

# Open for Business

## Empty shops on London's high streets

March 2013





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The Economy Committee agreed the following terms of reference for this investigation on 11 July 2012:

- To examine what has been done by the public, private and voluntary sectors to bring empty high street shops back into use.
- To consider which of these measures have the potential to boost high street performance in London in a sustainable way while maintaining diversity.
- To consider what the Mayor can do to help ensure successful measures to tackle empty shops are implemented on London's high streets.

The Committee would welcome feedback on this report.

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# Contents

	<b>Chair’s Foreword</b>	<b>7</b>
	<b>Executive summary</b>	<b>8</b>
<b>1</b>	<b>Introduction</b>	<b>10</b>
<b>2</b>	<b>Urgent measures to reduce high street vacancies</b>	<b>15</b>
	High street vacancies	15
	Rents and lease terms	17
	Business rates	21
	Landlord engagement	25
	<i>Pop-up and interim uses of high street units</i>	28
<b>3</b>	<b>Medium to long-term measures to boost high street performance</b>	<b>29</b>
	Diversity	29
	Coordinated management and strategy	34
	Compulsory Purchase Orders	40
	Accessibility	42
	<i>Taking advantage of the internet</i>	46
	<b>Appendix 1 Recommendations</b>	<b>47</b>
	<b>Appendix 2 Views and information</b>	<b>50</b>
	<b>Appendix 3 Orders and translations</b>	<b>53</b>

# Chair's Foreword

There can be few people who are unaware of the pressures facing our local high streets, given how much attention has been focused on their problems. What this report sets out to do is build on recent studies from a specifically London dimension, in a positive way by not just analysing causes but also proposing solutions and the action needed to implement them.



Pessimists have predicted the doom of the traditional high street. They complain there are far too many empty shops, often for months on end, creating an unpleasant image of neglect and decline. They argue there is a growing concentration of betting shops, pawnbrokers and downmarket fast food takeaways, which frighten shoppers away. And if you do get there, the shops do not have the same variety as they used to provide.

Those with a negative view proffer a variety of explanations, from the economic recession, to the growth of the internet, to rapacious landlords, to unfair competition from big supermarkets and shopping malls, to lack of affordable parking due to short-sighted local councils. But what is clear, is that there is no single or simple cause of the difficulties facing any particular high street – nor is there one solution.

But this doomsday scenario is not universal. On the optimistic side, some high streets are thriving and others bouncing back, as each of these successful high streets builds its own unique selling point, through adapting to new trading conditions and becoming a retail and leisure destination in its own right. As many others have both suggested and proved, high streets that are challenged can again become thriving locations.

This report is the London Assembly Economy Committee's contribution to the debate. Whilst a "do nothing" option is a recipe for continuing decline, we demonstrate how perceived threats – like the internet – can become part of the solution. We also identify a series of urgent actions to support small high street traders that have so far been overlooked by the government.

We build our series of recommendations on the best practice we have seen and on the advice of a wide range of experts in the field, whom we thank for their assistance. We now look to the Mayor, in particular, to take up our recommendations as a blueprint of ideas that can help save our traditional shopping streets and enable them to thrive in the future.

**Andrew Dismore AM**  
Chair of the Economy Committee

# Executive summary

London's high streets are under significant pressure. The number of empty shops has risen to almost 3,400, with a London-wide average vacancy rate of seven per cent. This average masks significant variations between different areas, with outer London high streets struggling in particular.

The decline of high streets is due partly to changes in the retail industry. As out-of-town centres and the internet have increased market share, a long-term process of consolidation is underway and expected to continue. However, current economic conditions have exacerbated this situation, threatening to undermine high streets that would otherwise remain viable.

It is evident that some high streets in London have entered a vicious circle, in which the rise in empty shops discourages people from visiting the area, putting greater strain on existing business and causing further vacancies. Despite the problems of the high street being a policy priority for the Mayor and central government, no-one has yet addressed this urgent challenge.

The Committee has taken evidence from a wide range of experts and stakeholders, high street traders and ordinary Londoners. We have visited both successful and struggling high streets across the city. Our findings lead us to the conclusion that an emergency package of measures should be implemented by the Mayor and the government, addressing the key problems businesses are facing right now. This should consist of:

- **Support for renegotiating rent and lease terms**  
Many small high street businesses are struggling with increasing rents. The Mayor should introduce an advice and mediation service to help businesses agree more sustainable lease terms with their landlords.
- **Expanded Small Business Rate Relief**  
Business rates are a significant cost to small high street businesses, and London firms do not have the same access to discounts as those elsewhere. To fund some additional support, the government should reduce landlords' entitlement to Empty Property Rate Relief.
- **Transparent ownership of empty high street shops**  
It is often very difficult to identify and contact the landlord of a



high street shop, making it harder to bring empty units into use. The government should require that landlords receiving Empty Property Rate Relief make their details public, with the Mayor compiling these into a London-wide empty shop register.

Alongside this emergency package, the Committee has identified a number of other measures that can boost the performance of the high street in the medium to long-term. These are:

- **Making high streets more diverse**  
Over-concentration of certain shop types makes high streets less appealing to visitors. The government should amend planning regulation to allow boroughs to address the rise in the number of betting shops, pawnbrokers and payday loan shops.
- **Coordinated management of high streets**  
High streets under single ownership can adopt a more strategic approach to boost performance. Business Improvement Districts (BIDs) can achieve this coordination in high streets in multiple ownership, and have done so in many parts of London. To help increase the number of BIDs, the Mayor should support London-wide training for business groups and ensure GLA Group bodies cooperate fully with existing BIDs.
- **A new form of Compulsory Purchase Order**  
Compulsory Purchase Orders (CPOs) could be an effective tool in making high streets more vibrant, but are difficult to implement. The government should consider a new form of CPO, allowing boroughs and BIDs to buy a medium-term lease of an empty shop, rather than a property outright. The Mayor should promote a London-based pilot of this measure.
- **Making high streets more accessible**  
High streets in London need to be more accessible by a range of transport modes, in particular walking and cycling. Car parking strategies should prioritise turnover of spaces, rather than maximising income, in order to ensure high streets can counter the appeal of out of town centres to motorists. Transport for London should assess the impact of different parking measures.

# 1 Introduction

London has 3,400 empty shops in its town centres, approximately a five per cent rise in the past three years.

- 1.1 London has over 200 high streets of various shapes and sizes, from major international destinations like Oxford Street and Regent Street, to small neighbourhood centres like Chatsworth Road in Hackney.<sup>1</sup> These spaces perform a range of functions at the heart of their communities. Their traditional role is to provide the primary shopping area for local residents, but high streets are often also comprised of homes, offices, leisure opportunities, transport hubs and other important services.
- 1.2 Despite their importance in the social and economic lives of our communities, it is clear many high streets are under significant pressure. Over the past decade retail spending has increasingly shifted away from the high street as people choose to shop in other places. In 2000, 33 per cent of retail spending took place in out-of-town centres or on the internet; by 2011 this had risen to 42 per cent.<sup>2</sup>
- 1.3 The long-term trends have been exacerbated by current economic conditions. The increase in vacancy rates is the most evidence effect of this. London's town centres now contain around 3,400 vacant units, a vacancy rate of 7.1 per cent.<sup>3</sup> In outer London the situation is slightly worse, with 7.7 per cent vacancy. Overall the number of empty shops has increased by an estimated 5.4 per cent since the beginning of 2010.<sup>4</sup>
- 1.4 This report considers ways to halt the increase in the number of empty shops. We accept that there is a process of consolidation and shrinkage taking place in many high streets as a result of structural economic factors, and this is likely to continue. However, the increase in vacancies may be causing irreparable damage to viable high streets, as businesses that might otherwise have a sustainable future are forced to close. The Committee has identified a number of emergency measures that can address this problem, as well as some longer-term measures that can boost high street performance.

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<sup>1</sup> This refers to the 217 town centres identified in the Mayor's London Plan, including 22 central London frontages. It excludes some smaller high streets. For a list see: <http://www.london.gov.uk/sites/default/files/LP2011%20Annex%202.pdf>

<sup>2</sup> *Understanding high street performance*, Department for Business, Innovation and Skills, December 2011. Available at: <http://www.bis.gov.uk/highstreet>

<sup>3</sup> Data provided by Local Data Company, January 2013. Based on 1 January 2010 to 1 December 2012.

<sup>4</sup> This figure has been calculated to take into account the increase in the total number of units counted in over the past three years. The vacancy rate from January 2010 has been applied to the number of shops in December 2012.

### *Impact of empty shops*

- 1.5 Empty shops are not merely a *symptom* of high street decline. The Committee has heard from a range of stakeholders that empty shops also *cause* further decline. The London Borough of Sutton summarised the impact of vacancies on a high street:

High levels of vacancies can have a serious effect on a wide range of people from local businesses to the wider community. Empty units create a general feeling of decline in the area, a negative perception of the centre resulting in further decline... and often an unpleasant shopping experience. It has an impact on the businesses that remain not only as fewer shops often means lower footfall but also a loss of pride in the area where they make their livelihood. This also applies to those who live in the area who may no longer wish to socialise in their local high street.<sup>5</sup>

- 1.6 The self-perpetuating impact of vacancy on customer footfall has been characterised as a 'negative feedback loop' by the British Retail Consortium (BRC), and a 'downward spiral of decline' by the London Borough of Lewisham.<sup>6</sup> As the BRC told the Committee:

In many cases as vacant units increase footfall declines, resulting in a negative feedback loop of even more vacant units and further reductions in footfall numbers. High streets must have a critical mass of shops and services to ensure consumers have a reason to visit them.

- 1.7 Empty shops discourage further investment. Several stakeholders have argued that high vacancy levels lead to both established firms and start-ups deciding not to open in a particular area.<sup>7</sup> As the London Borough of Richmond upon Thames told the Committee:

Empty units also have an impact on potential new investment options – as potential clients see that the area is not that prosperous and then look elsewhere.<sup>8</sup>

Empty shops make high streets less appealing to visitors, reducing footfall and putting further pressure on remaining businesses.

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<sup>5</sup> Written submission from London Borough of Sutton, August 2012, page 1. Copies of submissions received by the Committee are available on the Assembly website via: <http://www.london.gov.uk/who-runs-london/the-london-assembly/publications/londons-economy>

<sup>6</sup> Written submission from British Retail Consortium, August 2012, page 2; LB Lewisham, August 2012, page 2

<sup>7</sup> Written submissions from the London Borough of Waltham Forest, September 2012, page 2; London Borough of Sutton, August 2012, page 1; British Retail Consortium, August 2012, page 3.

<sup>8</sup> Written submission from LB Richmond upon Thames, December 2012, page 1

In his 2012 election manifesto the Mayor pledged to spend £221 million to regenerate London's town centres over the next four years.

