

# Investing in the future: Can we fix our “broken” town centres?

A report by Revo and Lambert Smith Hampton  
Stage 1 research findings

## **STRUCTURE OF REPORT.**

- 1. Introduction**
- 2. Town centres – Issues and challenges**
- 3. How can we fix our “broken” town centres?**
- 4. Next steps**

### Stage 1 – Online survey (July – September 2019):

- Follow up to online survey conducted in Jan/Feb 2018.
- Survey issued by LSH and Revo at end July to members, client and contacts.
- Survey also distributed to ATCM, BPF, CIPFA, LGA, SOLACE
- Responses from over 200 experts and advisers across the public and private sectors.
- Still time to **take part!**

#### AIM:

To identify the key issues & challenges facing town centres and the high street, and highlight initial views as to the initiatives/actions/funding that can help with their regeneration, repurposing and revitalisation.

## RESEARCH - SCOPE AND AIMS.

### **Stage 2 – Workshops and case studies (September – November 2019):**

- Series of workshops in London and regions to be arranged to include invited representatives from the public and private sectors.

#### **AIM:**

To 'dive deeper' into the key findings, issues and themes of the Stage 1 research.

### **Stage 3 - Final research paper and seminars (December 2019 – January 2020):**

- Will draw on outputs of online survey and workshops to identify best practice and innovative approaches to help 'fix' some of our struggling town centres, based on case study examples.
- This will be followed up by a series of seminars/briefing in London and across the regions.

## WHY IS THIS RESEARCH NEEDED?

Town centres are at the heart of our communities. Changes to retail, consumer behaviour and advances in technology have altered our relationship with place.

Previous research conducted in 2018 showed that many Local Authorities, as long term custodians of place, are stepping into town centres, buying retail and other commercial assets both to regenerate struggling high streets and physical retail destinations and also create revenue and insulate themselves from wider funding challenges caused by wider political and economic influences.

It is easy to see the challenges across press headlines over the last 18 months, with the failure of marquee British brands and images of vacant units. Rising business rates, booming online sales, empty stores and vacant high streets. But the reasons behind the challenges are not felt uniformly across the UK, nor equally across towns and cities.

There is no single solution, but how do those experts in the public and private sector recognise and respond to this unprecedented situation? Are we thinking the same way? Do we share the same desires for the places of the future?

Returning to the future of town centres, Revo and Lambert Smith Hampton once again look at the state of the market and how the public and private sectors view the challenges and potential solutions to the ultimate question of the day: how do we invest and create sustainable and thriving town centres in a modern retail economy?

## WHY IS THIS RESEARCH NEEDED?

### Headline quotes

**“Our high streets are right at the heart of our communities, and I will do everything I can to make sure they remain vibrant places where people want to go, meet and spend their money”**

**Prime Minister Boris Johnson**

**“There is a need for all towns to develop plans that are business-like and focused on transforming the place into a complete community hub, incorporating health, housing, arts, education, leisure, business/office space, as well as some shops, while developing a unique selling proposition.”**

**Grimsey Review 2.0**

**“Unless... urgent action is taken, we fear that further deterioration, loss of visitors and dereliction may lead to some high streets and town centres disappearing altogether.”**

**HCLG Select Committee Report into High Streets & Town Centres 2030**

**“High streets have a crucial role to play as we work to grow the economy of all parts of the country.”**

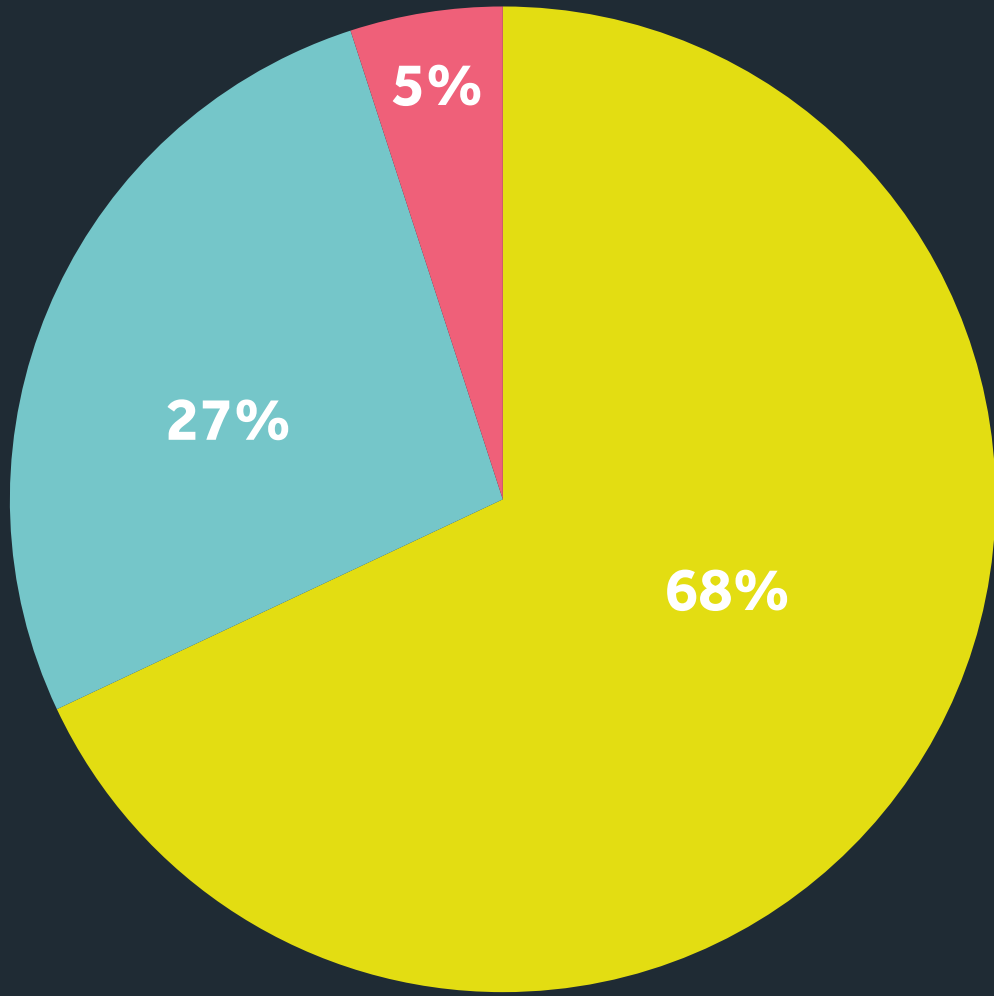
**Communities Secretary Rt Hon Robert Jenrick MP**

