

Housing, Communities and Local Government Committee

Oral evidence: Supporting our high streets after Covid-19, HC 624

Monday 11 January 2021

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Members present: Mr Clive Betts (Chair); Bob Blackman; Ian Byrne; Brendan Clarke-Smith; Ben Everitt; Paul Holmes; Rachel Hopkins; Mary Robinson.

Questions 44 - 98

Witnesses

I. Scott Corfe, Research Director, Social Market Foundation; Cllr Mark Crane, Lead for Economic Development, District Councils Network; and Paul Swinney, Director of Policy and Research, Centre for Cities.

II. Martin McTague, National Vice Chair, Policy and Advocacy, Federation of Small Businesses; and Ros Morgan, Chief Executive, Heart of London Business Alliance.

Examination of Witnesses

Witnesses: Scott Corfe, Councillor Mark Crane and Paul Swinney.

Chair: Welcome to this afternoon's evidence session of the Housing, Communities and Local Government Select Committee as part of our inquiry into supporting our high streets after Covid-19. We can all see that one of the impacts of Covid has been on people's shopping habits, among other things. People are shopping online because many of the shops on the high street in town, city and district centres are not open or available. This clearly has a major impact and repercussions, but this afternoon we are trying to look at what happens after Covid, taking account of the last few months and, indeed, how the high street was performing before Covid.

We have two panels of witnesses this afternoon. I will bring in the first panel in a minute to introduce themselves. Before we do that, I am just going to ask members of the Committee to put on the record any particular interests they have that may be relevant to this inquiry. I am a



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vice-president of the Local Government Association.

Bob Blackman: I am also a vice-president of the Local Government Association, I employ a councillor in my office and my local authority has just been successful in being awarded a high streets fund allocation.

Brendan Clarke-Smith: I am a councillor and I also employ a councillor.

Ben Everitt: I am a councillor.

Rachel Hopkins: I am also a vice-president of the LGA, I am a sitting councillor and I employ a councillor.

Mary Robinson: I employ a councillor in my staff team, and I am a member of the Cheadle Towns Fund board.

Ian Byrne: I am a sitting councillor in Liverpool.

Q44 **Chair:** Thank you very much for those declarations from members of the Committee. We now move over to our witnesses. I am just going to ask them to say a little bit about themselves, who they are and the organisation they represent.

Scott Corfe: I am Scott Corfe. I am the research director of the Social Market Foundation thinktank. We are a politically independent thinktank based in Westminster.

Councillor Mark Crane: I seem to be in good company today: I am a sitting councillor as well. I am the leader of Selby District Council and I am also representing the District Councils Network here today.

Paul Swinney: Good afternoon, everyone. I am director of policy and research at the Centre for Cities thinktank. We look at the 63 largest urban areas in the UK and have done a lot of work in terms of the performance of their high streets and their town and city centres in particular over the last 10 months.

Q45 **Chair:** We will begin by looking at some of the challenges of Covid. I will indicate which of the witnesses I would like to answer first, and then we will come on to the others. If there is a response from a previous witness that you agree with, just say that you agree; there is no need to repeat everything. If you disagree, tell us very clearly why you do so.

We seem to have been here before, do we not? We have another lockdown, the third, in varying degrees, that we have had now with the Covid situation. We have so far had a £4.6 billion support package for high streets alongside other financial support that is there. Is that going to be enough to save high street businesses, or are we going to see more collapses like Debenhams, which clearly has been a while in coming but finally appears to have happened?

Scott Corfe: It is really important in answering this question to make a distinction between what is a short-term, cyclical trend—what is occurring as a result of this downturn caused by coronavirus—and what the long-term impact on the economy is going to be and what structural changes



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are taking place at the moment. This £4.6 billion fund will be enough to help some businesses through the current cyclical downturn that we are going through, but we are seeing that the pandemic has accelerated a lot of the trends we were already seeing prior to the coronavirus pandemic. This is going to lead to the structural decline of a lot of high streets.

During the pandemic, you have seen a shift towards online retail. Some of the survey evidence suggests that this is going to be a permanent change in shopping behaviour. One study by Retail Economics estimates that a quarter of the population are going to permanently change their shopping habits, even as we get out of lockdown. Similarly, the pandemic has seen us shift towards home-working. Here, the survey evidence is showing that this is probably going to be a semi-permanent shift. Although we might not be working at home every day of the week, we are probably moving over to a hybrid model.

We are going to see a structural decline in demand for high street retail space and also, in town and city centres, a structural decline in demand for office space as well. Both of these segments of commercial real estate are going to go into decline. In terms of the scale of Government support needed, the £4.6 billion might be enough in the short term but, going forward, there are going to be urban regeneration costs across the country amounting to much more than that. Going forward, there is going to need to be a lot more thinking about how we fund the regeneration of towns and cities in an age where people are shopping online and working from home.

Councillor Mark Crane: I agree with everything that Scott has said. In the future, we will look back at Covid and what has happened and see that it has just exaggerated what was already a big trend. We will only see this increase. The number of people shopping online has clearly increased over the last decade, and it would have increased even without Covid, but Covid has made it happen that much more quickly. It will also mean that some household names that we have come to know and perhaps love on our high street will no longer exist post Covid, although many of those may well have gone in the future in any case.

The other thing I would say is that it is up to local councils and local people to make sure that their high street reflects what they want. There will be opportunities as a result of this, as well as all of the businesses that have lost. There will be new opportunities for people to start businesses, some of which we probably have not even thought of today and some of which are just coming to the fore.

Paul Swinney: I want to paint a bit more positive picture than the other two witnesses, based on the data that we have in terms of what has happened in the last 10 months. The first thing to say is that it is important for us to separate out what is an issue about a particular business like Debenhams, its business model and how it has or has not



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adapted to changes in recent years, as opposed to structural changes that we might see within retail or, more generally, high street businesses.

For something like Debenhams, I probably have some thinking as to why it is the case, but what we need to separate out is whether Debenhams is failing because Covid has impacted it or whether it was in trouble already. We know that it was in trouble already because of all the press stories we had seen in the past. That is not to say that Covid is not a big issue for it, but it is really important in this debate to keep those two things separate; otherwise, we are going to get lots of things mixed up.

The second thing in terms of online versus offline is that we have seen interesting patterns in the last 10 months. Unsurprisingly, there was a large increase in online spend as we went through the first lockdown, because people could not go to the shops. That online spend has levelled out. The position that we then ended up in on the fringe of the second lockdown is one where 20 pence in the pound was spent online, which increased quite significantly because shops closed. As shops reopened by October, it increased to 25 pence in the pound, which is quite a large increase.

We then need to bear in mind a couple of things here. The first is that some businesses just are not open. Nightclubs have not traded since March, football stadiums and other sporting venues have hardly been open, conference centres have not been open, et cetera. This means that the ability for people to go and spend in a physical location is less than what it was in March, and yet we have not seen that massive increase in online. That 25% figure does not even feel like it has settled down, and maybe it will come down a little bit more.

The second thing to note is that, if you look at the way that people returned to shops when restrictions were lifted throughout the summer and into September, it suggests that there is still quite a large demand to go and shop in physical stores. That is not to say that the demand is going to be exactly the same as what it was pre-March, but it does not paint an apocalyptic picture. The big challenge is probably in particular locations where people might not go back so much.

That brings me to my third point, which throws a bit of a conundrum out there for us. We say that Covid is accelerating the challenges that the high street faces, but that does not seem to be the case in terms of geography either. In terms of recovery from the first lockdown, we have seen that those high streets that were weak going in have seen the strongest bounce-back. Those weak places are the ones that recovered their footfall most quickly and got back to February levels. I am talking about August and September last year, before we had more restrictions coming in. Those places bounced back. Examples include Birkenhead, Blackpool and Wigan. In the centres of those towns and cities, footfall came back.



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Places that struggled are those that went in very strong. The centres of Birmingham, London and, as we see in all the news stories, Manchester had really vibrant high streets. Their high streets were not struggling pre-March; they were doing very well, despite stories about the death of the high street, but they have really struggled since. The principal reasons for that are twofold. One is workers, with people working from home, and the second one is, in London's case in particular, international tourists not being able to come and spend their money. Those stronger places will bounce back in the longer term.

The issue we will see is that most places that have bounced back in the short term have bounced back to a position of weakness and will face challenges in the years to come. Places like London and Manchester have really big challenges in the short term but, in the longer term, will be okay because people are going into work in the centre of London and will continue to do so. They have money in their pockets and they want to spend it.

Q46 Chair: I suppose there is a big presumption there that people are going to go back and work where they did before in the same way. We are still waiting to see that, are we not?

Paul Swinney: We will definitely wait and see. As Scott said earlier, we should not expect everyone to go back five days a week but there will definitely be more people who go back five days a week than who will not go back at all. The debate then is around how many people will go back four days a week. We will wait and see on that, and I am probably a little more hopeful on that because of the benefits that we have from face-to-face interaction. I am sure that all three of us witnesses today will say very sensible things, and I can guarantee that it would be even more impactful if we were all in the same room together. That is the reason why we think people will continue to come back, once we get Covid under control.