- 1.8 The economic impact also spreads beyond the high street. For instance the Committee has heard that high streets are important for encouraging companies to locate their offices in nearby areas. One key reason for this is that a vibrant high street can help those companies attract staff.<sup>9</sup>
- Mayoral and government work on high streets*
- 1.9 Central government and the Mayor of London have both made the rejuvenation of high streets a key policy priority. In launching this investigation, the Committee wanted to build on the work already underway, as well as suggesting how it can be improved. We also sought to focus on the more immediate problem of empty shops, identifying practical steps that can help arrest the rise in vacancies.
- 1.10 In 2011 the government commissioned retail consultant Mary Portas to review high streets.<sup>10</sup> The Portas Review contained a large number of recommendations on issues such as town centre management, planning regulation, business rates and parking. The government is implementing a number of the recommendations and is also running a 'Portas Pilot' programme, in which a range of high streets have been allocated funding to test new ways of working, although some reports have suggested slow progress in the use of this funding locally.<sup>11</sup> In February 2013 the government established a Future High Street Forum, with leading industry representatives, to advise town centres on how to adapt to the changing retail sector and customer behaviour.<sup>12</sup>
- 1.11 The Mayor emphasised his work on high streets in his 2012 election campaign. In his manifesto he pledged to spend £221 million on town centre regeneration – including £50 million from the Outer London Fund, £50 million from the Mayor's Regeneration Fund and

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<sup>9</sup> Written submission from London Chamber of Commerce and Industry, September 2012, page 1; Notes from Economy Committee visits to high streets, page 4 [Camden Town]. Site visit notes are on the Assembly website at:

[http://www.london.gov.uk/who-runs-london/the-london-assembly/assembly\\_investigation/empty-shops](http://www.london.gov.uk/who-runs-london/the-london-assembly/assembly_investigation/empty-shops)

<sup>10</sup> *The Portas Review: An independent review into the future of our high streets*, December 2011. Available at: <http://www.bis.gov.uk/highstreet>

<sup>11</sup> 'Portas Pilot towns 'wasted' grants on items like a £1600 Peppa Pig costume', *The Independent*, 13 February 2013. Available at: [www.independent.co.uk/news/business/news/portas-pilot-towns-wasted-grants-on-items-like-a-1600-peppa-pig-costume-8494026.html](http://www.independent.co.uk/news/business/news/portas-pilot-towns-wasted-grants-on-items-like-a-1600-peppa-pig-costume-8494026.html)

<sup>12</sup> For information see: <https://www.gov.uk/government/news/high-streets-need-to-change-to-prosper>

£57 million in match funding from external sources – and to double the number of Business Improvement Districts in London.<sup>13</sup> Since the election the Mayor has also funded three additional Portas Pilots in London.<sup>14</sup> The Mayor also leads the London Enterprise Panel, a partnership of business leaders and local government in London that takes strategic action to support growth in London and oversees GLA investment in this area.<sup>15</sup>

### *How we conducted this investigation*

- 1.12 The Economy Committee has gathered a large amount of information and heard from a range of experts and stakeholders during this investigation. Data on high street composition and vacancy rates – and how these have changed in recent years – was provided by GLA Intelligence, based on Local Data Company research.
- 1.13 The Committee invited written submissions from organisations and individuals with an interest in this area. We received 28 submissions from organisations, including from boroughs, trade associations, academic experts and major high street firms. We received a further 36 submissions from members of the public, with comments from both small high street traders and shoppers. Londoners were also invited to share their views at a public meeting in September.
- 1.14 We held two formal hearings during the investigation, with experts and stakeholders invited to discuss the empty shop problem with the Committee. Guests included representatives of small and large high street businesses, property owners, town centre managers and individual experts. At our second hearing we put our findings to key decision-makers including the Greater London Authority and Department for Communities and Local Government. Committee Members and officers met a number of other stakeholders on an informal basis, to help shape the direction of the investigation.
- 1.15 The Committee has also visited six high streets across London during the investigation, speaking to local traders, boroughs and business groups and hearing about the challenges they face. We visited high streets of differing size and type: Camden Town, Chatsworth Road,

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<sup>13</sup> *Growing the London economy*, Boris Johnson, 2012

<sup>14</sup> The three pilots funded by the Mayor are in Waterloo (Lambeth), Forest Hill, Kirkdale and Sydenham (Lewisham) and Roman Road (Tower Hamlets); the government has also funded a pilot in Croydon.

<sup>15</sup> For more information see: <http://www.london.gov.uk/business-economy/working-partnership/lep>

North Finchley, Peckham, Stratford and Harringay Green Lanes.  
Further details about this and the other evidence we have received are  
included in Appendix 2.

## 2 Emergency measures to reduce high street vacancies

### Summary

London's high streets need urgent intervention by the Mayor, government and local boroughs to address the rise in empty shops. A package of measures that could be introduced in the short-term and have an immediate impact should include:

- establishing a new London-wide advice and mediation service for small firms, to help them negotiate with landlords on lease terms;
- extending Small Business Rate Relief in London, funded by a temporary reduction in Empty Property Rate Relief eligibility; and
- introducing a London-wide empty shop register, including contact details of all landlords in receipt of Empty Property Rate Relief.

### High street vacancies

- 2.1 The vacancy rate in London's town centres currently stands at 7.1 per cent, up from 6.8 per cent three years ago. Within this average, there are significant variations between individual high streets fully occupied and others with almost one in five shops empty.
- 2.2 There are slight variations according to location. As shown below, central London has the lowest proportion of empty shops, and the vacancy rate rises further away from central London.

There are significant variations in vacancy rates between London town centres, with those in outer London particularly likely to have high rates.

**Table 1: Average vacancy rate by town centre location**

Location	Vacancy, 01/01/2010	Vacancy, 01/12/2012
Central Activities Zone	5.8%	5.2%
Inner London (outside CAZ)	7.3%	6.9%
Outer London	6.6%	7.7%

Source: Local Data Company, January 2013

- 2.3 There are variations according to type of centre. The Mayor's London Plan categorises town centres – in decreasing size – as international centres, metropolitan centres, major centres and district centres. Local Data Company data shows that metropolitan centres – which are generally located in outer London and have 300-700 units – have seen the biggest increase in vacancy levels.

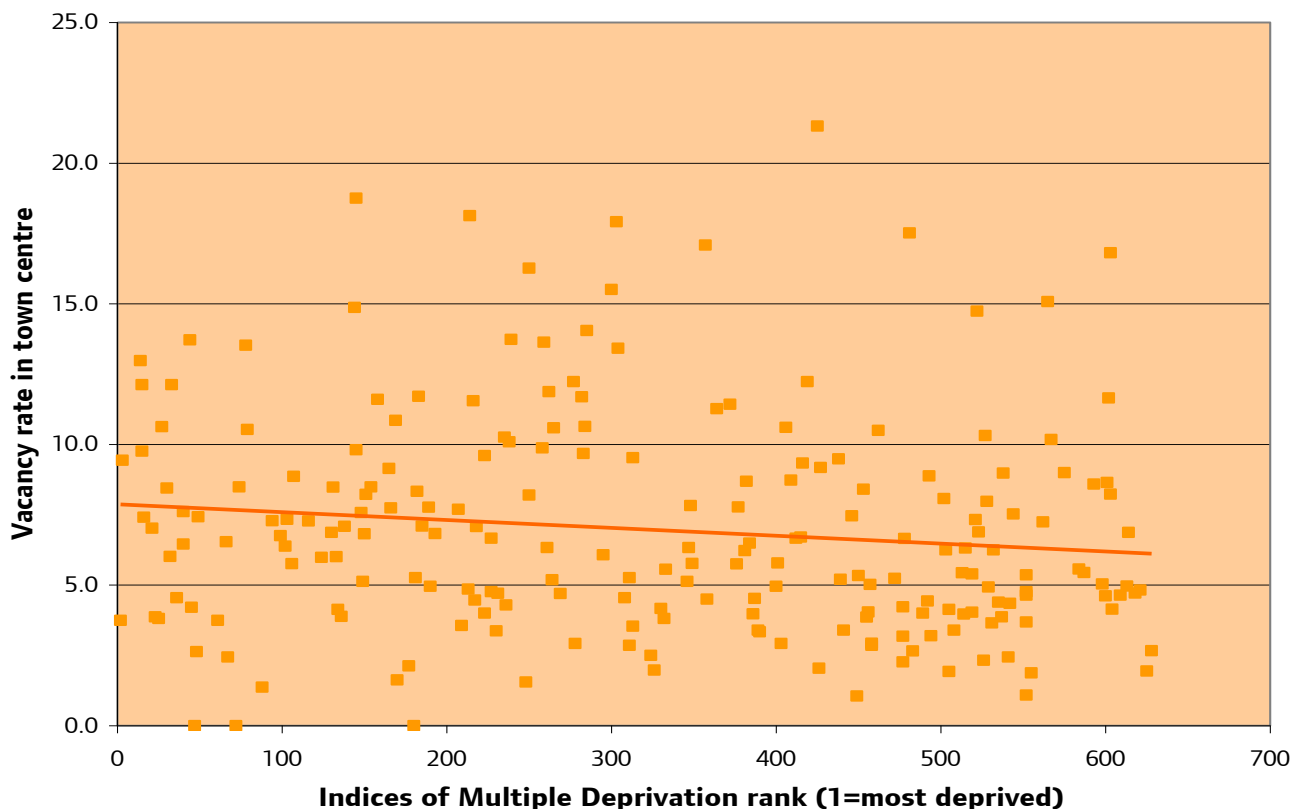
**Table 2: Average vacancy rate by town centre type**

Category	Vacancy, 01/01/2010	Vacancy, 01/12/2012
International centre	5.4%	5.2%
Central Activities Zone frontage	6.3%	5.3%
Metropolitan centre	6.5%	9.7%
Major centre	6.3%	6.8%
District centre	7.3%	7.1%

Source: Local Data Company, January 2013

2.4 Vacancy rates are not significantly affected by deprivation levels in the surrounding community. While there is a relationship between these two factors, with more deprived areas tending to have more empty shops, the correlation is weak. Figure 1 shows the vacancy rate of town centres and the deprivation rank of the largest overlapping ward, based on the average rank of Lower Super Output Areas in that ward.

**Figure 1: Town centre vacancy and ward deprivation**





- 2.5 In responding to these figures, the Committee has sought to identify why shops become vacant and what prevents them being brought back into use. We know that high streets have experienced a drop in trade, with footfall nationally having decreased by about 10 per cent over 2008–2011.<sup>16</sup> This is likely to be a result of both changing ways of shopping and current economic conditions. London’s economy is expected to grow slowly over the next two years,<sup>17</sup> with some fearing a further recession to be imminent in the UK.<sup>18</sup>
- 2.6 Traders and other contributors have suggested that, within this wider context, other factors can increase the risk of shops becoming and remaining empty. These include, in particular, rising rents and business rates: there is evidence that increases in rents and rates are having a disproportionate impact on high street traders, and we explore how these can be addressed in this chapter.
- 2.7 The Committee has also heard of demand for shop space from potential tenants, both for long-term commercial use and for non-profit, ‘pop-up’ or temporary uses, which is not being met. This suggests there are barriers that need to be addressed. Difficulties in engaging landlords have been cited by many during our investigation, so we also explore this issue.

## Rents and lease terms

- 2.8 High rents and other lease terms cause significant difficulties for high street businesses, and have contributed both to shop closures and to persistent vacancy.
- 2.9 High rents have been cited by a number of contributors to the Committee’s investigation as a cause of shop closures.<sup>19</sup> Many high street leases contain ‘upward-only’ rent review clauses. In general these state that the rent a tenant pays for a property will be reviewed every five years, and can only ever be increased. These clauses mean

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<sup>16</sup> *Understanding high street performance*, Department for Business, Innovation and Skills

<sup>17</sup> *London’s Economic Outlook: Autumn 2012*, GLA Economics, November 2012: <http://www.london.gov.uk/sites/default/files/leo-21.pdf>

<sup>18</sup> NIESR warning fuels fears of triple-dip recession, *The Independent*, 11 January 2013

<sup>19</sup> Public comments, numbers 7, 18, 31, 37. To read all submissions from members of the public see: [http://www.london.gov.uk/who-runs-london/the-london-assembly/assembly\\_investigation/empty-shops](http://www.london.gov.uk/who-runs-london/the-london-assembly/assembly_investigation/empty-shops)

shop rents will remain artificially high regardless of turnover or profitability. One new trader in Tower Hamlets told the Committee:

The hardest challenge pre-opening was negotiating a lease – commercial leases are petrifying and place a massive amount of risk on the business owner – a risk that many won't dare or be able to take. Most people don't have the knowledge to scramble their way through it...<sup>20</sup>

2.10 Measures to address this have been tried in the past. In 2007, a best practice code for leasing business premises was developed by the property industry, which discouraged upward-only reviews.<sup>21</sup> Some high street leases do now run for shorter terms, for instance five years in total, and do not contain this type of clause.<sup>22</sup> In some shopping centres, the property owner has agreed that rents should be based on a turnover rather than a fixed rate.<sup>23</sup> However, the Committee has heard that upward-only rent reviews remain common on London's high streets, including in new leases being offered.<sup>24</sup>

2.11 High street leases also tend to include personal guarantees. These mean that a tenant is required to continue paying rent on a unit even if their business closes down. One effect of this is to reduce the incentive for landlords to fill a shop once it has become empty, because they are still receiving income from it.<sup>25</sup> As Simon Pitkeathley, Chief Executive of Camden Town Unlimited (a Business Improvement District) told the Committee:

We often see first time occupants in our High Street taking on unsustainable leases, often with punitive personal guarantees, that inevitably lead them to professional, and often personal, bankruptcy. For the landowner and the agent this is often a plus as the rent is covered

Many high street leases contain clauses stating that the rent can only ever increase, regardless of market conditions.