**“We can stop the slow death of the High Street.”**

**Andy Street, West Midlands Mayor(June 2019, This is Money)**

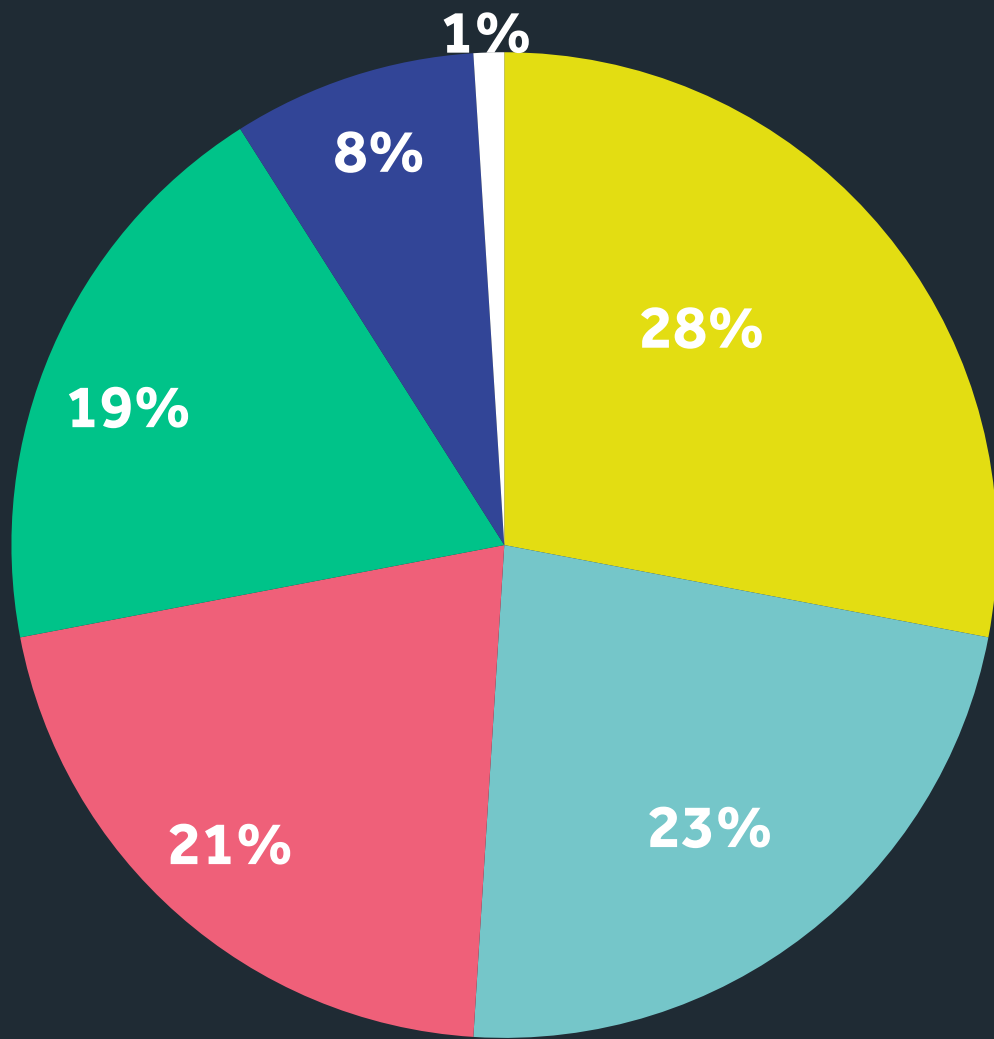
# RESPONDENT PROFILE

Public/Private sector



- Private Sector
- Local Authorities
- Other Public Sector

Primary interest in town centres



- Regeneration
- Investor (Private Sector)
- Occupier (Retail/Leisure)
- Developer
- Town Centre Management / BID
- Other

Area of interest	
England	66%
Scotland	24%
Wales	24%
Northern Ireland	18%
London	11%
Overseas	7%



# KEY ISSUES & CHALLENGES FACING TOWN CENTRES & HIGH STREETS IDENTIFIED BY REpondENTS

Top 5 - Commercial & policy challenges	
Growth of Online Shopping	70%
High Business Rates	69%
High Occupancy Costs	49%
Political / Economic Uncertainty	38%
High Vacancy Rates	36%

Top 5 - Consumer challenges	
Increased Consumer Spending Online	70%
Reduced Consumer Spending in Centres	69%
Increased Consumer Spending in Out of Centre Shops/Leisure Uses	49%
Cost of Parking / Not enough Parking	38%
Poor quality/unattractive environments, public realm, green space	36%



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# **HOW CAN WE “FIX” OUR “BROKEN” TOWN CENTRES?**



# WHAT ARE THE COMMON REFORMS/ACTIONS IDENTIFIED BY THE SURVEY RESPONDENTS?

## Key issues identified:

Critical mix

Occupancy costs

Policy reform

Funding & investment

Fragmented ownership

Strategic visions & plans

## Key themes emerging:

Diversify, or die?

Need to create a level playing field

Strengthen town centres first policy

Are local authorities taking back control?





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**DIVERSIFY  
OR DIE.**



# DIVERSIFY OR DIE

- Retail (Food and Non-Food) and leisure uses are vital components to the health and viability of town centres.
- They help to generate regular trips, footfall and spend.
- BUT we have gone 'Beyond Retail'.
- We need to think more creatively about what ingredients make a successful, diverse and vibrant town centre for the 21st Century.
- Centre for Cities research "Building Blocks" (2018) shows that in struggling city centres, retail accounts for twice as much space as offices. Whereas in successful city centres offices make up almost two-thirds of commercial space.
- More diverse places, where retail has a lower composition of commercial floorspace ("strong" centre 18% / "weak" centre 43%), are generally recognised as having more successful local economies and greater footfall.
- So what did the survey respondents think?