Q47 Chair: I will just come on to help for businesses in the high street and pose one or two alternatives. As well as the funds that the Government have made available, there has previously been help with business rates, lower VAT rates and the furlough scheme, all helping high street businesses in different ways. The demand that we have seen is for those packages of help to be continued now, given that we are into another lockdown. Is that how we should be proceeding? Should we have to wait for the Budget for that to be announced, or is that going to be too late? Indeed, next time we look at help, would it be better to try to target it to particular businesses? We have seen Tesco and other supermarkets give back large sums of business rates relief that they did not need, but that money could probably support some businesses that will struggle but which are still going to be viable in the longer term. Coming to Councillor Mark Crane first on those issues, what form should any help take, and does it need to come quickly?



Councillor Mark Crane: The form it should take is business rates relief. That was a good idea from the Government, as well as the other schemes that you have mentioned, but business rates relief could be more targeted. In my opinion, it should be targeted towards those businesses that are closed at the moment. The likes of Tesco, with respect, do not need the relief when they probably have more people spending more money in their shops than they ever have before. That relief should be targeted towards those types of businesses that have been unable to open. I feel very sorry for you if you have a children's shop selling children's clothes and you have been shut while Tesco, Morrisons and Sainsbury's have happily been selling children's clothes. It does seem very unfair if you get the same relief as Tesco and Morrisons, so that should be more evenly distributed.

I would also make a plea, although it may not have been your point, that at the moment it is an unfair playing field for online versus retail businesses. Hats off to Amazon. I have nothing against it, and it has done a tremendous job since it started. I am sure it has done very well during lockdown, but it seems slightly unfair to me that it is not paying proportionately the same amount as those businesses that have a presence on the high street. The whole thing needs looking at, but I would target help particularly to those companies that need it.

Scott Corfe: I would say that the focus for the time being needs to be on making sure businesses can access the support that they need quickly. Whilst I agree that we need more focused funding, there are limits as to how focused funding can be in the short term. In particular, in the current circumstances, it is quite difficult to assess whether a business is viable or unviable. That is a question further down the road as far as this kind of support is concerned. The focus right now is on ensuring that businesses can get funding or relief if they need it.

Q48 **Chair:** Paul, given your previous comments, perhaps you would like to indicate whether, as well as immediate help, we should be having a roadmap for recovery as well in terms of where we are going to go post lockdown and post Covid.

Paul Swinney: As Scott says, it is a trade-off around trying to be more targeted at the same time as making sure that we get support out as quickly as possible. Clearly, in circumstances like this, speed becomes more important. We are probably in a position now where the speed element had greater weight back in March than what it does now because we are 10 months into this and we now have a little more data to understand whether supermarkets or other sectors are perhaps performing better and therefore do not require that support. I am sure there is a way of probably being able to tailor it a little bit, but the speed element still becomes important.

Clearly, that is in relation to support given out like business rates exemptions. In terms of things like JRS, the furlough scheme, companies are only going to use it, in principle, if they are in trouble. You should not



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expect supermarkets to use JRS, so in some ways you do not need to exclude them from the system because they are going to continue to employ people and not use it. It is more of that fixed cost element, like business rates, where it is across the board rather than on any element of performance.

In terms of recovery, yes, there should be a roadmap. Our view is that we should see a change in policy approach once we see restrictions on businesses removed. As long as businesses are in a position where their ability to trade is restricted to deal with Covid, there should continue to be some degree of support in place. The most natural one for that is the continuation of the job retention scheme beyond April, if we feel that that is required. We could extend some of the other schemes, too. That is the turning point.

An example of where we might have tried to do that turning point a little more quickly would be the Eat Out to Help Out scheme, which in principle we would support; we had proposed something very similar before that policy was brought into place. The timing was maybe a little earlier than we would have done because we did not have Covid under control at that point, as we have subsequently seen, but we should probably look to revisit policies like that, as we can feel confident that we have the pandemic under control.

Chair: We will move on now to Paul Holmes to look at an issue that has already been mentioned, whether Covid has simply amplified trends that were there anyway or whether it has brought in new problems.

Q49 Paul Holmes: You have outlined some of the trends that have been introduced through this pandemic. In our first evidence session, our witnesses told us that high street businesses survive only on footfall. Paul, you have mentioned this already. If the trends that we are seeing with Covid become sustained, such as increased working from home and less commuting, is it the case therefore that high streets in smaller towns, market towns and suburban areas will become more important?

Paul, I was very interested in the long précis that you gave at the beginning of the meeting about your views on the trends that have been set. One of the experiences that I am picking up in parts of my constituency is that, during this pandemic, small village high streets have seen an increase in the number of new businesses being set up, and village high streets are being used more by people as they are working from home. Have you seen that replicated across the country? I will come to Paul after we have gone to this first question, but just prepare an answer for that one. Have you seen this happen across the country, with smaller village and market town high streets being used a bit more as people stay at home?

On the first point, about high streets in smaller towns, market towns and suburban areas becoming more important, would you like to go first, Scott?



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Scott Corfe: You will see these trends emerge over the coming months and years. My central view is that we are moving to a world where people who were previously commuting into city centres will be hybrid home-working. They will be in their local commuter town more days of the week and will be spending more money in the local economy. The areas, high streets and town centres that could flourish from all of these changes are perhaps those in the commuter belt, where the commuter is spending more time in their local community rather than in the city centre.

We will also see that that commuter belt of affluent towns around cities will expand, because people will be willing to tolerate a long commute a couple of days a week if they are working from home three days a week. You are going to see those areas succeed. The areas that are going to struggle are some city centres. On the whole, city centres like London will adapt in the long term but others might struggle. There are then poorer towns that might not have this wealthier commuter population, so areas like some of the deprived coastal towns will really struggle in the coming years from things like the demise of traditional retail. That is my best guess in terms of what is going to happen, where is going to succeed and where is going to struggle.

Councillor Mark Crane: It is interesting that in my district—and I know this is replicated across many of my DCN colleagues' districts as well—something like 90% of discretionary spend is not spent in my district. People who live in Selby tend to commute to Leeds and York in particular, but those are not the only two places. When you are there, it is very easy to go out and buy a coffee or a sandwich, and perhaps also to go out and buy a suit, if you are a businessman, or a nice dress, if you are a lady in business. We are seeing a small move to that not happening in the way it was. We do not have the figures for this year, but we believe that the 90% will be down. I am not saying it will be halved or anything like that, but the 90% will be less this year, albeit we cannot really compare year on year because a number of our shops have been shut.

We will see people commute less in the future. Paul may disagree with me on this point but, following Covid, we will see a couple of things in the longer term. People will be commuting less often. They will travel into their office maybe a couple of times a week rather than five days a week, and they will probably travel to London less than they did before, because of the sort of technology that we are using now. That will cause them to be able to spend more of their money in the districts, villages and towns where they live and, therefore, over a period of time, we will gradually start to see a change in that percentage, albeit that I go back to my online point: very clearly, online businesses will continue to do very well out of all this.

The other thing that we have seen, which is one of the real positives from Covid, is that, when we have done work on our high streets, and when we have blocked some roads off to cars and made them pedestrian zones, which we have done to limit the spread of the virus, we have seen



that people enjoy it and are more likely to go into the town and village centres as a result.

Q50 Paul Holmes: Councillor, you have possibly opened up a can of worms there, because I know that, in my local town centre, that has gone down very badly. I accept that, in some areas like Winchester, it has gone down very well, so we will park that one there.

Paul, on that question, and from the comments that you made at the beginning about some of the trends, this has affected high streets in different ways. I completely understand that, and it would be silly not to suggest that it has done. In villages and small market towns, are you seeing an increase in footfall in those high streets? Do you expect that there will be a greater rate of increase in footfall and recovery in those small areas than possibly the town centres by train stations and in commuter belts?

Paul Swinney: I do not have the data in terms of villages or small market towns, but, as well as the centres of the 63 largest cities, we have also looked at data for local centres in Greater Manchester and the West Midlands. This goes up to the start of the second lockdown. We found that local centres recovered more quickly than the centres of Manchester and Birmingham, but there were a couple of interesting things within that. The first is that, even though local centres recovered more quickly, the majority did not recover back to February levels. They are recovering more quickly but are still not getting back to pre-Covid levels, which does not necessarily scream out as being this massive boom for local centres because of workers working from home, if they have not even got back to where they were.

This is particularly amplified if you then look at some of the more affluent areas, particularly in south Manchester, where a higher proportion of people who work in Manchester city centre live. What you see is that those high streets do not tend to have recovered as quickly as some local centres in the north of Greater Manchester. If people working from home are more likely to live in Stockport or Altrincham and yet those areas are recovering more slowly, it does not point to a massive win for local centres at the cost of the main centre. That is what the data says.

Conceptually, what is interesting here is that, if we are expecting people to embrace a digital way of working, so they are sat on the computer all day for work purposes, why should we expect them to shun that to go and shop on their local high street? Surely if they are sat in front of their computer and Amazon is two clicks away, would it not be even easier for them to do that rather than be out of the house and go and spend some money because they are commuting? That is a question for us to hold in our minds. We cannot have our cake and eat it in this respect. We cannot expect people to embrace digital ways of working in terms of their work lifestyle but then do the exact opposite in terms of their retail habits. Some caution is needed there.