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<sup>20</sup> Public comments, number 14

<sup>21</sup> For further information see: <http://www.leasingbusinesspremises.co.uk>

<sup>22</sup> Notes from Economy Committee visits to high streets, page 2 [Stratford]; William McKee, Outer London Commission, Transcript of Planning Committee meeting, 11 December 2012, page 17

<sup>23</sup> Edward Cooke, British Council of Shopping Centres, Transcript of Economy Committee meeting, 19 September 2012, page 35

<sup>24</sup> David Abramson, Rent Reform, Transcript of Economy Committee meeting, 19 September 2011, page 33. Transcripts of Economy Committee meetings are available on the London Assembly website via

<http://www.london.gov.uk/moderngov/ieListMeetings.aspx?Committeeld=255>

<sup>25</sup> Written submission from London Borough of Brent, September 2012, page 2; Andrew Cribb, 3Space, Transcript of Economy Committee meeting, 19 September 2012, page 16

long after the business has gone under, via the personal guarantee, and results in new fees for the agent each time a new tenant is signed up.<sup>26</sup>

- 2.12 Recently the Royal Institute of Chartered Surveyors and the British Retail Consortium have developed a new model lease to address some of these issues. The lease and its accompanying guidance are designed for use by small businesses taking on shop leases. The key elements of the lease are that it has a relatively short length (maximum five years), no upward-only rent review, and a break clause so tenants can end the lease early.<sup>27</sup>

#### *Support for renegotiation*

- 2.13 For traders already committed to leases, renegotiation may be a suitable option when trading conditions deteriorate. The Committee has heard from David Abramson of Rent Reform, a company that supports businesses seeking to negotiate new rents and lease terms: clients have included the travel agent Thomas Cook and the restaurant chain La Tasca.<sup>28</sup> Where successful, renegotiating a lease will allow a tenant to keep their business open by reducing costs. While this may mean landlords need to accept a reduction in rent income for a unit, they can also benefit by avoiding the cost involved in maintaining an empty property and finding a new tenant.

- 2.14 Small businesses are, however, less likely to be able to negotiate new lease terms. Traders do not necessarily have a direct relationship with their landlord and may find it difficult to identify or contact them.<sup>29</sup> Furthermore, the process may require significant time and expertise, as well as the cost of paying for advice. One option to address this problem would be to establish a support service that is available to all small businesses. Such a service would offer firms tailored advice about engaging with landlords and guidance on potential new lease terms; it may also be able to mediate between landlords and tenants.

Smaller high street firms may not have the capacity or resources to negotiate better lease terms with landlords, unlike the large chains.

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<sup>26</sup> Written submission from Camden Town Unlimited, July 2012, page 1

<sup>27</sup> For more information and to read the lease and guidance see: <http://www.rics.org/uk/knowledge/more-services/professional-services/small-business-retail-lease/>

<sup>28</sup> David Abramson, Rent Reform, Transcript of Economy Committee meeting, 19 September 2011, pages 33-34

<sup>29</sup> Jacquie Reilly, Association of Town Centre Management, Transcript of Economy meeting, 19 September 2012, page 6; Clare Richmond, SpeakTo, Transcript of Economy Committee meeting, 6 November 2012, page 4; Cllr Vidhi Mohan, LB Croydon, page 23

2.15 There may be several options for funding this service. The Mayor has already pledged to use the GLA's London Growth Fund to support small businesses with loans, so GLA resources could be used for this purpose.<sup>30</sup> The private sector has also funded similar initiatives, most recently by setting up a High Street Fund to provide funds to small businesses affected by the 2011 riots.<sup>31</sup> Businesses could also be asked to contribute directly for the support they receive.

**2.16 The terms included in many high street leases contribute to London's empty shop problem. Small businesses that are otherwise viable struggle to pay high rents that do not reflect current market conditions. Personal guarantees also reduce incentives for landlords to fill empty shops. We welcome the the model lease developed by the British Retail Consortium and Royal Institute of Chartered Surveyors and urge the adoption of this for all new businesses opening on the high street.**

**2.17 Existing traders need support too, to help ensure they can stay open. While large chains can pay for specialist advice, small firms do not have the same capacity to engage and negotiate with their landlords. Given the extremely challenging conditions for high street traders at present, they should have access to reliable, affordable support and advice that will help them to do this.**

#### **Recommendation 1**

The Mayor should explore the feasibility of a new London-wide service providing advice and mediation support for small businesses seeking to negotiate new lease terms with landlords. He should consider what GLA funds are available for this service, and also hold discussions with external organisations that may provide financial or in-kind support; these should include companies involved in the High Street Fund and London boroughs. The service should aim to be operational by the end of 2013 and be funded for two years, with a review at the end of

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<sup>30</sup> *Growing the London economy*, Boris Johnson, 2012. The London Growth Fund is funded by central government through the Growing Places programme, from which the GLA was allocated £111 million.

<sup>31</sup> The High Street Fund was a charity established by Sir William Castell, with donations from companies such as Deloitte, Aviva, Santander, The Cooperative and Capita, as well as contributions from the GLA and several London boroughs. For information see: <http://www.thehighstreetfund.co.uk>

that period.

The Mayor should ask for this proposal to be discussed by the London Enterprise Panel at its meeting in May 2013.

We ask the Mayor to respond to this recommendation by the end of June 2013.

## Business rates

- 2.18 Business rates – formally known as the national non-domestic rate – are a tax levied on the occupiers of business premises, including high street traders. Although rates are collected locally, the amount businesses pay is set nationally. The Valuation Office Agency determines the ‘rateable value’ of a property – which is intended to reflect the estimated income from rent – and the government applies a ‘multiplier’ to determine the amount businesses owe. Currently the multiplier is 45.8 pence, which means that businesses must pay business rates over a year equal to 45.8 per cent of their property’s rateable value.<sup>32</sup> Many of the submissions the Committee received from members of the public and high street traders have called for business rate reductions or exemptions.<sup>33</sup>

### *Recent reforms*

- 2.19 Under the Localism Act 2011, local authorities are now allowed to offer business rate relief to any business. Local authorities must fund the cost of this; that is, they must pay the government an amount equivalent to the discount offered to business. There is little evidence that many London boroughs are planning to offer this form of relief. Two boroughs told the Committee they are considering doing so from 2013, although one of these, Croydon, has admitted that meeting the

London boroughs appear unable to use their new freedom to reduce business rates, because they lack the money to fund it.

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<sup>32</sup> Businesses occupying a property valued at less than £25,500 in London pay a multiplier of 45.0p, if not eligible for Small Business Rate Relief. Within the City of London the multiplier rates are 46.2p and 45.4p.

<sup>33</sup> Public comments, numbers 1, 7, 11, 12, 14, 15, 19, 21, 25, 28, 29 and 30. Some traders have stated that business rate increases are directly responsible for the closure of their business, for instance the Bolingbroke Bookshop in Battersea. ‘‘Amazon and rates’ kill off Battersea bookstore, Evening Standard, 31 January 2013. Available at; [www.standard.co.uk/news/london/amazon-and-rates-kill-off-battersea-bookstore-8474408.html](http://www.standard.co.uk/news/london/amazon-and-rates-kill-off-battersea-bookstore-8474408.html)

cost will be a significant challenge.<sup>34</sup> As the London Borough of Richmond upon Thames told the Committee:

...at the moment we do have the power already to reduce rates in some circumstances. However, the full bill remains with us, at a time that we are desperately trying to save money. If the Government provided councils themselves with rate relief in proportion to that which we grant to empty shops, that would help.<sup>35</sup>

2.20 Another recent reform is business rate retention, introduced by the Local Government Finance Act 2012. From April 2013, rather than pooling all business rate revenue at the national level, councils will retain a proportion of any local growth in income from business rates. This policy is designed to incentivise councils to increase their business rate revenues by boosting the local economy. However, it is unlikely this will have a direct or positive impact on existing high street shops. As councils can only retain the proceeds of growth, their main incentive is to encourage new business premises to be built. As the London Chamber of Commerce told the Committee:

...by only allowing councils to benefit from new business rates growth this means that the only councils that will benefit are those that are able to permit the development of new business premises. For high streets, the main issue is the need for existing premises to be filled rather than the need for new premises to be built, so under the government's proposals there are no new incentives for councils to attempt to fill empty shops.<sup>36</sup>

#### *Small Business Rate Relief*

2.21 Small businesses receive some discount on business rates. In particular, the Small Business Rate Relief (SBRR) scheme gives a discount to businesses occupying premises with a rateable value of less than £12,000. For properties valued below £6,000 the discount is 100 per cent; above this threshold the discount is reduced on a sliding

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<sup>34</sup> Written submission from London Borough of Sutton, August 2012; Cllr Vidhi Mohan, London Borough of Croydon, Transcript of Economy Committee meeting, 6 November 2012, page 23

<sup>35</sup> Written submission from London Borough of Richmond upon Thames, page 2

<sup>36</sup> Written submission from London Chamber of Commerce and Industry, page 2

scale.<sup>37</sup> Approximately 46,000 businesses in London qualify for this relief, representing 16 per cent of business premises.<sup>38</sup>

- 2.22 Even with the SBRR discounts, London businesses pay a large amount of money in business rates. For example, a very small business occupying a single property with a rateable value of £9,000 will be liable to pay over £2,000 a year in business rates, after a 50 per cent SBRR discount. A small business with a rateable value of £15,000 – above the SBRR threshold – will pay £6,750 a year.
- 2.23 London does not appear to receive a proportionate level of SBRR. Seventeen per cent of all business premises are located in London, and 29 per cent of the government's business rate revenues come from the capital.<sup>39</sup> Despite this, London receives just an 11 per cent share of the national SBRR funding: £88 million out of a national pot of £784 million. High property prices in London mean that fewer of our firms occupy a property with a rateable value below the £12,000 threshold: only 16 per cent of premises in London are eligible for SBRR, compared to the England average of 26 per cent.<sup>40</sup> The Mayor has written to the government to extend SBRR eligibility in London by raising the threshold, but has not received a response.<sup>41</sup>

A small business in a high street property with a rateable value of £15,000 will be paying £6,750 in business rates every year.

#### *Empty Property Rate Relief*

- 2.24 Another form of business rate relief is Empty Property Rate Relief (EPRR). Property owners must pay business rates on units that are not occupied by a tenant, but for the first three months of vacancy they are exempt from paying rates. The cost of providing EPRR in London in 2011/12 was £248 million, out of a national total of £860 million.<sup>42</sup>

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<sup>37</sup> These figures reflect the temporary doubling of SBRR by the government, which lasts until March 2014.