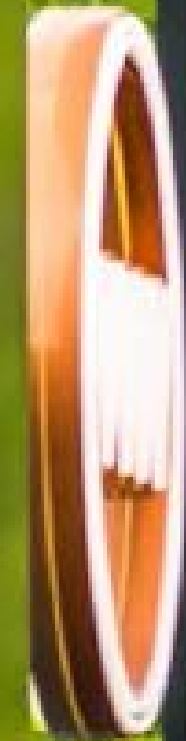
**DIVERSIFY OR DIE**





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GRILLS PIZZA PASTA



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**OCCUPANCY COSTS:  
WE NEED TO CREATE  
A LEVEL PLAYING FIELD**

# TACKLING OCCUPANCY COSTS & BUSINESS RATES

- High Business Rates (69%) and Occupancy Costs (49%) ranked 2nd and 3rd respectively as most critical commercial and policy changes facing town centres.
- Business Rates concern has increased from 49% of respondents since 2018 – after the rate hit 50% of rateable value for the first time in April 2019.
- Rising occupancy costs (including rents, rates, service charges, living wage, employment taxes, utilities, etc.) are a critical challenge as businesses tackle viability and sustainability challenges.
- Reforming or Reducing Business Rates was the top priority for all respondents.
- Retail pays around £8bn in rates. Just 10 retailers pay c.40% of this, whilst rates ranges anywhere from 2-6% of total turnover for many large businesses in retail and hospitality.



## Revo is calling for Government to:

### Short term

- Reduce the burden by lowering, or at minimum freezing, the business rates multiplier (UBR)
- Remove downwards transitional phasing
- Move to annual revaluations

### Long term

- Reform the rates system to reduce the overall burden paid by businesses to a fair and sustainable level
- Create a system which responds to economic circumstances and is internationally competitive
- Consider the role of online in taxation to reflect where wealth is created in modern retail



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# POLICY REFORMS: PUTTING TOWN CENTRES FIRST





# PUTTING TOWN CENTRES FIRST

- The call for a reform to Business Rates also dominated the responses as to how policy could be reformed / changed to help town centres.
- BUT there was also a call for over ¼ of all respondents to strengthen the ‘Town Centre First’ policy. This is notwithstanding the updates to the National Planning Policy Framework and Planning Policy Guidance this year (before the survey was carried out).
- Some respondents went further and called for an “embargo” on all out of centre development - which harks back to one of the Portas Report recommendations.
- Other interesting responses included “tackling fragmented ownership”, “increasing residential in town centres” and the “introduction of property-owner BIDS” as in the US.

Reform Business Rate Policy	54%
Strengthening ‘town centre first’ policy at both national and local level	28%
Placing an embargo on new out-of-centre development	25%
Increase provision of residential (all types)	22%
Tackling fragmented ownership on high streets	20%
Greater involvement of property sector in Town Centre partnerships / BIDs	22%
Introducing town centre ‘free enterprise zones’	13%
Introduce property owner BIDS	9%

# TOWN CENTRE ENTERPRISE ZONES?

- 44 Enterprise Zones (EZ) have been allocated in the UK to Local Enterprise Partnerships (LEPs) who then decided on where the EZ would be located.
- To help maximise opportunities for economic growth and investment in Birmingham City the Greater Birmingham and Solihull LEP (GBSLEP) identified a series of Economic Zones including the City Centre in 2011.
- In these Economic Zones a range of measures to attract investment and promote business growth are available. These include:
  - Simplified Planning
  - Gap Funding
  - Access to finance
  - Business Development
  - Training and Recruitment
- Although new Osborne-era zones have underperformed original expectations in the first 5 years, there have been benefits from planning flexibility and local tax levers (Centre for Cities).
- They are more likely to move activity around a locality or from elsewhere in the UK, but could they could help to concentrate commercial activity and retail at the core of town and city centres, creating sustainability and allowing other uses to repurpose excess building stock outside this protected space?

HM Government

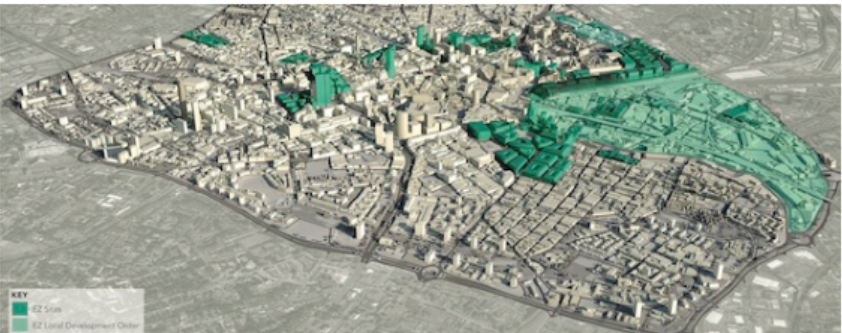
Enterprise Zones

Looking for a place to grow your business?

Home | What are Enterprise Zones? | Enterprise Zones in your area | Latest news | Enterprise Zone Map | Contact

### Birmingham Enterprise Zone

26 diverse sites at the heart of England's second city, focusing on business and financial services, ICT, creative industries and digital media



**Sector focus**

- ✓ Advanced Manufacturing/Engineering
- ✓ Business Services
- ✓ Financial Services
- ✓ ICT
- ✓ Pharmaceuticals & Healthcare

**Location**

26 sites across Birmingham City Centre, covering 68 hectares in 7 clusters.

**Find out more**

[Greater Birmingham & Solihull LEP website](#)

**Big City Plan:**

The Zone is delivering Birmingham's transformational Big City Plan, a 20-year vision to create a world-class city centre with a high quality business district. The Zone's ambition is to create 40,000 jobs over its lifespan and give a £2.8bn annual boost to the local economy.

**Investment plan:**

The Enterprise Zone is playing a leading role in the redevelopment of Birmingham city centre, with work to begin shortly on the £450m redevelopment of Paradise Circus, as well as the expansion of the Midland Metro to Broad Street, in addition to a host of business and skills support packages. Activity is gathering pace, with eight sites already under construction, transforming the city centre with new spaces and offices. The Zone will also be a gateway to the proposed HS2 rail terminal at Curzon Street

**Business benefits:**

The money made from the Enterprise Zone's tax incentives will help skill the centre's future workers, and business setting up in the Zone can also count on a generous support package to help them grow.