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Q51 Paul Holmes: I have two very quick further questions for you, and then we will move on. Have your organisations measured or taken into account the number of new business that are being created? Are you monitoring new business start-ups across the country in local high streets versus town or city centres? To put a counterpoint to you, Paul, about people shopping online and staying at home, would you not agree that the Covid pandemic has meant that people will probably go and shop more in their local high streets because it is part of the exercise routine that they need to do to be able to leave their house? That might be why we are seeing a little bit of a return in footfall to those areas.

Paul Swinney: I will deal with the second one first: maybe. The data that we have, which is not comprehensive because it looks only at those two large urban areas, would not suggest that that is the case in any big way in terms of seeing this massive boom. That would be my reflection.

In terms of new business start-ups, it is a really interesting question. ONS data does not come out frequently enough to get a proper answer to that question. Anecdotally, I am an observer on the board of the Sunderland business improvement district, and demand is pretty robust in terms of new businesses starting up in the centre of Sunderland in recent months. I have been quite surprised about that, given the nature of the economy at the moment. That is interesting and perhaps there are more businesses starting up more generally, but I have taken it from the position of only one place as opposed to having a view across the whole country. The short answer is that we just do not know.

Q52 Paul Holmes: Scott, your view may be the same as Paul's, so feel free to be brief on it, but is your organisation making any inquiries into the number of new businesses being created? For example, in my town centre of Eastleigh, which is an ex-railway town, there has been a huge decline in the number of shops, but in villages like Botley we have had five or six new businesses set up since the first lockdown. Are you auditing that in any way?

Scott Corfe: My understanding is that a lot of the data on this is not available yet at a national level, so we just do not know.

If I may come back on the point about whether people will go and shop in their local high street if they are home-working, I have two observations. One is that high streets are more than retail. When we get into a more normal routine, people will frequent their local café and we will see the hospitality economy supported. Also, we are talking about the shift towards online retail, which is going to be an ongoing trend, but that does not mean that there is going to be no retail on the high street. Where you are going to see retail succeed is where it offers more than just a place to go and buy goods and services. If a retail store offers more of an experience, or if an independent store offers something that you cannot get on the internet, there are opportunities to succeed. The market town that has a wide range of independent stores offering unique products will succeed, particularly when you have fairly wealthy home-



workers living and spending more time in the area. That is important to note.

Q53 Paul Holmes: We have discussed the impacts on different types of high street. I am particularly interested in Councillor Crane's viewpoint on this in terms of his involvement and where he is regionally. Have you been seeing a varied impact, for example, in categories like north versus south, and regional and international tourist centres?

Councillor Mark Crane: Those that are reliant on the tourist trade have struggled mostly. I am next door to York, if I can pull on that as an example. The leader of York is not here to speak for himself, but I know it has had a massive impact on that city. They rely so much on tourism, both international and national, and it has undoubtedly hit them. They have seen a number of businesses in their high streets close as a result of that, whereas places like Selby, which is far less of a visitor attraction, have seen more of a constant. Those places that are more reliant on tourists will find and have found themselves greater hit at the moment.

Paul Holmes: That is relatively similar to what I am experiencing with Southampton being a cruise terminal. The city is seeing quite a massive impact, but regional villages around that, like in my constituency, are seeing a stabilisation.

Paul Swinney: Undoubtedly, if you lose your tourist footfall and you are dependent on it, it is going to have a big impact. In terms of the places that that is going to affect, and certainly the larger urban areas of Britain, you are talking about probably only a handful of places. It is pretty concentrated in places like York, Cambridge, Oxford, London and a bit of Southampton. For the majority of places across the country, it is not necessarily going to factor in, but clearly we are thinking about the role that plays.

The distinction that we have seen probably more clearly across the country is that town and city centres in small and medium-sized cities have seen a pretty strong bounce-back up until the second lockdown. Where this pandemic has really impacted is in the city centres of our biggest cities: Manchester, Newcastle, Birmingham and London. Those city centres are becoming like ghost towns, partly because those workers are not coming in and partly because of a reluctance by people to travel in for leisure purposes, because of the issues around using public transport and potentially coming across a lot of people. The big distinction that we see is that it is based on size. Clearly, other things like tourism are important too, but the size element is the important thing, first off, to categorise places in terms of the impact.

Q54 Mary Robinson: Scott, in your written evidence, you say that policymakers should use the crisis to reimagine urban centres and reinvigorate communities. Do you feel that this reimagining is taking place at the moment?



Scott Corfe: It is taking place but nowhere near as much as it needs to. Certainly, when you look at some of the discussions that are taking place and some of the initiatives that local areas are doing, there is, for example, a lot of talk at the moment about creating 15-minute and 20-minute neighbourhoods, partly in response to the coronavirus pandemic, looking at, in a world of home-working, whether we can create compact neighbourhoods where people will work, shop and spend more time. That is being done and you can find examples, like Waltham Forest, that are adopting this 15-minute neighbourhood concept.

There are also local authorities across the country looking at what more of a role there is for local government in supporting town and city centres through the creation of things like public services hubs. One thing that we are going to see over the coming years is a greater role for public services in town and city centres, as there is decreased demand for things like retail and offices, but this is not being done on the scale that is needed.

Part of the issue here, which has come out of some roundtables that we have had on the matter recently, is that there is a lack of leadership at a local level. Quite often, there is a lack of talent and sufficient capacity to do the kind of reimagining that we are talking about here. Certainly, a view that came out of a roundtable that we had on this recently was that local planning teams just do not have the capacity to do the kind of reimagining and creative visioning that we are talking about to really rethink our high streets. To get more of this done across the country, you need more resource at the local level, where people can start to think about how they redesign the town and city centres.

Q55 **Mary Robinson:** Are local authorities the best-placed bodies to carry out this type of thinking?

Scott Corfe: It is challenging in the current circumstances. As well as the talent issue that I just mentioned, there is, of course, a funding issue, where a lot of local authorities are under the cosh financially. The UK also has a relatively centralised system, where it is quite hard for local authorities to raise additional funds and to set up new taxes to support these kinds of regeneration initiatives. Local authorities are constrained and, going forward, there are some interesting questions about whether we need more devolved tax powers to enable local authorities to do regeneration on the kind of scale that we are talking about. In the meantime, we are in a world where public-private sector partnerships are important. If a local authority does not have the capacity to do these regeneration projects, how can we bring more private sector partners into it?

Q56 **Mary Robinson:** Paul, do you have anything to add? There has been consensus. We have been talking about reimagining the high street and what it should look like for a decade. In the light of Covid, what should it look like and what is and has been preventing the change?



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Paul Swinney: I am trying to remember what your first question was.

Mary Robinson: We have talked about reimagining the high street and how there could be changes. There has been discussion about it being more of a mix of leisure, et cetera, and how we have a different-looking high street. It has been an ongoing conversation but things have not changed; I am wondering what obstacles there could have been to that. How will Covid affect it?

Paul Swinney: Scott has named a number of barriers in terms of capacity constraints. One of the barriers has been about ownership of assets within town and city centres. Covid potentially provides a little bit of an opportunity on that front, which we have not seen materialise as yet. If we were to see a number of landlords start to breach covenants on their buildings, we might then start to see a number of assets being taken under the control of banks as they are taken out of the hands of landlords. This would provide an opportunity instead for the Government, potentially, to step in and start to buy up some of those assets.

We could set up a high-street asset fund or whatever you would call it, where the Government would then step in and buy those assets before they went on to the banks' balance sheets and then got chopped up in all sorts of different ways and sold off in two or three years' time. They could take control of those assets and either keep hold of them or pass them on to local authorities. That is potentially quite interesting in terms of local authorities having greater control over how they go about doing regeneration in town and city centres than what they have had in the past.

At the moment, it does not seem as if that problem has come to the boil as yet, but that is not to say that we would not then start to see big issues around landlords in, say, six or 12 months' time, as that then starts to hit because of the ongoing issues around Covid. We have to wait and see. There is a chance there.

Are local authorities the best people to do that? They face capacity constraints, not least because of cuts in funding over the last 10 years, but I do not see a better body at the local level to be able to do that. I am not really sure who would step in and do it otherwise. The question instead for us is to ask, if we have issues around the capacity of local authorities, what we are going to do about that. It feels to me that that is a conversation about local government reorganisation, because there are certainly instances in some places in the UK where local authorities are too small. Nottingham is an excellent example of that, where there are seven districts or unitary authorities, plus two counties, governing one area, which just seems bonkers. That is a whole other discussion that we could end up having there.

In terms of what they should then be trying to do, there is a gentle move in the high street away from retail, because of the presence of online, towards more experience-type activities, such as food and drink. The



successful town and city centres that we have across the country are ones that have already started making that adaptation. The ones that are struggling are the ones that have failed to do so, and so you would imagine that will be a change in use, which will be more towards those sorts of things and less about offering products that you can find online and that may well be easier to get online than in physical locations.

Q57 **Mary Robinson:** Councillor Crane, are local authorities best-placed to be doing this? What has prevented them from reimagining high streets in the past?

Councillor Mark Crane: Local authorities are the best-placed people to do it and I agree with Paul's comment there, although perhaps not the last comment he made about councils not being big enough. Probably in the past, we could have done more and perhaps we should have done better. Two things are stopping us. One is capacity, which comes down to the money, because we have had to streamline our services because of reductions in costs over recent years.