<sup>38</sup> Written submission from the Mayor of London, November 2012, page 4

<sup>39</sup> *Updated National Non-Domestic Rates Collected by Local Authorities in England*, Department for Communities and Local Government, 20 November 2012. See: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/14800/Web\\_NNDR3\\_Statistical\\_Release\\_November\\_2011-12.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/14800/Web_NNDR3_Statistical_Release_November_2011-12.pdf)

<sup>40</sup> Written submission from Mayor of London, November 2012, page 4

<sup>41</sup> For the Mayor's letter see to government see: [www.fsb.org.uk/policy/rpu/london/images/br%20relief%20letter%20pickles%20and%20osbornemm.pdf](http://www.fsb.org.uk/policy/rpu/london/images/br%20relief%20letter%20pickles%20and%20osbornemm.pdf)

<sup>42</sup> *Updated National Non-Domestic Rates Collected by Local Authorities in England*, Department for Communities and Local Government

If entitlement to Empty Property Rate Relief were reduced from three months to two, the Treasury could save up to £83 million in London alone.

2.25 It has been suggested that EPRR reduces the incentive for landlords to fill an empty unit quickly, and that they should be charged the full business rate immediately.<sup>43</sup> A less radical option would be to keep EPRR but to reduce the length of time it can be claimed to one or two months. On the basis that the three-month EPRR entitlement costs the government £248 million in London, reducing EPRR to one month would save up to approximately £165 million in London; reducing EPRR to two months would save up to approximately £83 million.

2.26 Some stakeholders oppose any reduction in EPRR. Indeed, the British Retail Consortium has argued that EPRR entitlement should be extended from three months to six:

This extra tax burden will simply add to these fixed costs, further discouraging entrepreneurial investment in property at a time when investment in high streets is falling and new retail development is low. Empty Property Rate Relief must be reintroduced in full for six months to support investment and growth. Taxing vacant units will result in less investment and more vacant units.<sup>44</sup>

**2.27 Business rates are a significant cost for London businesses, and evidence suggests that high rates contribute to shop vacancy. We welcome boroughs' new freedom to offer discretionary relief, although the lack of government funding means the impact of this will be limited.**

**2.28 We have identified a way in which small businesses on London's high streets can receive significantly enhanced support. If Empty Property Rate Relief entitlement was reduced to two months, this is likely to save enough money (around £80 million) to double Small Business Rate Relief in London. Although we do not think it appropriate to remove EPRR altogether, this minor change could make the difference between success and failure for huge numbers of small businesses in a very difficult period, and help prevent an increase in the number of empty shops.**

## Recommendation 2

The government should reduce entitlement to Empty Property Rate Relief in London to the first two months of a property's vacancy. The

<sup>43</sup> Public comments, number 26

<sup>44</sup> Written submission from British Retail Consortium, August 2012, page 3



savings from this change should be used to fund an extension of Small Business Rate Relief in London, so more businesses are entitled to claim this discount. This arrangement should be put in place for two years, beginning in 2013, and reviewed at the end of that period.

The Mayor should join the Committee in urging the government to implement this recommendation.

We ask that the Secretary of State for Communities and Local Government and the Mayor respond to this recommendation by the end of June 2013.

## Landlord engagement

- 2.29 Landlords have a large stake in the success of London's high streets, having invested in properties and being reliant on filling them to make a return.<sup>45</sup> They play a vital role in the process of preventing or reducing high street vacancies. First, as discussed above, existing tenants may need to agree new lease terms with them to stay in business. Second, landlords need to agree deals with new tenants to bring their empty properties back into use. Third, in a more general sense, organisations seeking to promote improvements to a high street – such as boroughs and Business Improvement Districts – often require landlords' cooperation.
- 2.30 Despite the central role of landlords, the Committee has heard from several contributors that it is often very difficult to engage with landlords. Potential tenants need to deal with landlords when looking for a unit, either as a long-term occupant or for short-term uses. However a number of experts and stakeholders told the Committee that it is often difficult to identify the landlord of a high street property.<sup>46</sup> Andrew Cribb, Chief Executive of the charity 3Space, described the situation that can arise:

Landlords are vital in bringing empty shops into use, but it is often extremely difficult to find out who the landlord of a shop is, or how to contact them.

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<sup>45</sup> The term 'landlord' might refer to several different people in the ownership structure for a property. The term is usually applied to the owner of the freehold of a property, although the beneficial owner of the property may differ from the organisation named as the freeholder. A leaseholder may also act as landlord, if they sublet the property to another tenant.

<sup>46</sup> Jacque Reilly, Association of Town Centre Management, Transcript of Economy meeting, 19 September 2012, page 6; Clare Richmond, SpeakTo, Transcript of Economy Committee meeting, 6 November 2012, page 4; Cllr Vidhi Mohan, LB Croydon, page 23

It is very difficult to identify who the landlord, the leaseholder is. You have a letting agent, managing agent, then you finally get to them and they are based in Hong Kong or something like that.<sup>47</sup>

- 2.31 A public register of landlords has been suggested by several contributors to the Committee's investigation.<sup>48</sup> The aims of this would be to enhance accountability and help prospective tenants. The existing Land Registry contains details of property owners, but we have heard this is only about 70-80 per cent complete and does not always identify the right person.<sup>49</sup> The Land Registry also charges users for information. The Portas Review commissioned by government recommended a new public register be established; the government is not implementing this recommendation at a national level, but has urged local authorities to consider local registers. Two boroughs have suggested that the GLA lead the development of a London-wide landlord register.<sup>50</sup>
- 2.32 In many cases local authorities already possess details of high street landlords. This is likely to be particularly true of the owners of empty shops, because they must notify their local authority in order to claim Empty Property Rate Relief. However, these details cannot be published because of data protection law.<sup>51</sup>
- 2.33 Some contributors have experienced landlords to be difficult to engage with, even when they can be identified. Clare Richmond of SpeakTo and Julian Dobson of Urban Pollinators suggested that some landlords have large property portfolios across different areas, so may not take an interest in one particular community.<sup>52</sup> As Jacquie Reilly, former BID Director at the ATCM, told the Committee:

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<sup>47</sup> Transcript of Economy Committee meeting, 19 September 2012, page 18

<sup>48</sup> Julian Dobson, Urban Pollinators, Transcript of Economy meeting, 19 September 2012, page 26; Cllr Alan Smith, LB Lewisham, Transcript of Economy Committee meeting, 6 November 2012, page 36; Written submission from Camden Town Unlimited, July 2012, page 2; LB Sutton, November 2012, page 4

<sup>49</sup> Jacquie Reilly, Association of Town Centre Management, Transcript of Economy Committee meeting, 19 September 2012, page 26

<sup>50</sup> Cllr Alan Smith, LB Lewisham, Transcript of Economy Committee meeting, 6 November 2012, page 36; Cllr Vidhi Mohan, LB Croydon, page 35

<sup>51</sup> Informal meeting of Association of Town Centre Management London Region, July 2012

<sup>52</sup> Julian Dobson, Urban Pollinators, Transcript of Economy meeting, 19 September 2012, page 25; Clare Richmond, SpeakTo, Transcript of Economy Committee meeting, 6 November 2012, page 2

I know of many partnerships who are knocking on landlords' doors saying, "We've got grant, you have got an empty unit, we would like to come in and sort that all out for you because it will make our area look better and in the long term you will get a tenant," and the landlord is saying, "Go away, I am too busy, stop sending me letters."<sup>53</sup>

**2.34 Greater transparency of ownership could help bring landlords and prospective tenants together, to bring empty units into use. While being able to contact a landlord does not necessarily mean they will be successfully engaged, it is certainly a prerequisite.**

**2.35 Empty Property Rate Relief offers an opportunity to make high street ownership more transparent. EPRR offers a tax break to landlords of empty shops, so it would be reasonable to ask in return that they allow their contact details to be published. This would help potential tenants to engage with them. The GLA should ensure that once landlords' details are available it is as easy as possible to find them; collating boroughs' information into a London-wide register would be an effective way of doing this.**

### **Recommendation 3**

The government should make it a requirement of the receipt of Empty Property Rate Relief that any new claimants must permit the publication of their identity and contact details by local authorities.

The Mayor should join the Committee in urging the government to implement this recommendation, and commit to compiling landlords' details into a London-wide empty shop register. The register should be operational by the end of 2013.

We ask that that the Secretary of State for Communities and Local Government and the Mayor respond to this recommendation by the end of June 2013.

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<sup>53</sup> Jacquie Reilly, Association of Town Centre Management, Transcript of Economy Committee meeting, 19 September 2012, page 6

## Good practice: pop-up and interim uses of high street units

High streets across London have seen shops being occupied on a short-term or temporary basis. In some cases these are commercial arrangements, where businesses may take on a lease for a specific period at a market rate. In other cases, spaces are occupied rent-free, often by non-profit organisations, with leases that are short-term and/or highly flexible. Examples of temporary uses include shops, galleries, performance space, cafes and centres providing training, visitor information, employment services or health advice.<sup>i</sup>

Contributors to this investigation have highlighted several benefits of these initiatives:<sup>ii</sup>

- innovative shop uses have the potential to stimulate footfall by attracting attention and encouraging new visitors to the high street;
- they represent an organic form of high street regeneration, an alternative to top-down efforts to encourage specific types of business to an area;
- using spaces rent-free has allowed some firms to grow until they reach a sustainable footing, such as the Edel Assanti gallery in Westminster; and
- there are benefits for landlords, because ongoing activity in a unit helps attract potential long-term tenants and allows experimentation with different uses.

There are, however, some concerns with pop-up and interim uses. The British Retail Consortium has argued that they do not address the problematic 'over-supply' of high street shops.<sup>iii</sup> Specific issues with these schemes may also include:<sup>iv</sup>

- a risk that retailers may suffer if pop-up shops divert sales from established businesses without attracting new visitors to the high street; and
- the need to have active management to ensure quality control of uses and that attraction are changed regularly, particularly for temporary art galleries.

Rather than being a reaction to a rise in vacancies, pop-up and interim uses have the potential to be a permanent feature of the high street, making them more vibrant. The Committee has heard about different models for these schemes that place them on a more sustainable financial footing and ensure active management.<sup>v</sup> For instance:

- Camden Town Unlimited is taking on the leases for around six high street shops for a pop-up programme. The organisation will initially make the units available for pop-up uses, before letting them to commercial tenants; and
- the London Borough of Brent has formed a partnership with the charity, the Meanwhile Foundation. The charity will take on the leases of empty shops – benefiting from charitable business rate relief – and recruit other organisations to use them on a temporary basis.

### Recommendation 4

The government's Future High Street Forum should focus on ways to encourage pop-up and interim uses for empty shops. In particular, it should draw on the models being developed in Camden Town and Brent to identify how boroughs and Business Improvement Districts can establish area-wide schemes that are actively managed, ensuring high-quality and complementary uses.

i. Written submissions from LB Croydon, August 2012, pages 3-4; LB Sutton, November 2012, page 2; LB Lewisham, September 2012, page 2; LB Brent, October 2012, page 6; LB Richmond upon Thames, December 2012, page 1; LB Hackney, September 2012, page 3; Notes from Economy Committee visits to high streets, pages 4-5 [Camden Town]

ii. Written submission from LB Hackney, September 2012, page 3; Andrew Cribb, Transcript of Economy Committee meeting, 19 September 2012, page 16; Informal meeting with Edel Assanti, July 2012; Informal meeting with Somewhere, July 2012; Matthew McMillan, Transcript of Economy Committee meeting, 6 November 2012, pages 11-12

iii. Written submission from British Retail Consortium, page 3

iv. Written submission from Grosvenor, page 1; Jenefer Greenwood, Grosvenor, Transcript of Economy Committee meeting, 6 November 2012, page 12; Written submission from ExtraVerte, page 2

v. Economy Committee site visits to high streets, pages 4-5 [Camden Town]; Written submission from LB Brent, pages 6-7

## 3 Medium to long-term measures to boost high street performance

### Key points

The Committee has identified a number of measures that can be taken to boost high street performance in London, which will help increase footfall and reduce vacancy levels in the medium to long-term. These include:

- helping ensure diversity by allowing boroughs to use planning powers to restrict the spread of betting shops, pawnbrokers and payday loan firms;
- supporting an increase in the number of Business Improvement Districts by offering London-wide training and guarantees over the public services to be delivered in BID areas;
- introducing a new Compulsory Purchase Order to allow temporary purchase of the lease for an empty high street unit; and
- making high streets more accessible by all modes of transport; for car parking, turnover of spaces should be prioritised.