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# FUNDING AND INVESTMENT



# WE NEED TO INVEST IN THE FUTURE OF OUR TOWNS & HIGH STREETS

- Survey asked the most important capital and funding initiatives would be to help to revitalise our town centres.
- After the reduction/reform of Business Rates, both public and private sector respondents identified the need for increased investment in town centre environments / public realm and masterplans/ business plans, as well as the need for increased Government funding.
- Overall responses confirm increased funding from Government, Local Authorities and other public sector bodies (e.g. Local Enterprise Partnerships) is “very important”.

	Ranked Most or Very Important			Ranked Most Important Single Issue		
Top responses	Total	Public	Private	Total	Public	Private
1. Reduce / Reform Business Rates	86%	72%	88%	46%	39%	49%
2. Increase investment in Town Centre Environments / Public Realm	76%	72%	72%	30%	28%	28%
3. Increase investment in Town Centre Business Plans / Masterplans	66%	68%	60%	26%	26%	26%
4. Increase Government Funding	82%	62%	53%	23%	30%	18%

### £5 billion and counting...

Over recent years the Government has begun to back up its policy and rhetoric about the important role of town centres as the 'beating heart' of businesses, communities and economic growth through a series of new initiatives and funding, including:

- **Future high street fund** - 100 centres, expanded to £1bn
- **Stronger town centre fund** - £1.6 billion fund targeted at towns announced in march 2019 to create new jobs, help train local people and boost growth. Towns fund increased to £3.6bn in July 2019
- **High street taskforce** - circa £8m to support capacity building and upskilling and advise future high street fund applicants
- **Open doors** - initiative piloted in Stoke-on-Trent, Bradford, Rochford, Kettering and Slough to bring empty shops back into use.  
<https://www.gov.uk/government/news/britain-opens-its-doors-to-communities-in-need>
- **Great British High Street Awards** - celebrating success and championing best practice  
<https://thegreatbritishhighstreet.co.uk/>



# GOVERNMENT INITIATIVES & FUNDING

Stronger towns fund (£1.6bn)  
- notional allocations:

North West £281m

North East £105m

Yorkshire and The Humber £197m

West Midlands £212m

East Midlands £110m

South West £33m

South East £37m

East of England £25m

HIGH STREET FUND  
STAGE 1

Heanor  
Erdington  
Farnworth  
Halifax  
Crewe  
Winsford  
Chorley  
Whitehaven  
Penzance  
Darlington  
Dartford  
Derby City Centre  
St Peter's Cross  
Bishop's Auckland  
March High Street  
Great Yarmouth  
Tottenham High Road  
Buxton  
King's Lynn  
Hull City Centre  
Huddersfield  
Morecambe  
New Haven  
Mansfield  
Chatham  
Coalville  
Northampton

Nottingham City Centre  
West End Point  
Oldham  
Nelson  
Pool  
Rotherham  
Sheffield High Street  
Yeovil  
South Shields  
Old Kent Road  
Stafford  
Stockport  
Stockton  
Sunderland City Centre  
Sutton  
Swindon  
Taunton  
Stretford  
Wakefield City Centre  
Walsall  
Wigan  
Birkenhead  
New Ferry  
Wolverhampton City Centre (West)  
Fleetwood  
Kidderminster

HIGH STREET FUND  
STAGE 2

Brierley Hill High Town Centre  
Barrow Town Centre  
Dover Town Centre & Waterfront  
Plymouth City Centre  
Kingswood  
Leamington Town Centre  
Scunthorpe  
Blackpool Town Centre  
Kirkham Town Centre  
Runcorn Old Town  
Bideford  
Barnstaple  
Sutton  
Newton Abbot  
Barnsley Town Centre  
Fratton  
Ramsgate  
Elland Town Centre  
Grimsby Town Centre  
Rochdale Town Centre  
Southampton, Heart of the City Qtr  
Salisbury City Centre  
Newcastle-Under-Lyme  
Doncaster Waterdale  
Northallerton  
Grantham  
Loftus, Redcar & Cleveland

Nuneaton Town Centre  
Tamworth Town Centre  
Bolton Town Centre  
Paignton  
Scarborough Town Centre  
Carlisle City Centre  
Blackfriars - Worcester City Centre  
St Neots  
Blyth Town Centre  
Clacton Town Centre  
Trowbridge  
Bacup Town Centre  
Wealdstone, Harrow  
Portsmouth, Commercial Road  
Grays Town Centre  
Holbeach  
Harlow Town Centre  
Putney Town Centre  
High Wycombe  
Cinderford Town Centre  
Maryport Town Centre  
Middlesbrough Centre  
Woolwich Town Centre

# SHOW ME THE MONEY – FUNDING SOURCES

- Over half (55%) of respondents intended to plan, fund or deliver new regeneration projects to 2025... BUT this is down from 76% who responded to the 2018 survey.
- The biggest challenge for major development and regeneration projects in town centres is ultimately how to fund it.
- The preferred approaches/sources identified by both the 2019 and 2018 surveys are via Joint Ventures / Partnerships.
- The public sector remains the key source of funding to help unlock the development potential of regeneration projects.
- After Government funds, the PWLB and Grant Funding are preferred funding sources identified in the 2019 survey. S106 monies (26%) is the next most common source.
- There is an understanding within the industry that more creativity in assembling and funding projects will be required.
- Income Strips identified as a viable funding model by 10% of all responses (19% private sector, only 2% public sector).