The second thing, which Paul has touched on so I am not going to go back into it in depth, is that a number of areas of our high streets are owned by pension funds and big businesses. To some extent, councils are powerless to do very much about that. I own one shop in our high street. That is the sum total of it. Fellow district council leaders would probably see me as having more than most of them. Without the ownership of those buildings, it is very difficult to concentrate efforts on making the high street more acceptable and bringing it up to the 21st century.

Q58 **Mary Robinson:** How are local authorities going to be best placed to do this thinking and reimagining? Why would they be better at doing it than the private sector, given the opportunities to step in and do things differently? Does it have to follow a particular formula?

Councillor Mark Crane: The simple answer to that is the vision. Even in my high street, there is a private sector company that owns a number of shops. It has done a fantastic job and made that part of the town better, without a shadow of a doubt, but that part of the town may have become better at the expense of another part of the town. The district or county council—whichever council it is—should have a vision for what they want to see in the future, for how they want the shopping area to expand and to grow, and for what sort of things they want. Therefore, they have less skin in the game but they have a much closer feel for what it should be.

Hopefully, the leadership of that council has the vision for exactly what they want, whereas, if you have two or three private sector companies, they are potentially pulling in slightly different directions because, at the end of the day, they have their balance sheet to consider. I certainly do not criticise them for that, but that is their driver, whereas the council really should have a driver of getting the best out of that area for the whole population. I certainly believe that the council are the people to do it.



Q59 **Mary Robinson:** Scott, coming back to you, the NHS Confederation and Power to Change told us that local authorities should be supporting “meanwhile use” of spaces such as closed shops or disused council buildings for health and community uses, including pop-up community-owned shops. Could this be a valuable short-term reaction to Covid-19?

Scott Corfe: The key word there is “short-term”. This is fine as a temporary response. During the last financial crisis, you saw similar initiatives around creating galleries in empty shops, for example, and making a high street look slightly less of a depressing place, if there are a lot of vacant shops. In the long term, for people to feel good about the place where they live, you need more permanent things than just pop-up shops and temporary galleries. It is fine as a quick response but we need a longer-term vision than that.

Q60 **Mary Robinson:** Going back to you, Mark, do you not think that there is a place for just getting some energy into the high street with these sorts of initiatives?

Councillor Mark Crane: I absolutely do. They can be very good. I agree with Scott that it is not a long-term solution but, if you can get a shop and turn it into somewhere where local artists or people can sell their wares, it attracts new interest and brings new footfall into the town. What you then hope is that other shops around it get the spin-off from people just being in the town centre. I always think, if a new coffee shop opens in my district, that it is only ever good news because it causes people to think, “I wonder what sort of coffee they sell or what type of food they sell.” They go there and it causes them to look at the other shops in their locality. Doing things like pop-up shops and small art galleries is a real positive and gets people back into our town and village centres.

Q61 **Mary Robinson:** Paul, would you think that would be part of reimagining the high street?

Paul Swinney: It has a role to play. Town and city centres should be places where experimentation can happen. It should not just be a case of, “Here is a building. It is fixed and it has this use.” If you can get it to do different things for you and therefore deliver more value to the economy, that is a good thing, but we have to be wary of the reasons why retail is declining in some places in the first place. The big challenge that we see across a lot of our places is that particularly those that are struggling are the ones that have a weak city-centre economy.

What that means is that you do not have people coming in on a daily basis to go to work. They are not going out at lunchtime or after work. They are not even skiving in the afternoon, heaven forbid. I am talking about normal times when people are back at work. It is that challenge of not having that core footfall. If you look at vibrant places like the centres of Manchester, Leeds, Brighton or Birmingham, they have a very strong city-centre economy that pulls in many tens of thousands of people every day. They have money in their pockets and they spend it.



A pop-up shop in the centre of Birmingham, in normal times, would probably do pretty well, but you might be struggling for a unit because you want permanent uses in there, or there is demand for permanent uses. A pop-up shop in the centre of Barnsley or Wakefield, let us say, may not do quite so well. The issue is not that the unit is not being used, but that there is no footfall going past in order to be demand to use the unit in the first place. Again, it is about understanding the underlying causes for the things that we observe and whether the pop-up shop will be able to answer those. In some cases, it will be part of the answer; in others, it might be that there is no viability for any type of business there until we do something a little more large scale.

Chair: We will move on now to look at the various funds that have been around: the Future High Streets Fund and the Towns Fund.

Q62 **Brendan Clarke-Smith:** On the Future High Streets Fund and the Towns Fund, are you happy with the distribution of the funding from the Future High Streets Fund? Linked to that, is it right that it is a competitive fund, meaning that most areas will not get some of that funding?

Scott Corfe: In some of the roundtables that we have had on this issue, one thing that has come up in our discussions about some of the funds available for high street renewal is that quite often these funds provide support with capital investment, but a local authority might be discouraged from applying for funding because investments require ongoing costs and there is no way of raising the tax revenue to cover them. It is all very well receiving funding for building a new park, for example, but how do you maintain the park and raise revenues to do that? That is certainly something that has come up in some of our discussions.

Also, I have heard that some of the bid applications for these funds have been a bit vanilla in their nature and not adventurous enough. Going back to this point about leadership and capacity, do local authorities have the creative visioning and the ability to curate their local area and place to make a successful bid application to these funds? It seems that in some instances they do not have the capacity or the space to go and make a good pitch to a competitive fund.

Q63 **Brendan Clarke-Smith:** Mark, is that your experience?

Councillor Mark Crane: I would agree with what Scott said there and just build on it by saying that any funds from Government are welcome. That is the good-news part of the story, but these constant beauty contests, where councils are bidding against each other for money, are not altogether healthy. We find ourselves spending quite a significant sum of money employing people to try to bid to get that other money in.

The other point I would make is that the Government's whole programme is about levelling up; that is what they are talking about. Perhaps these funds should be most used to try to achieve that. Again, it is not easy to just do it from the centre—I understand that—but perhaps the



Government need to have a look at those areas that need levelling up the most and try to direct their resources mostly towards those areas rather than the affluent areas. Some councils are very good at bidding for money and being successful, and they continue to see growth and prosperity, whereas other councils are not as successful and, when they do not have a lot of money in the first place, it is difficult for them to put the bids forward.

Paul Swinney: The current structure and the way we fund local government, which is in silos and small pots of money, means that we get ourselves into the position where we have bids. In a best-case scenario, you want to have a level of devolution and local government reorganisation that would allow block grants to go down to local areas that could then decide how they spend it, on their high street or otherwise. Given the circumstances in which we find ourselves, it feels like competitive bids are a reasonable way to try to sharpen incentives, notwithstanding the problems that we have around consultants potentially coming in and getting involved, which is not always helpful.

If the Government are going to do competitive funds, they need to be very clear about what the fund is trying to achieve and what the criteria are that you need to score yourself against in order to win the money. That is not always clear, and it can change during the process as well. That is where competitive funds really start to become a challenge. In principle, they can be quite a good thing if used in a particular way, but you have to get the design of it right.

Q64 **Brendan Clarke-Smith:** Following on from that, Professor Cathy Parker told us that some of the bids into the fund were not transformative, because they were simply suggesting new buildings and there was no genuine vision. Is there a clear idea of what this money is going to fund and whether genuine change is going to happen? Following on from that, will these accepted bids still make sense post Covid as well?

Councillor Mark Crane: I will be honest and say that I do not think that, post Covid, some of these bids will be transformative. I am sure that some will be, but I am also sure that some will not be. I understand Scott's earlier point about some of the bids being vanilla. Some people probably see an opportunity of bidding and winning some money, and others have followed a similar track. Therefore, it has not been transformative in their particular locality, which is something that concerns me, the LGA and the DCN in particular.

Scott Corfe: Part of the issue here is that local authorities need to think about urban regeneration a bit differently to how they have done in the past. The traditional high street model or the model that has existed for decades will no longer function in a world of online retail in many instances, so local authorities need to completely rethink urban regeneration and the purpose of town and city centres. Increasingly, the role of local authorities is to curate town centres and to make them places where people want to travel to and visit. It is no good just having



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a range of shops without that curation. Maybe some parts of the country have not got into the change of mindset needed: that applications really need to be transformative to be successful.

Just going back to Mary's point about the role of the private sector, that lack of curation by some local authorities holds back private sector investment. At a roundtable that we had recently, one attendee said that, in their area, there was a developer that wanted to develop retirement housing in the community, but they were waiting for the local authority to establish the supporting infrastructure needed to make that area more desirable for retired people to want to live there. You need the local authority to have the clear vision of what an area is going to be and how they are going to curate it and make it somewhere where people want to travel to and live in. From that, private sector developers will be interested and will also create retirement housing or new businesses and so on.

Paul Swinney: An alarm bell always goes off in my head when anyone claims that a project is going to be transformational; I always think that that probably means that it is not, but maybe that is semantics. It is something just to bear in mind for this sort of stuff. Are bids underwhelming? I am sure they are, because we do have a difference in capacity and vision across the country. That is just the nature of things and you are always going to get that. That will be eased if the Government were a bit more explicit about what they were expecting to achieve through the fund or funds, depending on what we are talking about. It is then up to the Government to decide. In a competitive bidding process, they decide what they feel are the bids that have best met those objectives. If the objectives are not met by the bid, it does not get the money, but you have to have the objectives clearly set in the first place.