### Diversity

3.1 Many contributors to the Committee's investigation are concerned about a growing concentration of particular types of shop on London's high streets. The Committee received the greatest number of complaints about the proliferation of betting shops, but also heard multiple complaints about the increase in payday loan shops, pawnbrokers, charity shops, fast food takeaways, supermarket chains, coffee shop chains and 99p/pound shops.<sup>54</sup> Table 3 overleaf shows how the number of these types of shop has increased in recent years.

#### *Impact of concentration*

3.2 The Committee has heard that reduced diversity has an impact on footfall, because fewer people will be attracted to the high street.<sup>55</sup> Jenefer Greenwood, former Director of Sales and Lettings at property firm Grosvenor, explained the impact of over-concentration:

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<sup>54</sup> For further details see *Empty shops on London's high streets: Summary of views and information*, Economy Committee, December 2012, pages 3-5. Available at: [http://www.london.gov.uk/sites/default/files/Final\\_Empty%20shops\\_evidence%20summary.pdf](http://www.london.gov.uk/sites/default/files/Final_Empty%20shops_evidence%20summary.pdf)

<sup>55</sup> Dan Morgan, British Retail Consortium, Transcript of Economy Committee meeting, 19 September 2012, page 40; Written submission from LB Lewisham, September 2012, page 2

People stop coming. People stop visiting. It is driving down value to the community because you do not have, yet again, another offer. It is a replication. Actually, it does not matter whether it is a betting shop or a mobile phone shop. It is the users. You just do not want six out of ten shops the same. It is the variety and it is the palette that you are offering that brings people to high streets.<sup>56</sup>

**Table 3: Increase in selected types of shop in London town centres<sup>57</sup>**

Type	Number, 01/01/2010	Number, 01/12/2012	% Change
Bookmakers	743	840	13.1%
Pawnbrokers	135	263	94.8%
Fast food takeaways	1,440	1,402	-2.6%
Charity shops	626	724	15.7%
Supermarkets	584	651	11.5%
Discount stores	314	351	11.8%
Coffee shops	392	424	8.2%

Source: Local Data Company, January 2013

- 3.3 Some types of shop may have other, negative economic impacts on an area. We have heard that ‘low quality’ units reduce the overall value of the high street, dissuading other businesses from opening there. Matthew McMillan of Ealing Broadway BID suggested that many businesses do not want to be located close to betting, 99p/pound, charity and fast food shops.<sup>58</sup> Furthermore, these shops can also have the effect of increasing rent in an area, because they are often national chains – notably major bookmakers – that can afford to pay high prices. As the London Borough of Hackney told the Committee:

Hackney has... a serious issue with the amount of pawnbrokers and betting shops on high streets. As independent businesses fail, we have seen pawnbrokers and betting shops being able to take advantage of their financial status to secure these units on lengthy leases... On the

<sup>56</sup> Transcript of Economy Committee meeting, 6 November 2012, page 14

<sup>57</sup> Data on payday loan stores is not available. Notes on categories: ‘Discount stores’ may include other shops as well 99p/pound shops; ‘Supermarkets’ may include independent as well as chain stores; there is a separate category of ‘Take away food shops’ not included above; there is a separate category of ‘Cafes and tea rooms’ not included above.

<sup>58</sup> Transcript of Economy Committee meeting, 6 November 2012, page 15

The number of pawnbrokers in London’s town centres has almost doubled in the past three years.

main high street [in Hackney Central] there are five pawnbrokers and four betting shops, all within close proximity of each other. This trend has helped to further devalue the high street.”<sup>59</sup>

- 3.4 There is evidence, however, that some of the shop types that contributors have complained about may have a positive impact on footfall. The John Lewis Partnership has suggested that footfall has increased in areas where a Waitrose supermarket has been introduced.<sup>60</sup> The consultants Allegra Strategies have also published research indicating coffee shops attract people to the high street.<sup>61</sup>
- 3.5 Several contributors to this investigation oppose action against the over-concentration of certain shop types. The Association of British Bookmakers has highlighted the overall economic contribution of the betting shop sector, for instance the employment of 11,500 Londoners.<sup>62</sup> The Charity Retail Association has emphasised the role of charity shops in promoting recycling, providing volunteering opportunities and offering low-cost goods to poor customers.<sup>63</sup> More generally, Andrew Cribb of 3Space suggested the prevalence of certain shops reflects customer demand, while the British Property Federation argued that an over-supply of certain shops is usually a transient state of affairs that the market will ultimately correct.<sup>64</sup>

### *Boroughs' powers*

- 3.6 Boroughs have planning powers to control the uses of high street shops through the use classes system. This was designed to help protect the character of places, although in reality boroughs' powers are limited in key respects. Most high streets shops are in planning use classes A1 to A5, and changes between these classes need to be approved by the local authority. However changes of use within a

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<sup>59</sup> Written submission from LB Hackney, September 2012, pages 2-3

<sup>60</sup> *Our social and economic contribution*, John Lewis Partnership, March 2011. Available at: [http://www.johnlewispartnership.co.uk/content/dam/cws/pdfs/our%20responsibilities/our%20communities/Local%20investment/executive\\_summary\\_our\\_social\\_and\\_economic\\_contribution.pdf](http://www.johnlewispartnership.co.uk/content/dam/cws/pdfs/our%20responsibilities/our%20communities/Local%20investment/executive_summary_our_social_and_economic_contribution.pdf)

<sup>61</sup> *The Role of Coffee Shops on the High Street 2010*, Allegra Strategies, April 2010. See: <http://www.allegrastrategies.com/Publications/The-Role-of-Coffee-Shops-on-the-High-Street-2010.aspx>. Findings available at: <http://www.southhams.gov.uk/PlanningDocs/1/00/28/27/00282717.pdf>

<sup>62</sup> Written submission from Association of British Bookmakers, September 2012, pages 2-3

<sup>63</sup> Written submission from Charity Retail Association, August 2012, pages 1-2

<sup>64</sup> Andrew Cribb, Transcript of Economy Committee meeting, 19 September 2012, pages 9-10; Written submission from British Property Federation, August 2012, page 3

class do not need approval, and in many instances changes between classes are also permitted without requiring approval. Table 4 below describes the main use classes and the permitted changes between them. Shops outside these classes are considered *sui generis*, and will always require specific planning permission.

**Table 4: Planning use classes and permitted changes**

Planning class	Description / example uses	Permitted changes (without approval)
A1 Shops	General retail, hairdressers, travel agents, post offices, dry cleaners, sandwich bars, supermarkets, discount stores, charity shops	Within A1
A2 Financial and professional services	Banks, building societies, estate agents, betting shops, pawnbrokers, payday loan shops	Within A2, or to A1
A3 Restaurants and cafés	Units selling food and drink for consumption on the premises	Within A3, or to A1, A2
A4 Drinking establishments	Public houses and wine bars, but not including night clubs	Within A4, or to A1, A2, A3
A5 Hot food takeaways	Units selling hot food for consumption off the premises	Within A5, or to A1, A2, A3

Source: [planningportal.gov.uk](http://planningportal.gov.uk), based on the Town and Country Planning (Use Classes) Order 1987

- 3.7 These planning rules allow a wide range of use changes for high street shops without permission being required. For instance, because all A1 to A5 units can be converted for A1 use, this means that almost any unit on the high street can become a supermarket or a 99p/pound shop without planning permission being required. The inclusion of betting shops, payday loan shops or pawnbrokers within the A2 class is particularly controversial: it means these businesses can open in units previously used by banks, estate agents, restaurants, cafés, pubs and takeaways without planning permission being required.
- 3.8 Local authorities do have the power to overrule these approved changes of use through an Article 4 direction under the Town and Country Planning Act. An Article 4 direction can be issued to remove the permitted development rights for certain properties; for instance a



borough may issue a direction to ensure that planning permission is required for all units being converted to betting shops on a high street. The Association of British Bookmakers has argued this gives boroughs sufficient control already.<sup>65</sup> However the London Borough of Lewisham has told the Committee that Article 4 directions are not a useful tool, because they are very expensive to apply and there is a strong risk they can be overturned following legal challenge.<sup>66</sup>

- 3.9 Stricter controls on certain use class changes have been recommended in the past, including by the London Assembly's former Planning and Housing Committee.<sup>67</sup> Some boroughs have introduced measures to control the spread of fast food takeaways; for instance in Waltham Forest where planning guidance states they should comprise no more than five per cent of units in retail centres. The Portas Review recommended that betting shops become *sui generis*, which would allow boroughs to examine every proposal for a new betting shop; this proposal is backed by the Mayor and a number of London boroughs.<sup>68</sup> the the Mayor has recommended boroughs manage the over-concentration of betting shops in his draft Supplementary Planning Guidance on Town Centres,<sup>69</sup> and has also suggested that he may change the London Plan to reflect this:

I am also considering alterations to the London Plan to encourage borough councils and others to take a strategic approach to identifying and supporting clusters of particular activities they may want to encourage to support the vitality and viability of centres, and in other cases to identify the point at which clustering starts to have a detrimental effect and put in place policies to control them.<sup>70</sup>

A bookmaker does not need planning permission to open a betting shop on the site of a former bank, estate agent, café or restaurant.

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<sup>65</sup> Written submission from Association of British Bookmakers, September 2012, page 2

<sup>66</sup> Cllr Alan Smith, LB Lewisham, Transcript of Economy Committee meeting, 6 November 2012, page 25

<sup>67</sup> *Cornered shops: London's small shops and the planning system*, Planning and Housing Committee, July 2010. Available at: [http://www.london.gov.uk/sites/default/files/Final%20draft%20small%20shops\\_0.pdf](http://www.london.gov.uk/sites/default/files/Final%20draft%20small%20shops_0.pdf)

<sup>68</sup> Written submission from LB Richmond upon Thames, December 2012, page 2; LB Lewisham, September 2012, page 3; LB Sutton, November 2012, page 2; LB Waltham Forest, November 2012, page 5; Mayor of London, November 2012, page 4

<sup>69</sup> *Town Centres: Draft Supplementary Planning Guidance*, Greater London Authority, January 2013. Available at: [www.london.gov.uk/publication/town-centres-supplementary-planning-guidance](http://www.london.gov.uk/publication/town-centres-supplementary-planning-guidance)

<sup>70</sup> Written response to Darren Johnson AM, Mayor's Question Time, 16 November 2011 [Question 3385/2011]

- 3.10 High street businesses should not face unnecessary restrictions as to where they establish their premises. However, there is strong evidence that an excess of some types of shop has a negative economic impact, by making the high street a less attractive business environment and increasing costs for other firms.**
- 3.11 The Committee’s main concerns relate to betting shops, pawnbrokers and payday loan shops. While these types of shop can serve important functions for customers, the negative impact of over-concentration on the high streets has to be addressed. Boroughs have very limited powers to prevent the spread of these shops. Communities must have greater control over whether or not any additional businesses in these categories can open.**

#### **Recommendation 5**

The government should amend the Town and Country Planning (Use Classes) Order 1987 to establish that betting shops, pawnbrokers and payday loan shops are to be considered *sui generis* for planning purposes, and therefore always require specific planning permission.

