options for in-town centres.

Out of town outlets also enjoy greater space and therefore can usually offer a generous amount of parking, most often free of charge. Shops in town centres however, due to limited space for parking often charged to use local car parking facilities. Not only would abolishing in-town parking charges deprive councils of much needed infrastructural and capital funding during a constrained fiscal period; it will not solve the long term problems, like, for example, town centres having finite parking spaces, councils dealing with congested roads or responding to climate change and sustainability commitments.

Instead, we support the call by the Commission for Integrated Transport (CfIT) to introduce parking charges or a “notional rental charge per space” for out-of-town retail outlets.⁶⁴ The proposal in itself will undoubtedly be controversial and some businesses may complain of additional burdens coming at a time of deep economic uncertainty. There are however two key reasons for doing it. Firstly, an anomaly clearly exists on the basis that out of town outlets can offer incentivised parking whereas shops on the high street cannot which provides an unfair business advantage. By levelling the playing field and ensuring that both areas have to adhere to the same rules, high street stores would have a fighting chance of competing with their out of town rivals. Secondly, revenue from the parking charges could and should be used

63 BCSC, ‘Retail Statistics October 2009’ 7 October 2009

64 Commission for Integrated Transport, ‘Sustainable Transport Choices and the Retail Sector – Advice to Government from the CfIT, 19 July 2006

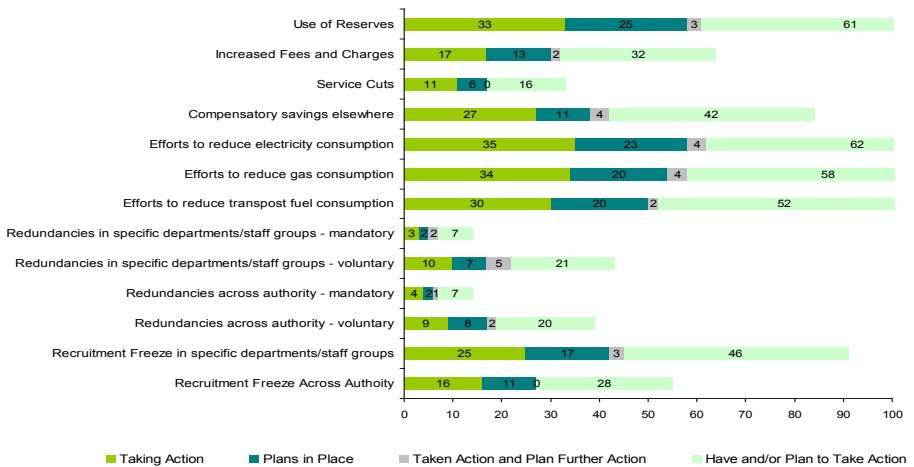
to invest in town centres. The money could be used to pay for more park and ride bus schemes to allow people to easily and conveniently access the centre without having to drive into its heart.

NLGN proposes to level the playing field between high streets and out-of-town shopping centres. This could be done by imposing a small charge on out-of-town shopping centre parking and using that revenue to allow easier and cheaper access to the town centre by cutting the costs of public transport journeys, introducing new park and ride schemes and reducing car parking charges in town centres where appropriate.

Moreover, the basis for such a move has already been established. The 2000 Transport Act enables local authorities to introduce a Workplace Parking Levy anywhere within their boundaries, providing the proceeds are used to support the local transport plan. While the Levy can currently only be applied to parking spaces used by employees and “business customers”, it potentially provides a model on which powers for an out-of-town parking space charge could be based.

In practice, we suggest councils consider allowing discounts if the supermarket or other store, sources a stated percentage of goods locally or meets a more stringent Public Goods Test. Councils could also consider subsidising this with the introduction of free 30 minute parking meters in town centres to encourage use of local shops by more people, as, for example, Royal Borough of Kensington and Chelsea. That this is a viable path for policy reform is evidenced in consideration of the popularity of introducing fees and charges as a means of responding to the downturn.