Do the bids change as a result of Covid? I have not looked at lots of individual bids. I know a bit about the one from Sunderland, because of the role that I play there, but I do not know a lot about the other ones. If those bids have recognised the longer-term trends that are changing the nature of city centres and the requirement to get jobs into the city centre, then Covid does not necessarily change that. People will disagree with me on that because of my differing views on the work-from-home issue. If the bids are focused on the long-term challenges, they are still as robust now as they would have been back in February 2020. If, instead, the bids are focused on saying, "Retail is a problem and we need to solve retail by spending money on retail," they are looking far too narrowly.

The challenge is the lack of footfall, which is principally driven by jobs, particularly in bigger places. The woes of retail are an outcome of that, not the driver of it. If you spend more money on retail in terms of making the high street look smarter and putting up hanging baskets, you are not dealing with the fundamental challenge. Again, that is separate to Covid,



but it is all about whether you identify what the causes are of what you observe, rather than just the outcomes.

Q65 Ben Everitt: I had a series of questions about the role of local authorities and we have covered them off. Fortunately, I can use this slot to pick up on some other things. Paul, you mentioned the differing effect of the pandemic on different high streets and city centres, with market towns and villages being differently affected than major cities. When we think about how we get out of this, how we rebuild and how we evolve, what are going to be the key learning points in terms of getting this regeneration, reinvigoration and reimagining done?

Paul Swinney: In terms of a very brief recap on trends, we have seen that places that went into the pandemic in a weak position seem to bounce back more quickly and there is a demand for people living in and around them to go back to their town and city centres, whereas, in bigger places, they went in very strong but have really suffered as a result of the pandemic. Because we expect that workers will go back to work, we think that those stronger places will bounce back. That is not great news for the coffee shops and retailers, et cetera, in the centre of Birmingham at the moment, which may well be looking at closing very soon, but we think that the demand for people to go and spend on the high street will return. In the longer term, there is not a great deal to do in those places; you just have to try to get people back.

Weaker places have the ability to bounce back, but they are bouncing back to a weak position, which gets us back to where we were in February 2020 and no doubt has inspired the number of sessions and witnesses you have interviewed in the past, because of that situation. In those places, again, it goes back to asking, "What is the main driver of this? Is it online retail?" It probably has a role to play but it is not the main one. The issue is the lack of footfall, which is principally linked to the number of jobs that you have in the centre. How do you go about trying to get those jobs into the centre after years of out-of-town employment parks being developed and jobs being on the edge of town? That needs to be the fundamental change. Covid does not change that. Covid is not going to have any large long-term impact on the high street. Most trends are already in play. It is about dealing with those longer-term trends rather than the very sharp, short and deep impacts of Covid.

Q66 Ben Everitt: Mark, I will come to you to follow up on some points that Paul made there. Are local authorities too small as currently structured to address the wider issues and that disparity between the different areas? We talked about what powers we have and the importance of having a vision, but surely scale has to come into this.

Councillor Mark Crane: No, councils are not too small at the moment. That is the simple answer to that bit. When you look at the size of our councils versus most of the rest of western Europe, you will find that ours are generally bigger. What we need is more councils that are closer to people and have an understanding of what people's needs are.



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In my area, for instance—this is a possibility, and I am not trying to get into the arguments of this—North Yorkshire County Council may become a unitary council and cover 600,000 people. It will go almost from the west of the country to the east of the country. I do not feel that, if there is a council that is based 55 miles from where I sit today, it will have a great understanding of the needs of the people of Selby, and it will not have a great understanding of the needs of the people of Scarborough. Across the country, we need local councils that are responsive to needs. I accept that those councils have less money, because one large council will clearly have more money than five smaller councils, but those councils are much more closely aligned with local people and understand the local needs.

Q67 Ben Everitt: Scott, in your previous answer, you referenced the role of leveraging partnerships and private sector money. Is the scenario that we painted just there with Paul and Mark attractive to the private sector and to institutional investors, or is there more that we could do to make it a bit more strategic?

Scott Corfe: As I have said today a number of times, it really comes back to having someone in local government as the co-ordinator of regeneration. You need someone who is leading or creating the vision for a local area. When you have that vision, you can attract more private sector partnerships and investment. Certainly, what has come out of our discussions recently on this matter is that private sector investors want to invest in an area but are waiting to see more from the local government about what their vision is for the area. You need someone to take charge of that visioning, and that is not happening across all parts of the UK at the moment.

Ben Everitt: It is about vision, localism and leadership.

Q68 Rachel Hopkins: I want to talk about permitted development rights predominantly, but the Government have stated that, where there has been a surplus of retail floor space, quality residential development will help diversify and support the high street, create new housing developments, bring additional footfall from those new residents and therefore assist in the wider regeneration of town centres. First, as a quick question to all of you, do you agree?

Scott Corfe: Yes, I would agree. Housing has a very important role to play in reimagining town and city centres. The future of town and city centres is one that is more residential. In London, for example, you are going to see a shift in land use in central London towards more of an emphasis on residential because, on balance, the demand for commercial real estate is going to be lower. Given that there is this pervasive housing crisis across many parts of the country, conversion to residential and repurposing the space seems eminently sensible.

Councillor Mark Crane: Thank you for a very interesting question, Rachel. I have a nervousness about permitted development rights.



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Rachel Hopkins: I am coming on to it, Mark. Do not worry.

Councillor Mark Crane: I agree with what Scott said. Clearly, some retail commercial space will need to be changed into houses. That is a bit of a win-win, both because we need more houses and because we have too much of the other, but local councils should be allowed to dictate where that happens rather than it just being a free-for-all.

Paul Swinney: We need to think about the incentives or the costs and benefits that people are trading off in terms of why they choose to live where they do. Manchester city centre, in particular, has seen a boom in residential living because what Manchester city centre offers to people who want to live there has radically changed in the last 30 years. The leader of Manchester City Council, Sir Richard Leese, will tell you that nobody wanted to live in Manchester city centre in the late 1980s. It was not a very nice place to be in and around because of the issues that it faced.

What has changed since that point is large-scale regeneration and a return of jobs to the city centre, which has then brought in tens of thousands of people coming in every day. Retailers and restaurateurs have said, "Hang on a minute. There are people walking past with money in their pockets. We are going to set up shop here," and they started making money. That means that the amenity that Manchester city centre offers has radically changed and, therefore, Manchester city centre has become a much more appealing place to live. Lo and behold, we have seen a huge growth in the population of Manchester city centre as a result, with jobs and amenities on the doorstep. You are trading them off against things like more expensive space, pollution and noise, but you are willing to do that because the benefits are much greater than they were before.

If we then pick somewhere like Sunderland—it is easy for me to pick on, being my home city—it is clearly a city centre that has a few more challenges. Why would somebody choose to live in the centre of Sunderland when they could live in a three-bedroom semi-detached house on the edge of town, with a front garden, a back garden and a drive on which they park their car, which they get in every day to drive even further out of town to go to the employment site on the edge of town? We miss that. We do not think about the things that people are trying to trade off. In successful city centres, there is a big increase in demand to live there because they offer all the great things about city-centre living.

In struggling city centres, they do not offer the things that people are looking for in terms of those people who would live in city centres, and therefore you do not have this big demand. Saying that the answer to a surplus of retail space is housing does not seem to be the answer to me, because there is no surplus of retail space in successful places, and that is where the demand for housing is.



Q69 **Rachel Hopkins:** That goes into my next question around offices. They are usually built with a fairly short lifespan of 15 to 30 years. Can offices really be suitable for housing, especially like many in Luton South, which are built on a ring road? They generally lack outdoor space and tend to be in locations with high noise and pollution, as you said.

Paul Swinney: Clearly, there are issues around PDR and the appropriateness of converting certain buildings. I have seen some in Crawley and other new towns, where it is very questionable in terms of the quality of stuff that is being turned over. In principle, PDR is a good idea in terms of trying to allow the flexibility for space to change, but clearly you cannot have a free-for-all. There are examples outside of city centres where accommodation has been built that does not seem to be of sufficient quality for people to have a reasonable standard of living, so there needs to be change in policy generally to prevent that.

In terms of town and city centres in particular, I am wary about PDR in the centre of those places, because there is a lot of activity going on in a very small space, which means that you would have to have some sort of co-ordinating activity going on. The ability of a private developer to fit office space into residential space may make perfect sense from that company's perspective, because there is money to be made, but that might not be the right answer for that city centre as a whole. Doing that sort of thing in the centre of Manchester, where you need to have those jobs there because it is very important in terms of the economy and access to jobs, is probably not good in terms of then seeing that space disappear. Exempting city centres from PDR would be our preferred approach. We know that some places are exempted. We think that all town and city centres should be exempted from PDR.

Scott Corfe: I would agree with much of what Paul said. Office-to-residential conversions can work in some instances, but clearly there are plenty of instances in recent years of shoddy and substandard conversions. What we are talking about here is reimagining town and city centres to make them desirable places to live in, work and visit, and that would definitely be an undesirable outcome. With any conversion, you need to have measures in place to ensure that they are of sufficient quality.

Councillor Mark Crane: I agree with what has been said before me. The one other thing that I would say is that, both locally and nationally, people want to move away from the city centres and into houses with gardens or garden space available, because Covid has taught them that they need somewhere to go where they can sit and breathe some fresh air. The example that you gave in Luton is not somewhere that I would want to live, and so I would be happy to exclude places like that. There is a role for some commercial premises to be turned into residential, but it needs to be in the right place and there certainly needs to be outside space in those places.