The Mayor should join the Committee in urging the government to implement this proposal. He should also ensure that the London Plan and Supplementary Guidance on Town Centres include policies on addressing the over-concentration of these shops.

We ask that the Secretary of State for Communities and Local Government and the Mayor respond to these proposals by the end of June 2013.

### **Coordinated management and strategy**

#### *Benefits of coordination*

- 3.12 High streets in London tend to have a large number of different landlords. For instance in Chatsworth Road, Hackney, there are 60 landlords for just 80 units.<sup>71</sup> Where high streets are owned by a single landlord – for instance Marylebone High Street, owned by the Howard de Walden Estate – this is believed to have significant benefits, for

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<sup>71</sup> Notes from Economy Committee visits to high streets, pages 2-3

instance in delivering a coherent strategy for the area, undertaking promotional activity and recruiting an appealing mix of tenants.<sup>72</sup> The City of Westminster told the Committee:

Where high streets come under largely single ownership, the landlord can develop and implement strategies to revive the area. We see this happening all over Westminster... Where land ownership is fragmented, a long term strategy becomes impossible. Where there is not a unifying landlord, we have found it useful to identify a venture in which owners and retailers could have an interest.<sup>73</sup>

3.13 While coordinated oversight can help boost high streets by attracting visitors, it may also be necessary as a response to the decline of some high streets. The Committee has heard from several contributors that empty units on the margins of high streets may be best converted to residential or community use: this may shrink a high street, but help it to remain viable.<sup>74</sup> Jenefer Greenwood of Grosvenor argued that this could be achieved if property owners cooperated in a collective economic vehicle for a high street, replicating the strengths of the single-owner model.<sup>75</sup>

3.14 The need for coordination extends beyond shop units. High streets have other functions, in particular providing homes and office space, both often above shops. The government has recently proposed relaxing planning regulation, making it easier for offices to be converted into homes.<sup>76</sup> Such a change is likely to have an effect on local economies. Although bringing a greater resident population into high streets may boost footfall, there is also a risk of forcing businesses to locate elsewhere because of office space shortages without local authorities being able to prevent this.

**3.15 High streets will be more successful if they have more coherent management, especially where this is led by businesses themselves. This helps to deliver strategies for making high streets more appealing, such as ensuring diversity, and may**

High streets with disparate ownership need to replicate the coordinated, strategic approach that can be implemented on high streets with a single landlord.

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<sup>72</sup> Written submission from City of Westminster, page 2; Ealing Broadway BID, October 2012, page 1; Jenefer Greenwood, Transcript of Economy Committee meeting, 6 November 2012, page 3

<sup>73</sup> Written submission from City of Westminster, August 2012, page 2

<sup>74</sup> Written submission from John Lewis Partnership, October 2012, page 1; Julian Dobson, Transcript of Economy Committee meeting, 19 September 2012, page 7

<sup>75</sup> Transcript of Economy Committee meeting, 6 November 2012, pages 15-19

<sup>76</sup> For information see: <https://www.gov.uk/government/speeches/change-of-use-promoting-regeneration>

**allow for a strategic approach to managing the conversion of marginal units. Boroughs need to consider how they can achieve this by working with high street tenants and landlords in their area.**

*Role of Business Improvement Districts*

- 3.16 In a number of London high streets, businesses have already created new structures to enable them to act jointly to enhance their area. Most notable are the Business Improvement Districts (BIDs) that have been established for a number of town centres. BIDs are business-led organisations that can raise money through an additional levy on business rates.<sup>77</sup>
- 3.17 BIDs have undertaken a variety of activities, and proven very popular with businesses. The activities BIDs have undertaken on London high streets include bidding for regeneration funds, running pop-up programmes in empty shops, staging events, running visitor centres, marketing, negotiating deals with energy and telecoms suppliers and crime prevention schemes.<sup>78</sup> A good indicator of their success is the renewal rate: member firms must vote to renew a BID at least every five years, and to date 94 per cent of renewal votes across the UK have been positive.<sup>79</sup>
- 3.18 One key limitation on the potential impact of BIDs is the exclusion of landlords. At present, property owners cannot become full members of BIDs – they do not pay the levy or have voting rights – and can only be involved on a voluntary basis. This restricts the extent to which BIDs represent all high street businesses, and the prospect of using them as vehicles for cooperation among landlords. There is consensus in support of allowing landlords to join BIDs<sup>80</sup> – including the main representative body for landlords, the British Property Federation –

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<sup>77</sup> BIDs typically have 300-600 member companies, and charge a business rate levy of 2% or less.

<sup>78</sup> Notes from Economy Committee visits to high streets, pages 4-5 [Camden Town]; Written submission from LB Croydon, August 2012, pages 3-4; Ealing Broadway BID, October 2012, page 4; Jacquie Reilly, Transcript of the Economy Committee meeting, 19 September 2012, page 23

<sup>79</sup> *Nationwide BID Survey 2012*, British BIDs, 2012. Available at: <http://www.britishbids.info/Home/Nationwidebidsurvey2012.aspx>. It is not possible to calculate vacancy rates in BID areas because of different geographical definitions used in GLA data.

<sup>80</sup> Jacquie Reilly, Transcript of the Economy Committee meeting, 19 September 2012, page 27; Written submission from British Property Federation, August 2012, page 5

and it was recommended in the Portas Review. The government has stated that it is considering how the proposal can be implemented.<sup>81</sup>

**3.19 Business Improvement Districts offer an opportunity for high street businesses to act in a coordinated way. We would like to see these used more widely in London, and we explore how the Mayor can encourage this in the remainder of this section. We also want landlords to become full members of BIDs, and urge the government to fulfil its pledge to enable this to happen.**

*Increasing Business Improvement Districts*

3.20 In his 2012 election manifesto, the Mayor pledged to double the number of BIDs in London by 2016, which would bring the number to around 50. The GLA's investment in this area has so far been limited: the Mayor has funded an annual award ceremony for BIDs, hosted meetings between BIDs and boroughs, and deployed one GLA officer to provide advice and information to business groups.<sup>82</sup> However it is expected that this activity will be increased. The GLA has recently commissioned research into which areas of London have the potential to establish new BIDs and what support is required.<sup>83</sup>

3.21 A number of contributors suggested business groups wishing to establish a BID need help with the start-up costs, which they may not be able to obtain from commercial sources.<sup>84</sup> Some boroughs already provide this type of funding, and the government is also planning to launch a £500,000 fund to help new BIDs obtain loans.<sup>85</sup>

3.22 Providing training and advice for business groups may help them to establish BIDs. The Committee has heard that business groups may lack the skills and expertise needed for the complex process of establishing a BID. Groups often pay for specialist support, which may have led to duplication as groups in different areas have paid separately for support they should have been able to access jointly.

In his 2012 election manifesto the Mayor pledged to double the number of Business Improvement Districts in London.

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<sup>81</sup> *High streets at the Heart of our Communities: the Government's Response to the Mary Portas Review*, March 2012. Available at: <http://www.bis.gov.uk/highstreet>

<sup>82</sup> Fiona Fletcher-Smith, GLA, Transcript of Economy Committee meeting, 6 November 2012, pages 34-35

<sup>83</sup> Written submission from Mayor of London, November 2012, pages 2-3. For information on the research study see: <http://www.london.gov.uk/who-runs-london/greater-london-authority/directors-decisions/dd908>

<sup>84</sup> Written submission from City of Westminster, August 2012, page 2; LB Croydon, August 2012, page 6; British Retail Consortium, August 2012, page 4

<sup>85</sup> *High streets at the Heart of our Communities*, Department for Communities and Local Government

Jacquie Reilly, former BID Director at the Association of Town Centre Management, told the Committee:

Particularly for smaller places, which applies to a lot of the high streets in London... they do not necessarily have the funds or the skills or the expertise just to read a toolkit and decide how to [set up a BID]. They also spend a lot of time reinventing the wheel.<sup>86</sup>

- 3.23 Another possible barrier to the establishment of a BID is the concern among businesses about the use of their financial contribution. The Committee heard that some businesses are concerned that the money they pay to a BID through the business rate levy may be used to replace funding for existing public services, so it is not truly *additional* funding.<sup>87</sup> If this is the case it could limit their willingness to agree to proposals for a new BID. As the London Chamber of Commerce and Industry told the Committee:

The key... is to ensure that any services provided by new BIDs are in addition to what is already provided by local councils and the GLA. Businesses should not be expected to pay more in business rates to have services delivered that should actually be delivered as a public service.<sup>88</sup>

Those seeking to establish BIDs need to dispel concerns that the business rate levy will be used to fund services that should be delivered by public bodies.

- 3.24 One proposal made to the Committee is that public sector organisations – in particular Transport for London (TfL) and the Metropolitan Police Service (MPS) – should sign baseline service agreements with BIDs, confirming the public services that will be provided in BID areas.<sup>89</sup> This may help counter concerns that existing public services will be withdrawn as the BID funds its own local initiatives. Information received from the Mayor confirms that although TfL and the MPS have worked in close partnership with BIDs, formal service agreements are rare:<sup>90</sup>

- MPS has signed service agreements with two BIDs: Paddington and Victoria BIDs. The MPS also provides resources to the Angel, Croydon, Ilford and Inmidtown BIDs as part of agreements with their respective boroughs; and

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<sup>86</sup> Transcript of Economy Committee meeting, 19 September 2012, pages 24-25

<sup>87</sup> Matthew McMillan, Ealing Broadway BID, Transcript of Economy Committee meeting, 6 November 2012, page 9;

<sup>88</sup> Written submission from London Chamber of Commerce and Industry, September 2012, page 4

<sup>89</sup> Written submission from City of Westminster, August 2012, page 2

<sup>90</sup> Written response from Boris Johnson to Andrew Dismore AM, Mayor's Question Time, 21 November 2012 [Question 3548/2012]

- TfL has not signed service agreements with any BIDs. However TfL has worked alongside the Camden Town Unlimited, Better Bankside, New West End Company and Waterloo Quarter BIDs in delivering transport improvements in their areas.

3.25 BIDs may not be suitable for every high street, especially smaller centres, because of the resources that are required. However a number of smaller centres have established coordinating vehicles and undertaken similar activities. For instance during this investigation the Committee has heard about the work of the business-led Crouch End Project, the Traders and Residents Association in Chatsworth Road and the Harringay Green Lanes Traders Association. The Portas Review recommended the introduction of ‘town teams’, partnerships between high street tenants, landlords, residents, the local authority and others; these are being established in London’s Portas Pilot areas.

**3.26 The Committee supports the Mayor’s ambition to increase the number of Business Improvement Districts in London. However we would like to see the Greater London Authority becoming much more proactive in pursuing this aim in the near future. There are a number of ways to provide support to those seeking to establish BIDs. The most effective steps the Mayor could take are providing access to training and advice for business groups, and ensuring that GLA Group bodies have clear agreements in place to continue delivering services in BID areas.**

### **Recommendation 6**

To support a further increase in the number of Business Improvement Districts the Mayor should:

- a) Instruct Transport for London and the Metropolitan Police Service to negotiate and sign baseline service agreements with all BIDs, where these are not currently in place, and begin discussions with business groups seeking to become BIDs.
- b) Establish a London-wide ‘academy’, through which business groups can receive regular training and advice from experts and existing BIDs on how to set up and run a BID. These sessions should also include tailored support for groups in areas where BIDs cannot be established, covering the alternative models available. The Mayor should ask that this proposal be discussed by the

London Enterprise Panel at its meeting in May 2013.

We ask that the Mayor respond to this recommendation by the end of June 2013.