LA Responses to Cost Pressures



Source: Audit Commission Survey of Chief Finance Officers (2008)

Exploiting Existing Planning Powers

It is important that councils use positive planning and licensing powers to promote and benefit their town centres.

Change of Use

Local Development Orders are a powerful vehicle through which councils have positive powers to allow changes of use for town centre properties that would otherwise require planning permission. CLG have also announced plans to introduce measures to enable councils to use LDOs without requiring changes to their local development plans.⁶⁵ We suggest that this power is key to saving the High Street. It provides the necessary balance between long term planning and an ability to respond to short term pressures and circumstance. Exploiting this function becomes particularly important in light of recent analysis. RTT suggests that empty shops on the high street will not return to retail use and would be better converted to other commercial or residential purposes.⁶⁶

65 Communities and Local Government 'Looking After our Town Centres' 14 April 2009

66 RTT, What impact do shop vacancies have on towns and cities across the UK and what can be done to address the problem, White Paper, June 2009

This direction becomes particularly interesting when taken in conjunction with our proposal to introduce Variable Business Rates. Taken together councils would be able to rectify the scar of empty properties by enabling their use to be changed to benefit services/enterprises for which there is demand. If variable business rates were added to this picture, councils' ability to shape their community according to their interests and needs would be significantly extended.

Indeed, we suggest that harnessing 'change of use' powers with the implementation of variable business rates could be an effective way of enabling co-location to occur in a much more tangible and valuable way than before. Change of use could be implemented on empty properties to enable businesses to partner with social services that could be supported through variable business rates. For example, bank branches could partner with post offices, pubs with pharmacies. This is important in light of the alarming rate that High Street pharmacies, bank branches, post offices and pubs have been closing at over the last 15 years.⁶⁷ Supermarkets have been expanding to cover these services,⁶⁸ however we suggest that if these institutions exist on the High Street people will come to the High Street. Without the corner stone services, attracting footfall is an uphill struggle. Essex County Council has already begun proceedings in this direction and other local councils may find it beneficial to follow suit.⁶⁹ Not only will these shared institutions create a local geographical space into which people can come, but it also will draw people into the High Street and place a community spirit in the place where it was once found. Further example is also found in Dewsbury where an empty shop was turned into a new base for police and community services. Local people could get advice on crime prevention from policy officers, access information on SURE Start services, the local fire service, community rangers and neighbourhood housing.⁷⁰

67 See 'Ghost Town Britain II' (2003), by the New Economics Foundation.

68 Money Watch 'Tesco: Banks Coming To Supermarkets' 29 March 2009

69 BBC News 'Council bids to run post offices' 8 March 2008

The Times Online Andrew Stone and Iain Dey 'Watch out Big Four, here comes the Bank of Essex', 30 November 2008

70 CLG, 'Empty Shops Revival Plan to Prevent High Street Decline, Press Release, 14 April 2009

Store Capping

Capping Store size is one of the avenues taken by local authorities in Ireland and parts of the USA to avoid the growth of large stores that can take away the need for and financial stability of the local High Street. It is an imperfect measure but a means of realigning market share toward the High Street. We suggest, that local authorities in the UK adopt the premise of this legislation. A cap on store size is a highly interventionist approach to market mechanisms which could have significant negative externalities. However, we suggest powers should be extended to local authorities to impose a levy on companies that build stores over a certain size. This could work in a similar way to Section 106 or the Community Infrastructure Levy whereby the externalities of, for example a new TESCO superstore on the outskirts of a town can be mitigated by the imposition of a levy which could be spent on enhancing the high-street or town centre.