Q70 **Rachel Hopkins:** Our predecessor Committee in 2019 said PDRs would



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harm local strategies and visions for high streets and town centres, but since then we have seen the expansion of PDRs. Do you have any further comments on how we can ensure that local areas retain the ability to mould their own high streets and make these longer-term plans?

Councillor Mark Crane: I will say what I said in my first answer: local authorities being given the opportunity to zone would be the answer to that. If there are areas of the town or city centre that the local authority thinks could be turned into accommodation, because there is scope for it and outdoor space, et cetera, that is a good thing. There are others where PDR would certainly not be suitable and, Rachel, you have given us a good example in Luton.

Paul Swinney: Every local authority should have the ability to put forward at least one town and city centre that they want to be excluded from PDR. We have that in some places. The Government have awarded that on a discretionary basis. It should be rolled out across the country.

Scott Corfe: I agree with Paul and Mark.

Q71 **Rachel Hopkins:** My final question is for Mark. In the District Councils Network's written evidence, you said that the Government's shake-up of use classes could lead to retail migrating to out-of-town sites. Do you have any further thoughts on what impact this would have on smaller towns?

Councillor Mark Crane: Out-of-town sites cause real problems to smaller town centres because we see an increased footfall there and a reduced footfall, potentially, in our town centres. Successive Governments have probably gone against out-of-town centres and have made it harder and harder to get them. I hope that continues because, as it stands presently, we probably have enough of them. I am sure that somebody on the Committee will tell me that there is somewhere in their patch where they could do with another one, but, in the main, we have enough of them. We have a number of out-of-town shopping centres that certainly provide a niche market for people to go and buy a number of things, but any more at the moment, unless there is an area where there is a desperate need for it, is bad news and we should continue to try to support local town and city centres.

Q72 **Mary Robinson:** I have a quick follow-up for Paul. You said that all town and city centres should be exempt from PDR. To what extent is there a role in this chicken-and-egg about the conversion from an office block into housing? People may want to live in a particular area because it is close to a railway station. That may be their only reason. When those people move into the area, of course, there is more reason for shops to open up and a little bit more footfall because the people who want to live near that railway station do not want to have a car. With a blanket approach to this of saying that it is not a good thing, could we be missing out on some market-driven opportunities?



Paul Swinney: It is not to say that you are not still going to do that conversion. It is just having a step in the process that says, "We are trying to curate a wider area and we have these goals that we are trying to achieve. Does flipping that commercial space above the railway station into residential make sense for the broader area and what we are trying to achieve?" The answer to that may still be yes and we should go ahead, but it is about having that one step in between. This is a particular issue where PDR bites. PDR does not bite in places that have a lack of demand, be it for retail, office or residential, because the three tend to go together, particularly outside of the greater south-east.

Where PDR starts to bite is in places where land values are very high because there is high demand for commercial, residential and office, and the issue there is about how, if you have all these competing demands for those different uses in a very small area, you are going to make sure that you allocate the use that is most appropriate for the area. That is a particular issue within town and city centres, where you have all these competing elements for that very small space. That is why having that element of curation and not having PDR in there as the first step in the journey is important in those places. I would not do it elsewhere in local authorities but I would do it in those centres.

Q73 **Ian Byrne:** We have been listening to really interesting questions and answers. We are looking at the fragmentation, I believe, of potential building policy with PDRs. Would the three witnesses support the healthy homes Bill, which is knocking about and is something that I am a firm supporter of? I would be really interested to get a quick answer from each of you. Is that something that, potentially, we do need to protect people from bad housing moving forward?

Scott Corfe: We are broadly supportive of the healthy homes Bill concept. Indeed, the Social Market Foundation is releasing a report shortly on town and city-centre regeneration and the role of health within that. Going forward and thinking about how we reimagine town and city centres, health is going to be a key component. On the one hand, that is about having things like GP surgeries and gyms in town and city centres, but also, where you are building new homes, ensuring that they are of a standard and nature that is conducive to health, so yes, we do broadly support that initiative.

Councillor Mark Crane: The simple answer is, in principle, yes. I am not aware of all the detail, but, in principle, yes.

Paul Swinney: I do not know enough about it to be able to say anything sensible either way, so I shall pass.

Q74 **Bob Blackman:** I have a quick follow-up to the PDR question. In a lot of town and city centres, we have had homes that have been turned into offices or retail. I wonder if our witnesses have a view on whether they should be given special permission to be converted back to homes, rather than trying to shoehorn quite unacceptable homes into office blocks or



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other types, and to make it easier to convert homes back into being homes in the first place. I do not know if our witnesses have a view on that.

Councillor Mark Crane: I do have a view. It is a very interesting question, Bob, and I am going to give you the answer of yes. It is a good idea.

Scott Corfe: I would agree with that as well. I cannot say that I have thought about in much detail before, but, at face value, it seems like a sensible suggestion.

Paul Swinney: If we are talking about town and city centres in particular, I would rather remove PDR than have those elements. More generally, it was certainly the case with PDR that you could convert from commercial to residential but not the other way. I do not think that has been changed recently; you may well know more about it than me. That was the big issue: that it was not going both ways. It was really squeezing commercial space because it could disappear but not be put back. In terms of what you are proposing, it would limit that to some extent, in that it is only stuff that has been residential before, but it would be a case of having exclusion zones.

Q75 **Bob Blackman:** PDR has now been put into a position whereby standards have been put in place for windows, space and suchlike, particularly in office blocks. I am looking at the aspect of potential accommodation in town and city centres that should be prioritised for being reconverted to homes that people live in as opposed to offices or retail usage. Of course, the great advantage might be that it could be relatively easy to do if people wanted to do it. They could also live there, run an office and work from home very easily.

Paul Swinney: It would certainly be the case that that sort of property would be better placed to be residential than bespoke office blocks. It is all about what works for individual places. If something was built as a house but works better as an office location now, we need to respect that within that particular area. That is where having that degree of curation and co-ordination within a town or city centre in particular is really important. If the council decides that making that flip is a sensible thing, then so be it, but, at the same time, in parts of city centres that have Victorian housing stock that now houses solicitors, estate agents and other types of businesses, we do not necessarily want to see their landlords saying, "We are flipping this into residential now. You are off." That is going to be negative for that professional services cohort within that centre. We just have to be careful about those sorts of things.

Chair: Thank you very much to all our witnesses today. Thanks for giving us some very good information to think about when we come to draft our report. That has been really helpful to the Committee, so thank you all very much indeed.



Examination of Witnesses

Witnesses: Martin McTague and Ros Morgan.

Q76 **Chair:** Moving on to our second panel, we have two witnesses with us now, if I could ask them to introduce themselves. Could you just introduce yourself and say who you are and why you are here today?

Martin McTague: I am Martin McTague. I am chair of policy and advocacy at the Federation of Small Businesses.

Ros Morgan: Hello, everybody. Thank you for inviting me to come along. I really welcome the opportunity. I am Ros Morgan, the chief executive of Heart of London Business Alliance. I operate one of many business improvement districts in the country. We have about 400 now. We have about 50 in London, 20 in central London, eight in the City of Westminster and two in the West End. I am one of those, and I represent over 600 businesses from sectors across the board, large and small. Some of them you will recognise, such as the BAFTA, the Royal Academy, the National Portrait Gallery, the Ritz and Fortnum & Mason, all of the well-established institutions and theatres. I represent both property owner and occupier, so hopefully will be able to prove useful in today's conversation.

Ian Byrne: Clive has dropped out, Bob. They are asking you to take over, to step into the breach.

Q77 **Bob Blackman:** Apologies; I did not realise he had dropped out. We will move on to some questions. Clive was due to open up proceedings with the first question. Can I start off by welcoming our witnesses and thanking them for coming to give evidence? It is quite clear that the high streets in general are facing another very tough year. The Government have given £4.6 billion in a support package. Is that enough to keep the businesses going?

Martin McTague: It would be churlish to say that the Government helping out 600,000 businesses with direct support was not doing something worthwhile, but the reality is that the move from a very simple grant system that was used in the first lockdown to a much more complex and certainly less generous grant system in this current lockdown, with lots of cash pots for various schemes, is a major deterrent for a lot of good businesses that are struggling with this. It is difficult to apply for a lot of these grants, and even local government struggles with the communication of these grants, because they are complex.

We believe that deferrals and forbearance have bought time for a lot of businesses, but rents are still due, VAT payments are still due and self-assessment still has to be paid. You have businesses that have balance sheets in a really poor state where they cannot invest. We have heard about whether businesses should be pivoting to different channels, looking more for online services. It is almost impossible for them to do that if their balance sheets are weighed down with lots of debt. The other



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factor that is often missed is that, with many staff on furlough, it is very difficult for these businesses to pivot without the staff to do it. There is a Catch-22 in many of these situations.

Q78 **Bob Blackman:** Would you prefer the schemes to be continuations of existing schemes? The Chancellor has announced new schemes here. For example, with the position over VAT rates, furlough schemes and suchlike, would you prefer extending those rather than the more targeted support that the Chancellor has announced? I just want to be clear what your position is.