### Compulsory Purchase Orders

- 3.27 Local authorities and the GLA have the power to purchase land or buildings through a Compulsory Purchase Order (CPO), if required as part of a development scheme. The Portas Review argued for the wider use of CPOs to help rejuvenate high streets, and recommended that BIDs be given CPO powers. In response the government urged local authorities to be more proactive with CPO powers, but rejected the idea of extending these to BIDs.<sup>91</sup>
- 3.28 Contributors to the Committee's investigation have suggested greater use of CPOs. For instance Julian Dobson of Urban Pollinators suggested that local authorities should be able to use a CPO for any high street unit left empty for a certain amount of time and where the landlord cannot be traced.<sup>92</sup> Changes to legislation would be required to enable CPOs to be used for this purpose.
- 3.29 Matthew McMillan of Ealing Broadway BID suggested a new type of CPO, termed a 'CPO-lite', which would allow purchase of a lease on a temporary basis – perhaps 10-15 years – rather than permanently buying an entire property:

In the event of a problem vacancy, a BID/local authority could CPO a lease, at a value set by the market, for a specified period. The [BID] would aim to create value by running a high profile tenancy programme that improves the value of the unit. Having stimulated demand, the [BID] would assign the remaining portion of the lease to a carefully selected new tenant at a premium, drawing down an income from this deal. The surplus created would be re-invested in future vacant premises or other measures to improve the High Street.<sup>93</sup>

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<sup>91</sup> *High streets at the Heart of our Communities*, Department for Communities and Local Government

<sup>92</sup> Julian Dobson, Transcript of Economy Committee meeting, 19 September 2012, page 28

<sup>93</sup> Written submission, Ealing Broadway BID, October 2012, page 4. For further discussion see also Transcript of Economy Committee meeting, 6 November 2012, pages 10-12

Empty shops could be brought back into use using a new type of Compulsory Purchase Order for high street leases.



- 3.30 Cost and time are significant barriers to the use of traditional CPOs. This would especially be the case for efforts to address empty high street shops, as local authorities would probably need to purchase multiple shops in order to make a meaningful impact on the area.<sup>94</sup> The length of time it takes to complete the process also means that even if a borough uses a CPO for one unit, it is likely other units around may have become vacant in the meantime. A CPO-lite power may be effective in addressing these problems because buying a fixed-term lease would be cheaper and potentially quicker than buying an entire property.
- 3.31 BIDs have already taken similar steps under their existing powers. In Camden Town, the BID is taking on the leases of up to six empty high street shops, in order to make them available for temporary uses before letting them out to commercial tenants.<sup>95</sup> The outcomes of the project are not yet known, but it further demonstrates willingness among BIDs to undertake this kind of initiative.

**3.32 Local authorities and business leaders should be further empowered to deal with persistent vacancies in the high street. Where other, voluntary measures have failed, being able to use a Compulsory Purchase Order for a shop lease may help bring units back into use. Boroughs' existing CPO powers should be modified so they can purchase leases for empty shops. This power should also be extended to BIDs.**

**Recommendation 7**

The government should explore the feasibility a new type of Compulsory Purchase Order for medium-term shop leases, available to both local authorities and Business Improvement Districts. The government may consider piloting this measure in a number of areas; if so this programme should commence within 2013.

The Mayor should initiate discussions with London boroughs and Business Improvement Districts to develop more detailed proposals for the new CPO, and develop plans for a pilot scheme in London.

We ask that the Secretary of State for Communities and Local Government and the Mayor respond to this proposal by the end of June 2013.

<sup>94</sup> Written submission, Ealing Broadway BID, October 2012, page 4

<sup>95</sup> Notes from Economy Committee visits to high streets, pages 4-5 [Camden Town]

Public transport is the most commonly used form of travel for visitors to London's high streets.

## Accessibility

- 3.33 Evidence received by the Committee during this investigation suggests that many of London's high streets are relatively hard to access. A contrast can be drawn with large shopping malls and supermarkets, or out-of-town retail parks, which tend to have large, free car parks and good public transport connections.
- 3.34 Transport for London (TfL) has conducted a regular Town Centre Study since 1999. The most recent shows that public transport and walking are the most common ways for Londoners to visit high streets, across all parts of the city, as presented in Table 5 below.<sup>96</sup>

**Table 5: Means of travel to town centres, London 2011**

Mode	Outer London	Inner London	Central London
Bus	37%	37%	24%
Underground	5%	4%	52%
Train	7%	10%	11%
Walking	25%	35%	8%
Cycle	2%	3%	1%
Car	22%	10%	4%

Source: Transport for London, 2011

- 3.35 The TfL Town Centre Study also identified the average spend of high street visitors, according to the mode of transport they used. This showed that car drivers spent more in each visit, but less over a longer period because of the lower frequency of visits. Table 6 overleaf presents information on high street spending habits by mode.
- 3.36 We have heard complaints and suggestions relating to all of the different forms of transport Londoners use to access high streets. Contributors have argued for, in particular:
- Improvements in pedestrian access, such as wider pavements.<sup>97</sup>

<sup>96</sup> *Town centre study 2011*, Transport for London, 2011. Available at: <http://www.tfl.gov.uk/assets/downloads/customer-research/town-centre-study-2011-report.pdf>

<sup>97</sup> Written submission from Barnet Traders and Town Team, September 2012, pages 3-4; Written submission from Southwark Living Streets, October 2012, pages 1-2

- More cycle parking, particularly in visible locations where bikes can be parked safely.<sup>98</sup>
- Shuttle bus services to link local communities to high streets.<sup>99</sup>
- More car parking capacity or lower parking charges.<sup>100</sup>

**Table 6: Average high street spend per person, London 2011**

Mode	Per visit	Per week	Per month
Bus	£32	£70	£282
Underground / Train	£38	£59	£239
Walking	£26	£93	£373
Cycle	£21	£47	£188
Car	£41	£56	£226

Source: Transport for London, 2011

3.37 The London Assembly Transport Committee has considered how to increase cycling and walking in several recent investigations. The Committee has proposed, for instance:

- The introduction of more segregated cycle space on London’s roads, to enhance cycling safety.<sup>101</sup>
- Use of the Mayor’s planning powers to ensure more cycle parking spaces are included in new developments.<sup>102</sup>
- The expansion of the Mayor’s Key Walking Route scheme, which improves routes to town centres through more lighting, wider walkways, de-cluttering street furniture, and so on.<sup>103</sup>

A number of ways to make it easier and safer to cycle or walk to London’s high streets have been identified.

<sup>98</sup> Cllr Alan Smith, Transcript of Economy Committee meeting, 6 November 2012, page 37; Written submission from Southwark Living Streets, October 2012, pages 1-2

<sup>99</sup> Written submission from Barnet Traders and Town Team, September 2012, page 4; Public comments, number 15

<sup>100</sup> Public comments, numbers 1, 12, 16, 21, 28, 29; Written submission from John Lewis Partnership, October 2012, page 1

<sup>101</sup> *Gearing up: An investigation into safer cycling in London*, Transport Committee, 2012. Transport Committee reports are available at: <http://www.london.gov.uk/who-runs-london/the-london-assembly/publications/transport>

<sup>102</sup> *Stand and deliver: Cycle parking in London*, Transport Committee, 2009

<sup>103</sup> *Walk this way: Making walking easier and safer in London*, Transport Committee, 2010

3.38 The availability and cost of car parking was the transport issue raised most often with the Committee during this investigation. In particular, we heard from a number of traders that they believe people are discouraged from visiting high streets because of parking issues. Although there is strong evidence that business owners tend to over-estimate the proportion of their customers that travel by car,<sup>104</sup> it is clear that this is a widespread concern. As the Federation of Small Businesses told the Committee:

Poor parking policies remain a prime frustration of our members. Councils need to understand the damage that regressive parking strategies have on businesses. The drop in footfall leads to a rise in out of town movement and many shops lose their ability to remain sustainable. The FSB encourages councils to adopt free/reduced parking levies for short term stays to encourage people to shop locally.<sup>105</sup>

3.39 The evidence on the impact of parking charges is mixed.<sup>106</sup> Some research has identified an adverse effect of high charges on retail takings, particularly where there is competition from other retail centres offering free parking. Charges are also associated with turnover of parking spaces, which is itself linked to higher retail takings. Findings on the impact of removing charges altogether are clearer. In cases where local authorities have removed charges in town centres this has had unintended, negative consequences, in particular spaces being occupied by traders or employees rather than shoppers, and an increase in traffic as motorists cruise the area looking for a space.

3.40 The idea of removing parking charges altogether has little support. However, parking schemes offering exemptions or reduced charging have been implemented in a number of areas and enjoy wider support. In Christchurch, Dorset, the local chamber of commerce runs a scheme in which visitors can have their parking charge refunded if they spend £10 on the high street.<sup>107</sup> In several parts of London, boroughs have introduced free or reduced initial periods of parking, similar to the Federation of Small Businesses proposal above: in Croydon and Richmond parking is free for the first 30 minutes, while in parts of

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<sup>104</sup> *The relevance of parking in the success of urban centres*, London Councils, November 2012. Available at: <http://www.londoncouncils.gov.uk/policylobbying/transport/parkinginlondon/parkingurban.htm>

<sup>105</sup> Written submission from Federation of Small Businesses, August 2012, page 2

<sup>106</sup> *The relevance of parking in the success of urban centres*, London Councils

<sup>107</sup> For information see: <http://www.xchtrade.com/docs/refunds.pdf>

Hammersmith & Fulham there is a 40p charge for a maximum one-hour stay.<sup>108</sup>

- 3.41 High streets need to be accessible via a wide range of transport options. In particular we hope to see more Londoners walking or cycling to high streets. We urge Transport for London and boroughs to continue efforts to increase sustainable travel, in line with previous Transport Committee recommendations on this issue.**
- 3.42 Generating a high turnover of car parking spaces should be a priority. This allows more people to access the high street and boost the local economy. Offering a free or discounted initial period of parking is one method boroughs are using: this may have potential to help encourage people to choose high streets over out-of-town locations. Such measures need paying for, however, so boroughs would have to introduce higher charges for longer stays.**

### **Recommendation 8**

Boroughs should prioritise turnover of spaces in their parking strategies. One option boroughs should consider is an initial half-hour of free or discounted parking around high streets, with higher charges for longer stays to recoup costs and encourage turnover.

In its next Town Centre Study, Transport for London should assess the effectiveness of parking initiatives of this type introduced by boroughs. In particular schemes should be assessed for their impact on high street performance and congestion levels.

We ask for responses from London boroughs and Transport for London to this recommendation by the end of June 2013.

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<sup>108</sup> For information on these schemes see, for Croydon: <http://www.croydon.gov.uk/transportandstreets/parking/freeparking>.  
For Richmond upon Thames: [http://www.richmond.gov.uk/home/transport\\_and\\_streets/parking/parking\\_meters/richmondcard.htm](http://www.richmond.gov.uk/home/transport_and_streets/parking/parking_meters/richmondcard.htm).  
For Hammersmith & Fulham: <http://www.fulhamchronicle.co.uk/fulham-and-hammersmith-news/local-fulham-and-hammersmith-news/2012/12/05/low-cost-parking-bays-open-in-time-for-christmas-82029-32367049/>

## Good practice: taking advantage of the internet

Internet retail sales have grown dramatically in recent years, outstripping the increase in high street sales. It is estimated that online spending trebled between 2004 and 2010; strong growth has continued recently, with an approximate 15.5 per cent increase in internet sales in the past year.<sup>i</sup> The rise of the internet has been cited as a key factor in the recent demise of some major high street chains such as Comet, HMV and Blockbuster.<sup>ii</sup>

This does not mean high streets can no longer play an important function. Despite the increase in online shopping, at least four times as much retail spending still occurs in town centres.<sup>iii</sup> Furthermore, high streets have the ability to offer a range of activities that the internet cannot, from getting a haircut to having a coffee with friends. The content of shopping centres has shifted toward services away from retail,<sup>iv</sup> and the high street could also change in this way.