Although there has been a slow down in the number of big new developments for which S106 is applicable, because Section 106 schemes are obviously less attractive to developers that are already under pressure to make a profit on their developments,⁷¹ we suggest that so long as efforts in this direction are driven from the centre it will avoid the biggest risk – leakage – where companies re-locate to avoid burdensome levies levelled in one area alone. Moreover, while the recession has meant that regeneration projects have dried up to an extent, development does continue in prime locations. As a result, we feel that councils should be mindful of their powers and flexibilities in this regard. As a first step, we suggest that councils evaluate any Section 106 agreements in their area to ensure that retail levies are being utilised to offset the presence of a major store or set of stores with a levy to support independent retailers located nearby. The flat tariffs typically utilised in Section 106 agreements are particularly advantageous, in so far as they provide the Local Authority with a strong position from which they can start negotiating, and in this sense they are more appropriate than considering developments on a case-by-case basis. In 2005/2006 the national yield was an estimated £2.5billion⁷² - it is clear that it provides a central link to

71 Communities and Local Government Committee, Housing and the Credit Crunch, p20, 10 February 2009

72 London Assembly, Who gains? The operation of Section 106 planning agreements in London (March 2008), p15 and p24

important resources for councils facing into a public sector recession in the coming year.

Town Centre First

Current proposals for Planning Policy Statement Number 4 (PPS4) intend to remove the need test (to demonstrate a real need for the development) for out-of-town shopping centres. 40 per cent of town centre managers reported that removal of this “town centre first” policy, in place since the 1980s, would make it much harder to protect the primacy of town centres among retail centres.⁷³ The importance of the ‘town centre first’ policy cannot be underestimated. Research shows that the proportion of new development in town centres has increased from less than 25 per cent in 1994 to 42 per cent in 2006 through this onus.⁷⁴ The impact assessment which will replace the need test maintains the sequential test (requiring developers to seek the most central sites first). However, we suggest, to ensure that local authorities are given all the powers possible to control development in their area, that government incorporate a supplementary measure. For example New Economic Foundations’ LM3⁷⁵ should be used as a means of measuring the range of social, economic and community benefits that businesses might bring to an area. The council may then prioritise those businesses that score highest in any planning decision and may turn down applications that do not meet minimum scores. Not only will this ensure development is anchored in benefitting the local area and contributing to the local community but it will significantly increase the transparency and equity of planning decisions. This idea could also be extended to provide councils with higher LAA scores if depending on the number of stores that support local businesses/investment and the local economy in their area.

73 ‘Down Town’, Regeneration and Renewal, 5 October 2009

74 HOC CLG Committee, ‘Market Failure: Can the Traditional Market Survive? 7 July 2009 and government response October 2009

75 NEF The Money Trail: measuring Your Impact on the Local Economy Using LM3 (2002) and Cusgarne Organics: Local money Flows (2001)

5 *Conclusion*

The breadth of this paper alone is evidence that there is no silver bullet to save the High Street. Moreover, there is often clear tension between related factors for example supporting the local economy while protecting local enterprise. However, we believe that our recommendations are an important supplement to work that began and has continued throughout the year. They provide a means of placing local authorities at the forefront of economic recovery to achieve wider benefits and local aims.

Local councils are the only democratically accountable and overarching organisation that can take account of community opinion, business needs and infrastructural demands and relate them to long-term strategy and short term circumstance. As such, local authorities need to place themselves at the centre of the local and national economy. They alone can exploit their superior position to understand and target measures based on their area and their problems because what works in one area will not necessarily be appropriate in another.

We suggest that if local authorities use their current powers to expand within the policy space established in recent months in line with the pro-enterprise approach outlined above they will make significant progress toward saving the High Street and responding to the cycle of decline in Britain's town centres. Only then can we get the High Street off the low road.

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Town centres are a social and economic centre for everyday life. However, this position is increasingly under threat. In the last decade, the rise of out-of-town shopping centres and the growth of internet retail have directly challenged the centrality and sustainability of the British High Street. Brought into sharper focus by the recession, the picture is one of decline.

This paper seeks to explore how local authorities can take a more economically active role to avoid a high-noon for the high-street. In the crisis catalysed by the recession we see opportunity. Local government, we suggest, has both the capacity and the opportunity to re-design the shape, content and nature of town centres and the businesses they support.