## 2019: Preferred funding

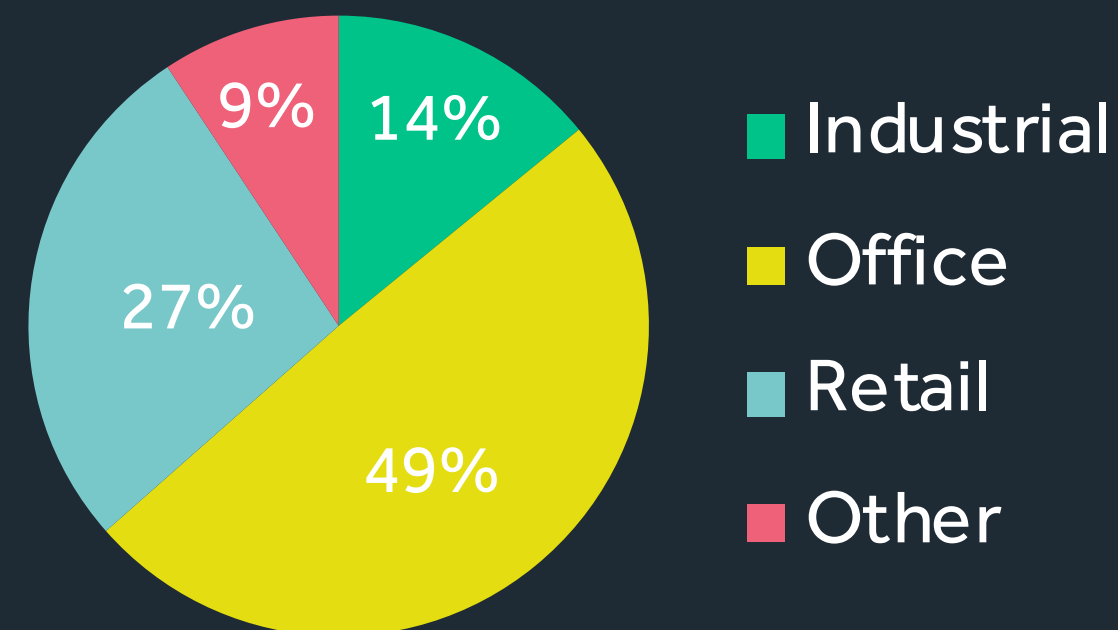
1. JV / Partnerships	69%
2. Public Sector Funding	57%
3. Public Works Loan Board	37%

## 2018: Preferred funding

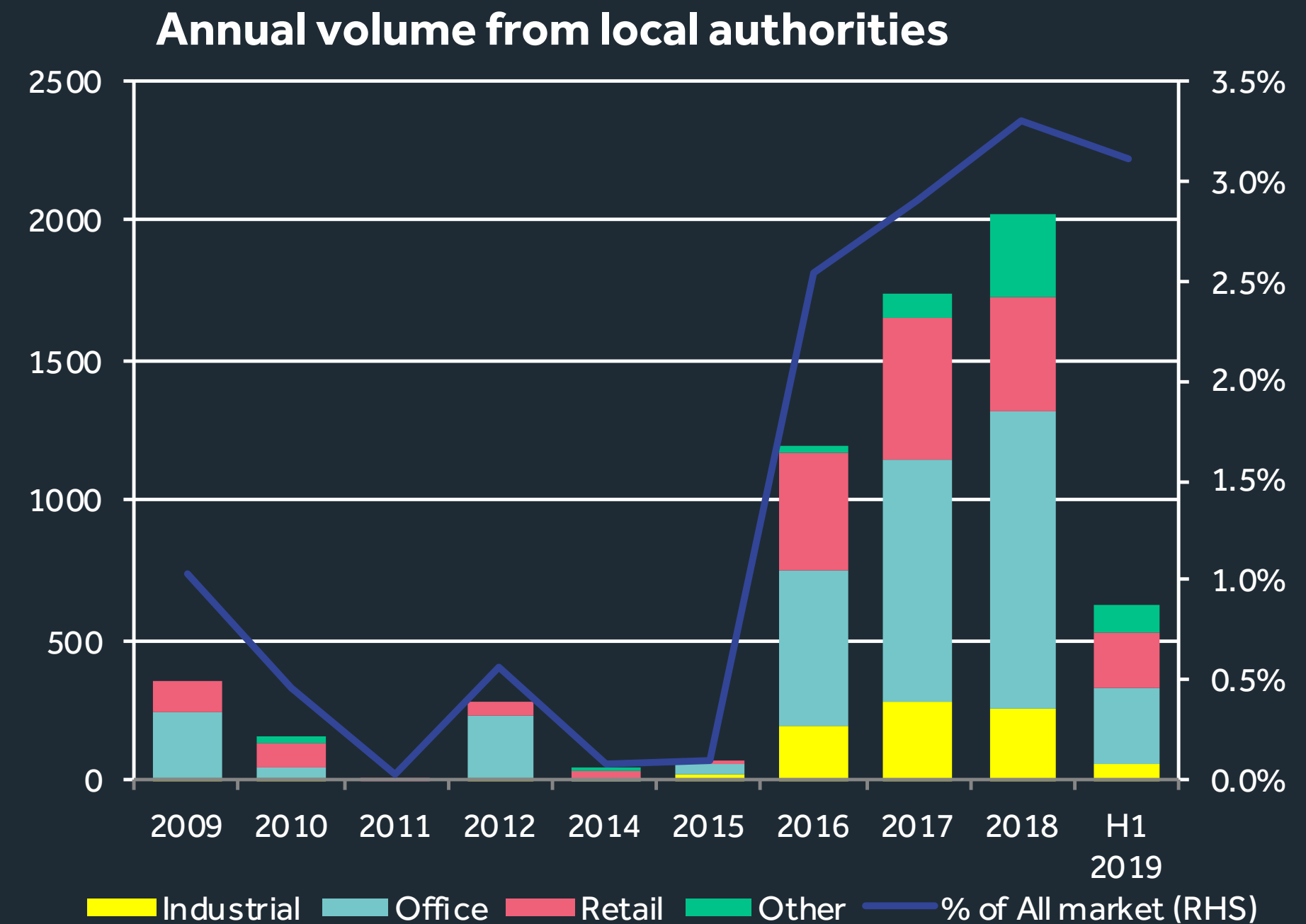
1. JV / Partnerships	66%
2. Public Sector Funding	52%
3. Grant Funding	40%

# ARE LOCAL AUTHORITIES TAKING BACK CONTROL?

- Since 2016 Local Authorities have emerged as key investors in property market alongside traditional institutions.
- Drawing on different sources of funding, but predominantly Public Works Loan Board (PWLB)
- Equivalent to circa £5.6bn since 2016.
- Of which c.49% has been in offices/business parks, followed by 27% in retail.