The high street could also take advantage of the opportunities the internet offers. One way is by using the web to market the high street and give potential shoppers information about what it offers. Clare Richmond of the consultancy SpeakTo – who led the successful business-led initiative to boost the high street in Crouch End – highlighted the importance of this:

...people do a lot of research and browsing before going to the shop, and so in some ways it could be a perfect marriage if you get the right online presence. So you can showcase businesses, because a lot of people forget what is on their high street. It is one of the big problems that people are so used to shopping in a particular way. You need to introduce yourself. And so online, if used well, could work in your favour. You have to have a presence.<sup>v</sup>

Another idea is to integrate the high street more closely with internet shopping. This might be done by creating pick-up points on high streets where people can collect items they have bought online. As Jenefer Greenwood of Grosvenor told the Committee:

To use the town centre or the high street as the location for delivery of manageable parcels is an idea that really ought to be promoted... this gives the opportunity for people to come to a central space, come into the town centre, and then the town centre to promote itself on the back of that journey.<sup>vi</sup>

Some individual retailers have introduced this type of service already. John Lewis has developed a multi-channel offer in all its stores, so customers can buy online from the shop floor.<sup>vii</sup> Argos has increasingly seen its customers move towards an online reservation service, where items are chosen online and picked up in a local store.<sup>viii</sup> Amazon has initiated delivery of items to shops, such as convenience stores, as well as installing secure lockers in other locations, so customers can collect items locally.

### Recommendation 9

The government's Future High Street Forum should focus on developing practical measures the retail industry as a whole could implement to integrate the high street with the internet. This will build on individual firms' recent initiatives, for instance establishing high street collection points for online orders. This has the potential to bring internet shoppers to the high street and utilise empty units.

i. *Understanding high street performance*, Department for Business, Innovation and Skills, December 2011; *Retail sales December 2012*, Office for National Statistics, January 2013

ii. 'Blockbuster follows HMV and Jessops in a terrible week for the high street', *The Guardian*, 16 January 2013

iii. *Understanding high street performance*, Department for Business, Innovation and Skills, December 2011

iv. Edward Cooke, British Council of Shopping Centres, Transcript of the Economy Committee meeting, 19 September 2012, page 30

v. Transcript of the Economy Committee meeting, 6 November 2012, page 21

vi. Transcript of the Economy Committee meeting, 6 November 2012, page 21

vii. 'John Lewis: Evolving to lead cross-channel service', *internetretailing.net*, September 2010

viii. 'Argos sees successful transition to click-and-collect', *www.bbc.co.uk*, 17 January 2013

# Appendix 1 Recommendations

## Recommendation 1

The Mayor should explore the feasibility of a new London-wide service providing advice and mediation support for small businesses seeking to negotiate new lease terms with landlords. He should consider what GLA funds are available for this service, and also hold discussions with external organisations that may provide financial or in-kind support; these should include companies involved in the High Street Fund and London boroughs. The service should aim to be operational by the end of 2013 and be funded for two years, with a review at the end of that period.

The Mayor should ask for this proposal to be discussed by the London Enterprise Panel at its meeting in May 2013.

We ask the Mayor to respond to this recommendation by the end of June 2013.

## Recommendation 2

The government should reduce entitlement to Empty Property Rate Relief in London to the first two months of a property's vacancy. The savings from this change should be used to fund an extension of Small Business Rate Relief in London, so more businesses are entitled to claim this discount. This arrangement should be put in place for two years, beginning in 2013, and reviewed at the end of that period.

The Mayor should join the Committee in urging the government to implement this recommendation.

We ask that the Secretary of State for Communities and Local Government and the Mayor respond to this recommendation by the end of June 2013.

## Recommendation 3

The government should make it a requirement of the receipt of Empty Property Rate Relief that any new claimants must permit the publication of their identity and contact details by local authorities.

The Mayor should join the Committee in urging the government to implement this recommendation, and commit to compiling landlords' details into a London-wide empty shop register. The register should be operational by the end of 2013.

We ask that that the Secretary of State for Communities and Local Government and the Mayor respond to this recommendation by the end of June 2013.

#### **Recommendation 4**

The government's Future High Street Forum should focus on ways to encourage pop-up and interim uses for empty shops. In particular, it should draw on the models being developed in Camden Town and Brent to identify how boroughs and Business Improvement Districts can establish area-wide schemes that are actively managed, ensuring high-quality and complementary uses.

#### **Recommendation 5**

The government should amend the Town and Country Planning (Use Classes) Order 1987 to establish that betting shops, pawnbrokers and payday loan shops are to be considered *sui generis* for planning purposes, and therefore always require specific planning permission.

The Mayor should join the Committee in urging the government to implement this proposal. He should also ensure that the London Plan and Supplementary Guidance on Town Centres include policies on addressing the over-concentration of these shops.

We ask that the Secretary of State for Communities and Local Government and the Mayor respond to these proposals by the end of June 2013.

#### **Recommendation 6**

To support a further increase in the number of Business Improvement Districts the Mayor should:

- a) Instruct Transport for London and the Metropolitan Police Service to negotiate and sign baseline service agreements with all BIDs, where these are not currently in place, and begin discussions with business groups seeking to become BIDs.
- b) Establish a London-wide 'academy', through which business groups can receive regular training and advice from experts and existing BIDs on how to set up and run a BID. These sessions should also include tailored support for groups in areas where BIDs cannot be established, covering the alternative models available. The Mayor should ask that this proposal be discussed by the London Enterprise Panel at its meeting in May 2013.

We ask that the Mayor respond to this recommendation by the end of June 2013.



### **Recommendation 7**

The government should explore the feasibility a new type of Compulsory Purchase Order for medium-term shop leases, available to both local authorities and Business Improvement Districts. The government may consider piloting this measure in a number of areas; if so this programme should commence within 2013.

The Mayor should initiate discussions with London boroughs and Business Improvement Districts to develop more detailed proposals for the new CPO, and develop plans for a pilot scheme in London.

We ask that the Secretary of State for Communities and Local Government and the Mayor respond to this proposal by the end of June 2013.

### **Recommendation 8**

Boroughs should prioritise turnover of spaces in their parking strategies. One option boroughs should consider is an initial half-hour of free or discounted parking around high streets, with higher charges for longer stays to recoup costs and encourage turnover.

In its next Town Centre Study, Transport for London should assess the effectiveness of parking initiatives of this type introduced by boroughs. In particular schemes should be assessed for their impact on high street performance and congestion levels.

We ask for responses from London boroughs and Transport for London to this recommendation by the end of June 2013.

### **Recommendation 9**

The government's Future High Street Forum should focus on developing practical measures the retail industry as a whole could implement to integrate the high street with the internet. This will build on individual firms' recent initiatives, for instance establishing high street collection points for online orders. This has the potential to bring internet shoppers to the high street and utilise empty units.

## Appendix 2 Views and information

A summary of the views and information shared with the Committee during this investigation can be downloaded at:  
[http://www.london.gov.uk/sites/default/files/Final\\_Empty%20shops\\_evidence%20summary.pdf](http://www.london.gov.uk/sites/default/files/Final_Empty%20shops_evidence%20summary.pdf)

### Written submissions

The Committee received written submissions from the following individuals and organisations:

- Association of British Bookmakers
- Barnet Traders and Town Team
- British Bankers Association
- British Property Federation
- British Retail Consortium
- Camden Town Unlimited
- Charity Retail Association
- City of Westminster
- Ealing Broadway Business Improvement District
- ExtraVerte
- Federation of Small Businesses
- Grosvenor
- Dr Suzanne Hall, LSE Cities, London School of Economics and Political Science
- John Lewis Partnership
- London Borough of Bexley
- London Borough of Brent
- London Borough of Croydon
- London Borough of Hackney
- London Borough of Lewisham
- London Borough of Richmond upon Thames
- London Borough of Sutton
- London Borough of Waltham Forest
- London Chamber of Commerce and Industry
- Dr Claudio De Magalhães, Bartlett School of Planning, University College London
- Mayor of London
- Meanwhile Foundation
- Southwark Living Streets
- SpeakTo

Submission can be accessed on the London Assembly website via:  
<http://www.london.gov.uk/who-runs-london/the-london-assembly/publications/londons-economy>

## Public comments

The Committee received 36 submissions from members of the public. Comments can be accessed on the London Assembly website via: <http://www.london.gov.uk/who-runs-london/the-london-assembly/publications/londons-economy>

## Committee meetings

19 September 2012, with the following guests:

- David Abramson, Rent Reform,
- Edward Cooke, British Council of Shopping Centres
- Andrew Cribb, 3Space
- Julian Dobson, Urban Pollinators
- Matthew Jaffa, Federation of Small Businesses
- Daniel Morgan, British Retail Consortium
- Jacquie Reilly, Association of Town Centre Management

The transcript can be downloaded at:

<http://www.london.gov.uk/moderngov/ieListDocuments.aspx?CId=255&MId=4596&Ver=4>

6 November 2012, with the following guests:

- Fiona Fletcher-Smith, Greater London Authority
- Jenefer Greenwood, Grosvenor
- Mark Holder, Department for Communities and Local Government
- Matthew McMillan, Ealing Broadway Business Improvement District
- Councillor Vidhi Mohan, London Borough of Croydon
- Councillor Alan Smith, London Borough of Lewisham
- Clare Richmond, SpeakTo

The transcript can be downloaded at:

<http://www.london.gov.uk/moderngov/ieListDocuments.aspx?CId=255&MId=4597&Ver=4>

## Site visits

On 14 September 2012 Committee Members visited:

- Peckham (Southwark)
- Stratford (Newham)
- Chatsworth Road (Hackney)
- Green Lanes (Haringey)

On 20 September 2012 Committee Members visited:

- Camden Town (Camden)
- North Finchley (Barnet)

For the site visit notes see: [http://www.london.gov.uk/who-runs-london/the-london-assembly/assembly\\_investigation/empty-shops](http://www.london.gov.uk/who-runs-london/the-london-assembly/assembly_investigation/empty-shops)

### **Informal meetings**

The Committee Chair and/or Scrutiny Manager held informal meetings with:

- 3Space
- Association of Convenience Stores
- Association of Town Centre Management – Chief Executive
- Association of Town Centre Management – London region members
- Edel Assanti
- Greater London Authority
- John Lewis Partnership
- London Chamber of Commerce and Industry
- Meanwhile Space
- Rent Reform
- Somewhere to

# Appendix 3 Orders and translations

## How to order

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## Large print, braille or translations

If you, or someone you know, needs a copy of this report in large print or braille, or a copy of the summary and main findings in another language, then please call us on: 020 7983 4100 or email: [assembly.translations@london.gov.uk](mailto:assembly.translations@london.gov.uk).

### Chinese

如您需要这份文件的简介的翻译本，请电话联系或按上面所提供的邮寄地址或 Email 与我们联系。

### Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

### Greek

*Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.*

### Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

### Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਅਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

### Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

### Bengali

আপনি যদি এই দস্তাবেজের একটি সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফোন করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

### Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں درکار ہو تو، براہ کرم نمبر پر فون کریں یا مذکورہ بالا ڈاک کے پتے یا ای میل پتے پر ہم سے رابطہ کریں۔

### Arabic

الحصول على ملخص لهذا المستند بلغةتك،  
فرجاء الاتصال برقم الهاتف أو الاتصال على  
العنوان البريدي العادي أو عنوان البريدي  
الإلكتروني أعلاه.

### Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઇ-મેઇલ સરનામા પર અમારો સંપર્ક કરો.

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