Martin McTague: I agree with targeted support, but the structure of that targeted support is a lot more complex to access. Some £546 million has been allocated for local authorities to distribute to those cases that, for example, fit into a supply chain. You may have a leisure and hospitality business that has closed down, but there are a whole lot of businesses that are supplying that business. The headline targeted grants help the direct businesses involved.

Bob Blackman: The wholesale businesses are not helped.

Martin McTague: The idea is that the discretionary grants help the rest. It is the discretionary grants that are far too complex and difficult to access.

Q79 **Bob Blackman:** Ros, what is your view?

Ros Morgan: The short answer is that, no, it is not sufficient. The third lockdown has been absolutely catastrophic for central London. For Christmas, just to give you an example, the West End would normally trade at around £2.5 billion. This year it traded at only £500 million. It lost £2 billion there. Currently, footfall is down by 80%. You can get the picture of where we stand in the West End.

On the one hand, we accept that the overriding public health situation is most important and we are all responsible for doing our bit. If Government must close businesses in central London, it also has to ensure that every business gets the support that it needs. Although the support that the Treasury has given is welcome, it just does not meet the reality of doing business in central London. The City of Westminster, as you can imagine, has much higher costs of living and costs of running businesses than elsewhere in the country, but the business support so far has not reflected that whatsoever.

There is a strong and growing case for support to move beyond one size fits all, to reflect the difference in areas, the difference in sectors and the different needs within the business community. Just to give you an example, the elaborate discretionary grant scheme, which was based on the number of residents rather than the number of businesses in an area, resulted in businesses in Westminster getting £100 each. I am going to laugh because it is laughable. I know the intention was right but the calculation was wrong.



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The latest support scheme, although it is definitely a step in the right direction because it is based on rateable values, is a long way off the financial support that these businesses need, especially in central London, if they are to actually survive. This is no longer about thriving. The current system provides a maximum of £9,000 support to businesses with a rateable value of £51,000 or more, which we are all familiar with. In the Heart of London district, again to bring that into some kind of reality, the average rateable value is £600,000. It is a far cry from the £51,000 RV that the Treasury is focused on.

£9,000 is clearly of greater value to businesses with a rateable value of £51,000 than it is to businesses with a rateable value of £600,000. It is all very relative. Equally, for a business perhaps in another region where the cost of running a business is much lower, that £9,000, again, may well be of much greater value to a smaller business in the West End, for example. We have been lobbying for and asking Treasury to remove the cap and to replace it with something that reflects this relativity, the cost of actually doing business in central London.

Q80 Bob Blackman: The other point that the Chancellor has made is that this is now the scheme in operation. Nothing further is going to be announced until the Budget at the beginning of March. What are your concerns about whether that is fast enough, or indeed sufficient, to cover the costs that individual businesses are incurring?

Ros Morgan: As a minimum, businesses need this instant cash support, especially on my patch. We are held up by our hospitality and culture. The patch that I cover is Piccadilly, St James's, Piccadilly Circus, Haymarket, Leicester Square and St Martin's. It is one half of the West End. My counterpart runs Oxford Street, Regent Street and Bond Street. Certainly, what we have seen during this last nearly 12 months is the immediate and severe fall in what ultimately the West End is renowned for, which is its cultural and art attractions.

We have this real cliff edge that we are approaching in March. We ignore it at our peril, or the peril of the country, quite frankly. The ending of the business rates holiday, the resumption of rent repayments, the end of the VAT deferrals and the end of furlough are coming. I know there is a small extension of furlough until April that was announced, but ultimately it is a real cliff edge. Even the best financed companies will find that incredibly tough. We will see businesses ruined as a direct result of late communication.

If any of those support measures are to continue beyond the current deadlines, we are calling for businesses to know that now, because this is when they plan. This is when they put their finances and budgets together. This is when they decide whether they are going to close their business, change their business, make people redundant and so on. Leaving it until March is far too late. As a consequence, we are going to see a lot of businesses close. Again, what we as HOLBA have been imploring Government to do is not to hold back. Even if things change,



businesses really need to have some clarity and commitment, even if it is for a short period of time.

Martin McTague: We have been pleading with the Treasury to take this seriously for at least six months now, because we have been predicting the kind of thing that Ros has just been describing. There is this terrible combination of events such as the end of the Christmas period, where a lot of retailers will have had a torrid time, the combination of having to pay VAT, self-assessment tax returns and all the other issues, which now seem to have all been bunched into the end of March, where you have created the cliff edge that Ros described.

The latest data we have, from a survey we did in the last quarter of last year, suggests that there will be 250,000 corporate failures in the first quarter of this year. We are heading for an absolute Armageddon in corporate terms. It is very difficult to understand why the Treasury feels that there is some sort of market solution to this, because it is clear that, for a lot of businesses, they are simply not able to trade. That is a disastrous position, and the only institution that can help is Government.

Q81 **Bob Blackman:** When we took evidence earlier, at the back end of last year, in November, Bill Grimsey told us that we needed targeted expenditure rather than large supermarkets benefitting, for example. We have seen the supermarkets then returning the money on business rates. What sort of organisation can it be that the Government and the Treasury could organise to have a relief scheme that targets those businesses that need it more carefully, rather than a broad-brush approach? Ros, you mentioned the point about where business rates kick in and how people get ridiculous amounts of money compared to the value of their business. How can the Government provide that support? Have you a solution to that particular problem?

Ros Morgan: As we all know, opportunities come out of crises, do they not? One of the big achievements since March has been the communications between Government, public bodies, local bodies, communities, business communities, et cetera. Certainly, I have spent more time than I have ever done in the 20 years that I have worked in the BID industry speaking to Government and stakeholders. That has been excellent.

Certainly, there are enough trade bodies, sector bodies and representatives that can and have already been working tirelessly with the Treasury in terms of establishing mechanisms to better identify those organisations and those sectors that are genuinely in need versus those that are not. I am not saying it is easy. My message would be to listen to them, because they know the sector better than anybody.

Q82 **Bob Blackman:** Is it a simple factor of saying that the Government have said this shop must close because of lockdown, and therefore the Government should provide support for those shops that are closed. Where there are retail units that are open—supermarkets and suchlike



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have not closed at all, effectively—why should they get any support at all? In fact, the argument might be that supermarkets have done rather well out of all this, because that is where people have gone to shop and so on. They have actually been able to corner the market, where other stores, which are non-essential, have been closed.

Is it a case of saying, “Let us target those organisations where they have been forced to close by the Government”? Is that a way of doing it?

Ros Morgan: That is definitely part of the solution. If a business has been closed, without question they need to receive the support.

What we have found in the West End, for example, and for a lot of central London businesses is that after the first lockdown, even though some businesses were permitted to reopen, because of the environmental context in which the West End finds itself—not very many people living in the West End, with the majority of its consumers being made up of 500,000 workers who definitely do not live in the West End—people are no longer coming into the area and have stayed away since March, even after the removal of some of the restrictions. Equally, there are the tourists, both domestic and international.

In central London, even though some of the businesses were permitted to reopen, in effect they were closed because they did not have the footfall to allow them to cover their costs. It is really something about this breakeven. When I think especially about theatres, for example, you cannot really imagine it. They were given permission to open, but with the measures that they had to follow there was absolutely no chance that they were ever going to be able to cover their operational costs. Effectively, those that dared to open actually ran at a loss. It is more complicated.

The first level might be, “If you must close, you are businesses that we will support,” but then we absolutely need to look at the environmental context of each of the areas. It requires a lot more thought and consideration, especially for central London, which has been so disproportionately affected. Even if lockdown were lifted in a few days’ time, for example, it will take until the end of the year at least before we start to see an uptake of even 50%, which is based on our experience from last time around.

Martin McTague: I find it hard to criticise the Government for taking what was really urgent action in the first lockdown. Maybe some businesses that did not need help ultimately got a lot of help. Some of them have handed that cash back. Where the targeting is missing in this latest debate is that every single business that is directly affected and closed down has a whole multitude of supply chain businesses. If you take one of Ros’s key restaurants in the centre of London, they have somebody supplying them wine, cheese, meat and God knows what—all sorts of things. They may not even be based in central London, but they



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are dramatically affected by this. That is where we need a little more subtlety in the way in which we are approaching this help.

There is also a fundamental problem here that just pushing back the evil day when all the debt that these businesses have taken on has to be repaid is not going to help any of them. There needs to be a really serious think about how you can deal with the debt they have accumulated. We were strong supporters of the approach recommended by TheCityUK, which was to look at essentially a contingent tax liability approach. In other words, if you have built up a lot of Government debt, essentially, you can only pay it back when you have the profits to pay it back. That debt is ultimately going to have to be forgiven, student loan-style, if we cannot find a way out of this crisis.

Q83 **Bob Blackman:** Finally from me, before we move on to other areas, Ros and Martin, you have mentioned that the hospitality sector in particular has been incredibly hard hit, especially in our towns and cities. There is a concern at the moment, with the lockdown going on, that we will not get to a position whereby the hospitality industry could even open up again, even if things are going well, I suspect, until the end of March. That is my view. There have been rumours over the weekend that it may be the beginning of May before the hospitality industry is allowed to reopen.

One of the concerns they will have, quite understandably, is, as you have said, if they stock up, whether it is a pub with beer that goes off or a restaurant with food that goes off. If they stock up and are not able to sell it, they are going to throw away an awful lot of money. How important is it that there is a roadmap coming out of this, with a clear set of timelines so that people can understand and then build towards reopening those hospitality venues, rather than the position that we seem to have had with the tier structure of open, shut, open, shut, which is chaos for the hospitality industry?