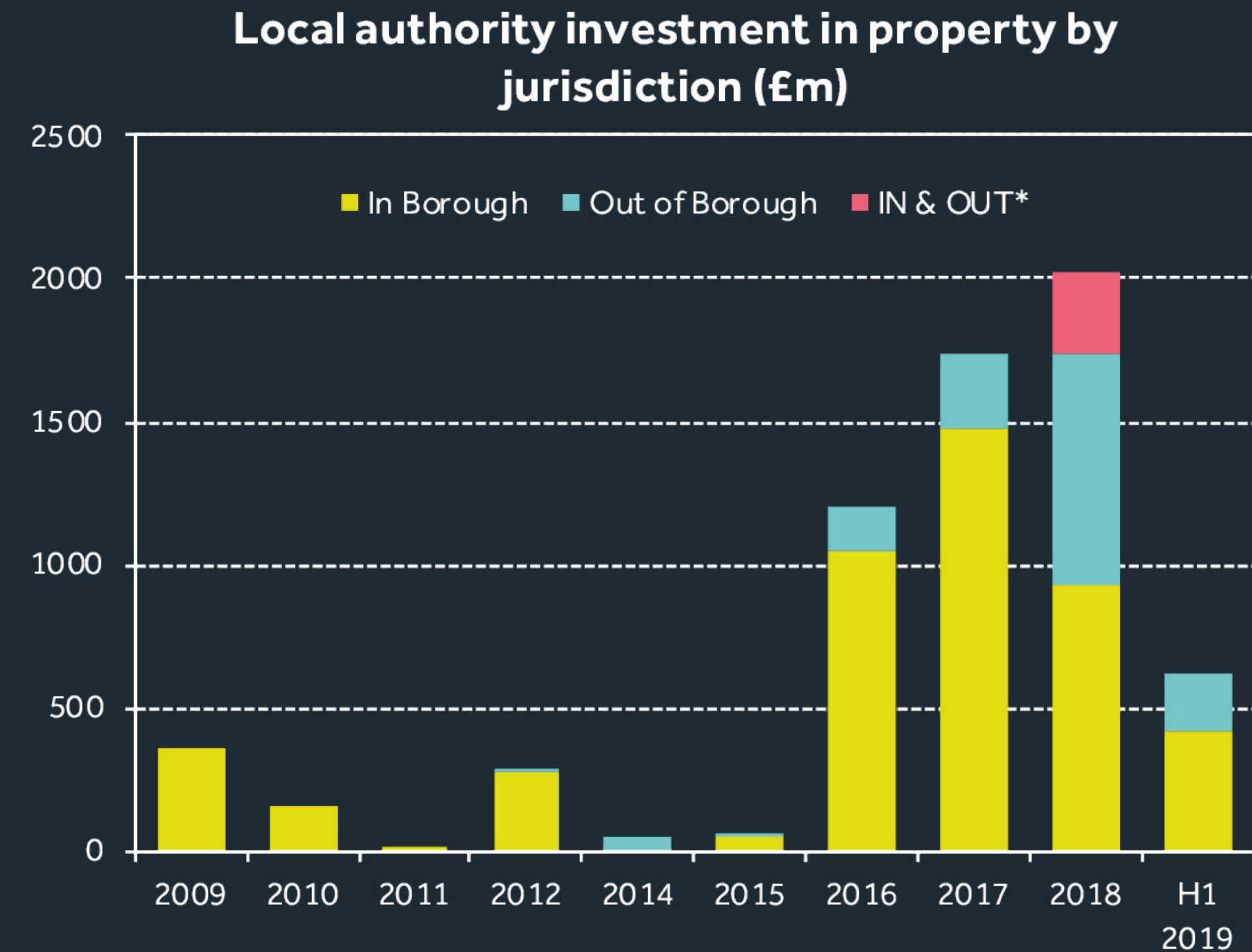


- BUT average market share as proportion of total transactions (£) is circa 3%.



# ARE LOCAL AUTHORITIES TAKING BACK CONTROL?

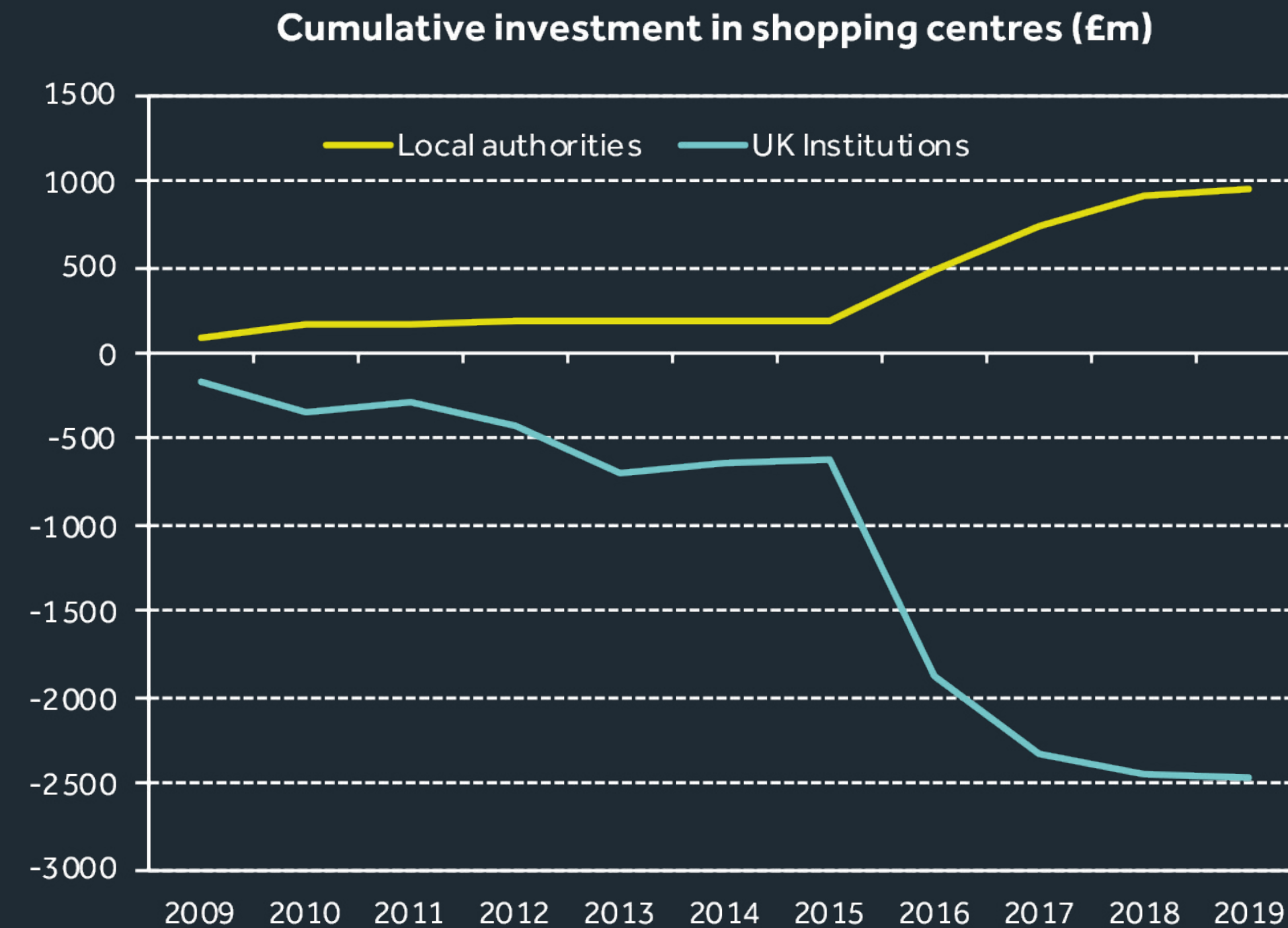
- There are 2 key motivations:  
1. INCOME-GENERATION; &/OR  
2. REGENERATION
- The acquisition of 'income-generation' assets is occurring both within and outside LA areas.
- Of total investment since 2016:  
69% has been within LA areas; and  
26% outside LA areas.
- Shopping centre purchases on record have notably all been In Borough.



\* Spelthorne's purchase of the Western Corridor Portfolio

## ARE LOCAL AUTHORITIES TAKING BACK CONTROL?

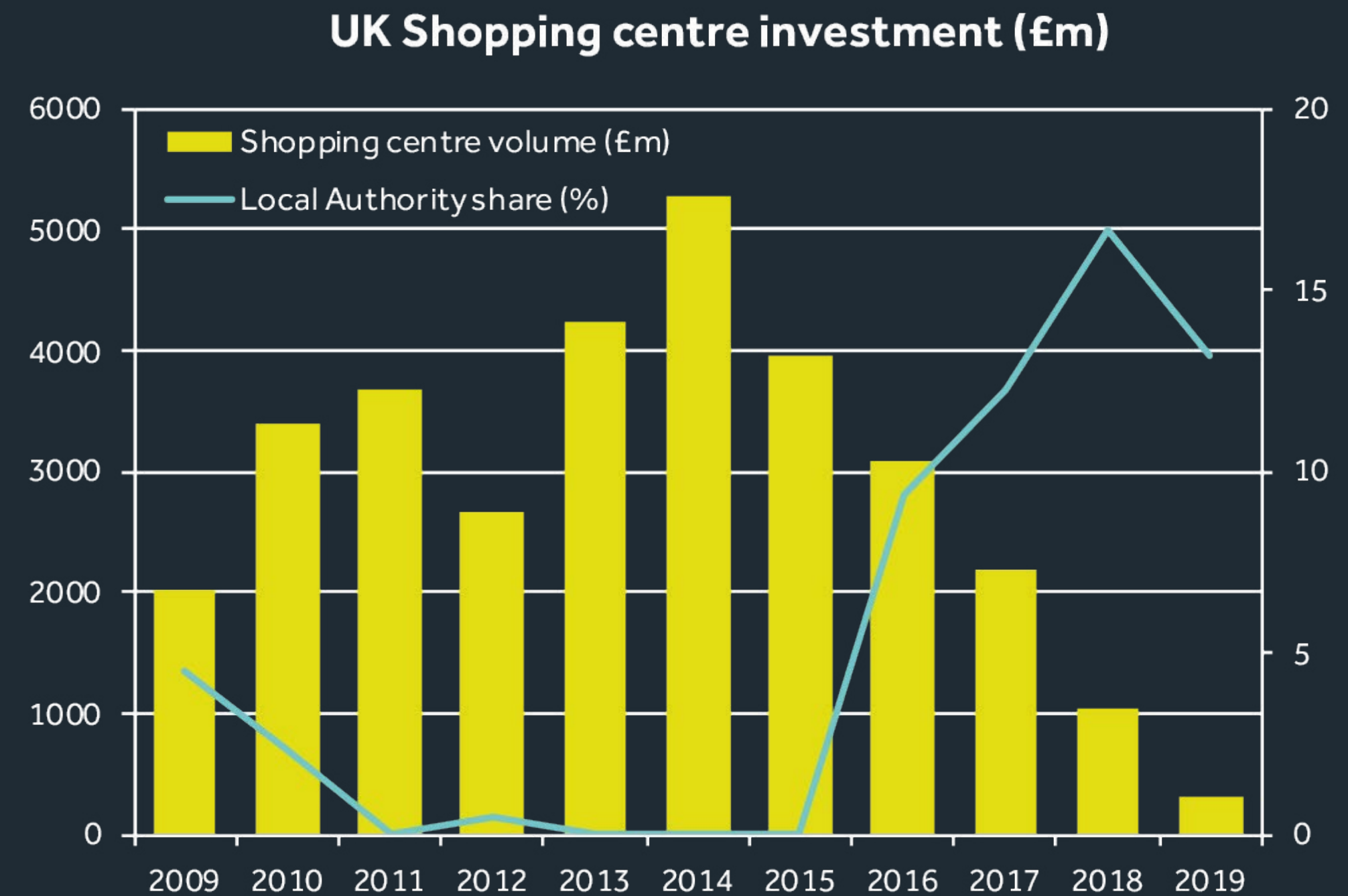
- As the private sector has disinvested in shopping centre assets since 2016 (by -£1.85bn)...
- So Local Authorities have been the most acquisitive (by +£0.775bn).





## ARE LOCAL AUTHORITIES TAKING BACK CONTROL?

- LAs have purchased 1 in 5 shopping centres since 2016.
- Over 10% market share by volume since 2016.
- The purchase of shopping centres (in certain cases failing assets in town centres) is often driven by regeneration objectives.





**WE NEED A SHARED VISION  
& BUSINESS PLAN FOR THE  
FUTURE OF OUR TOWN CENTRES  
& HIGH STREETS**



# SHARED VISION, SHARED FUTURE

- Responses to survey identified a need for increased investment in town centre business plans / masterplans (66%).
- Called for 68% of public sector and 60% of private sector.
- This was previously highlighted by Revo's 'Route Map for Regeneration' as fundamental in terms of supporting public-private partnerships, identifying a common vision and clear goals at the outset of a regeneration project.





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**ARE WE CONFIDENT  
ABOUT THE FUTURE?**

# INDUSTRY SENTIMENT

- Almost 2/3rds of all respondents are “optimistic” or “very optimistic” about the future.
- This is notwithstanding the complexities and challenges of the economic, commercial and property landscape.
- The public sector are slightly more optimistic than the private sector (c. 77% “optimistic” or “very optimistic”, versus 60%).
- Nevertheless, it does mean that almost 2 out of 5 in the private sector and over 1 out of 5 in the public sector are “pessimistic” or “very pessimistic” about the future for town centres.
- In the absence of significant interventions, it is obvious that there is a desire and the requisite interest and skill within the British retail property and placemaking community, and amongst Local Authorities to rise to the challenges we face, to seek solutions to the barriers and challenges and changes thrust upon us by political, economic and technological changes, and perhaps most importantly a willingness to work together

Total	
Very Optimistic	7.6%
Optimistic	56.6%
Pessimistic	33.3%
Very Pessimistic	2.5%
Private Sector	
Very Optimistic	8.6%
Optimistic	51.6%
Pessimistic	37.5%
Very Pessimistic	2.3%
Public Sector	
Very Optimistic	6.5%
Optimistic	71%
Pessimistic	21%
Very Pessimistic	1.6%

## INDUSTRY SENTIMENT - QUOTES

**"If partners work together much can be achieved to increase footfall and profitability for all."**

**"There should be no blue print and everything should be modelled around the location, the current USP and how this is built upon to create successful and vibrant locations that are all unique... and not everything can be best in class."**

**"UK High Streets have a secure future but must adapt all the time to changing consumer demands and Local Authorities should be more aware of the need for continuous change forced on retailers."**

**"Unfair competition from the online retailers and relentless expansion of out of town shopping have been the main culprits."**

**"The business rates regime needs to dramatically change to allow High Street retailers to invest in their stores, thereby improving customer experience... helping to avoid the year on year flight to shopping online."**

**"People need to see town centres as a hub of their town or community rather than just a place to shop."**

**"The speed of change is very slow due to a combination of policy and ownership challenges that constantly delay any significant change."**



A photograph of a Zizzi restaurant storefront on a city street. The restaurant has large glass windows and a prominent illuminated 'Zizzi' sign above the entrance. Outdoor seating is visible with red and green plastic chairs and tables. A group of five people are seated at a table in the foreground. A red patio umbrella stands near the entrance. A wooden planter box with the Zizzi logo is placed on the sidewalk. In the background, there are trees and other buildings on the street.

Zizzi

**WHAT HAVE WE LEARNT SO FAR?**  
**WHAT NEXT?**

**BERRETTO**  
LOUNGE

*Breakfast Club*  
LOUNGE  
BREAKFAST  
WITH A  
OR, FILTER  
MIDNIGHT TO  
SERVED UNTIL 12



# SUMMARY

- Local Authorities are a significant investor in and custodian of place; this trend appears set to continue.
- Traditional Regeneration & Investment Models are no longer fit for purpose, we need creativity and leadership.
- Funding sources are limited – High Street Fund, LEPs, etc – but Government has a key role to play.
- Local Authorities are therefore having to take the lead role in the planning, funding and delivering new regeneration projects.
- At the outset need to consider what is the rationale for investment? Is it regeneration, income-generation, or a mix?
- Investment decisions (and borrowing) need to be underpinned by robust investment strategies, and guided by commercially-led masterplans/ development frameworks.
- Need sound advice at outset to test all options and help mitigate risks.

## ABOUT THE AUTHORS

### **Matthew Ogg**

Policy Advisor  
Revo

Matthew Ogg is a Policy Advisor for Revo, the retail property and placemaking organisation, with a specialty in Westminster and government affairs. Representing the retail property industry since 2016, Matt has over a decade's experience in policy and public affairs across business sectors including property, transport, energy, and international human rights, as both consultant and practitioner in the UK and the think tank environment in Australia. Matt has recently advocated for improved town centre and retail policy, business rates and online retail reform, planning flexibility and CVAs through an era of significant challenge and evolution in the retail industry, as well as building new partnerships with the public sector.

Contact: [Matthew@revocommunity.org](mailto:Matthew@revocommunity.org)

### **Dr Steve Norris MRTPI**

Director - Head of UK Planning,  
Development & Regeneration  
Lambert Smith Hampton

Steve Norris is a Director and National Head of LSH's Planning, Development & Regeneration team. Steve has over 27 years' experience providing planning, regeneration and commercial property consultancy advice on a wide variety of retail and town centre issues for regional planning bodies, local planning authorities, developers, investors and operators. Steve is a member of Revo; sits on the Board of the National Retail Planning Forum (NRPF); is a member of the Association of Town & City Management (ATCM); and chairs the annual RTPI conference on retail and town centres.

Contact: [SNorris@LSH.co.uk](mailto:SNorris@LSH.co.uk)



## **Revo**

Revo is the retail property community. We are the definitive go-to hub for the retail property and placemaking community. We represent and advance our members' interests, set standards and bring people together to collaborate and create tangible changes in our market.

Revo

13-15 Carteret Street Westminster

London

SW1H 9DJ

+44 (0)20 7227 4480

## **Lambert Smith Hampton**

Lambert Smith Hampton (LSH) is one of the UK and Ireland's leading, and most progressive, property consultancies with over 40 offices and 1,700 staff.

Lambert Smith Hampton

United Kingdom House

180 Oxford Street

W1D 1NN