Martin McTague: I can answer that in part. You are absolutely right that there needs to be a much longer timescale that businesses can plan around. In Germany, they have a commitment to support that lasts the whole of 2021. I am not suggesting that is the only solution that we could adopt, but at least businesses in Germany can plan with some degree of certainty.

If they think that the level of Government support is insufficient for them to get through this crisis, or if they cannot see a way in the next six to nine months where it will diminish, then they are going to have to take fundamental decisions about their business, but at least there is a roadmap there, as you point out. At least they can see a way in which there is a predictable amount of support coming from the Government. To turn all the taps off at the end of March seems to be sending absolutely the wrong signal to these businesses.

Ros Morgan: I have heard a lot of conversations and media coverage that suggest the market will sort itself out, but it really cannot. It is not



going to be able to do that itself. It cannot work its way out of this without some support. Certainly from day dot, one of the key questions that I have been asked is, "Ros, when are we going to get out of this?" If I knew that, we would all be happy. That said, there is information that can be shared that would support the businesses. We know that we now have the vaccines. They are now being rolled out, supported with the track and trace system. That really does provide a way out of the crisis.

Therefore, we are at a better stage now than ever before for Government to provide some kind of timetable and roadmap out of the crisis. Even if we are all of the understanding that they are the best possible assumptions but that they could change, that is better than working completely in the dark, which is what businesses feel they are doing right now.

I have a mixture of businesses talking to me. Some are saying, yes, they will be open in March, and hopefully that will be the case. I have others who have written off next year entirely and are really looking beyond that, and quite positively beyond that. There is a real sense, especially in the West End, that if we can get through this next year or this next financial year, then the following years will be very positive. It is really about how we survive this. Businesses deserve a timetable and an exit strategy that they can work on. The exit strategy should not just focus on the immediate risks and challenges, which it seems to do right now. It also needs to be looking ahead at how we are going to boost the economy once we get out of this crisis.

Q84 Ian Byrne: I am just going to touch on behavioural changes. In our first evidence session, our witnesses told us that high street businesses survive only on footfall. Ros touched on that earlier. If the trends we have seen with Covid-19 become sustained, such as increased working from home and less commuting, is it the case therefore that high streets in smaller towns, market towns and suburban areas will become much more important?

Martin McTague: I heard Paul Swinney's evidence and I agree with him largely that footfall is the major factor. It was 70% down over the first period of the lockdown. Even during the relief period in the summer, it only came down to 25% down. Footfall is, fundamentally, seriously hurting small towns and cities. It is clear from our evidence that big cities are hardest hit. The biggest drivers seem to be office staff working from home and students not living, working and studying in these cities.

However, what we have noticed as well is that vacancies—in other words, shops that have closed permanently—are not as high as they were in the last recession, in 2008 to 2010. There is still some resilience left in the retail sector. You have to remember there is also a bit of a lag. There are some businesses that have probably decided to close permanently, but they still have not finally shut the shop.



Ros Morgan: The crisis has definitely accelerated many trends that we knew already existed. Having worked as a chief exec for high streets over the last 20 years, it is a good thing. We need a rebalance. I worked on high streets and all I ever talked about was vacant units. Now, this really presents, again, an opportunity in this crisis period. All of us will have seen our own high streets. Perhaps it is the first time we have seen our own high streets, because usually we are all working in the big cities. We have all seen our high street shops really succeed and a sense of community come out. That is a really good thing, and I would like to see that kind of community spirit continue.

These centres provide a very important role still. In the West End, as I say, not many people live there. In fact, of the 500,000 people that work there, 95% commute in and out of London. That gives you some idea of numbers. Why would you want to live in the West End? The West End is a place for an experience. It is a place to go to the theatre, absorb the atmosphere and enjoy the art and culture. It is not necessarily a place where everybody would want to live. That is fine and we still need those destinations.

There was a study that I read recently from the Centre for Economic Performance about the effect of Covid on social lives. The long and short of it is that they conclude that it is not work that attracts people to big cities; it is the social interaction that attracts people to big cities. Let us face it: if the crisis has shown anything, it is the need for people to interact with one another.

I have heard people say it is “the death of” and all those kinds of things that we come up with every so often, but it definitely is not. Central London and the big cities across the country will definitely continue to matter, but we have to ensure that we know what part we are trying to play. It needs to be both. If we are coming to a fork in the road, let us take both roads. Let us ensure that our high streets continue to benefit and that the city centres are set up for what people need from those locations as well.

Q85 **Ian Byrne:** That is a really interesting answer, because the next question was going to be, “Does Covid-19 spell the death of London’s West End?” What you have just outlined is something positive, with the fact you can see it surviving. I am of a mindset a little bit like yours. If we can keep businesses going now, people have seen the importance of the West End. You touched on the community shops. Certainly in Liverpool, some of them have kept the area going. The importance of them has been emphasised and they are now held in such high esteem from this. There are positives to be drawn from it. You have just answered that question, so I will go on to the next one.

Ros Morgan: I do not want to bring in the levelling-up agenda because we could probably have a whole session on that, but what I would say is that we have to recognise the role that the West End and central London plays in ensuring that the levelling-up agenda actually happens, because



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a large proportion of the tax that is collected in central London is redistributed across the country. In Westminster, for example, they retain only 4% of the business rates they collect; the rest goes to Treasury. It is absolutely essential, so it cannot be either/or. It is essential that we have our capital city up and running, ensuring that we remain a global city. We should be proud of our capital city.

Economically, it is important for the whole country's recovery that the West End gets the investment and support that it needs, and that it continues to drive footfall, investment and education. Emotionally as well, as a society, we need our capital city to lead the way.

Q86 Ian Byrne: I would agree with that, but the levelling-up agenda, certainly as someone who lives in Liverpool, needs to spread to Liverpool as well. To focus solely on the capital sometimes has been detrimental to cities in the north. It is an argument we can have about the levelling-up agenda, but I agree with what you have just said.

That moves us to my next question. How have the impacts varied between the different types of high streets, including in the north, the south and regional and international tourist centres? What have been the differences?

Ros Morgan: It all comes down to numbers. Again, it has all come down to who lives where. We have all retreated back home, have we not? That was what we were asked to do, and that is what most people have done. What it reinforces is that people make the world go around. Wherever there are people, those areas seem to be doing relatively well. It is important that we ensure that the distribution of people goes back to some kind of normality, or not, but we need to be steering the course ahead.

There are lots of similarities, even within the BID industry that I am part of. We have all had very specific challenges and needs for our businesses right across the country, but what has been a common factor has been this idea of business support and finance. That has been the common denominator right across, regardless of whether you are a high street in the north or the south, or a city or a village. Finance has been absolutely critical, and what we talked about earlier was that roadmap.

Martin McTague: The evidence we are seeing is it that it probably has less to do with north and south and more to do with deprived and affluent areas. In the affluent areas, where people are working from home and are still willing to go out for a takeaway coffee in the middle of the day, they still have centres that are doing reasonably well. The ones that are struggling are the ones that have very few work-from-home employees, poor shops with little in the way of resources and maybe just the supermarket that is left open in the centre of some of these towns. They are struggling. They were struggling before. They are going to continue to struggle.



When it comes to tourist areas, there is absolutely no doubt that the Yorks, the Cambridges and the Londons of this world are really toiling, because the massive tourist spend has gone. That will bounce back, because as a country we still have a lot of appeal for foreign tourists. In the short term, the biggest issues are deprived areas.

Q87 Ian Byrne: That is a really good answer. Just to finish, are you having conversations and thinking about if it does not bounce back, if behavioural patterns stay like this for a period longer than we can imagine, which we hope does not happen? Are we having contingency plans in place? Are we reimagining how it might be and how we carry on functioning? That is the great worry, is it not? We keep thinking that we are going to get out of this. At the moment there does not seem to be any pathway to it. Are we thinking about what might happen if behavioural patterns do not go back to normal, which kept the old economies up and running?

Martin McTague: I am still an optimist. Maybe that is because I am a small business owner. You have to be a bit optimistic to do that. I still see a lot of small businesses innovating, more retail businesses innovating, coming up with new ideas, trying to pivot into different sectors, coming up with multichannel approaches. If only they were able to get this debt burden off their shoulders that all of them have built up, they could successfully escape this crisis. If you are going to saddle them with a lot of debt and then expect them to adapt to a new world where lots of things have changed, you are asking too much.

Q88 Ian Byrne: That is a point well made, Martin. Ros, would you like to add anything?

Ros Morgan: Just to say, for individual businesses in trouble now, that is the only thing they can think about. They are literally thinking about the following day. For anyone, including myself, that has experienced having to make people redundant, the pressure and the stress that goes with that makes it incredibly difficult for those individual organisations to see the wood for the trees. It is very hard for them to plan ahead, because they are just looking at tomorrow and the next day.

However, as the West End, we certainly are looking ahead; we have to. That is the difference between an individual business working on its own and what perhaps a business improvement district company can do. At Heart of London, we are already looking at our recovery strategy. We are experiencing vacancies like we have never experienced before. I do not think it was even talked about. They are experiencing things that perhaps high streets traditionally struggled with. We are now looking at, for example, what we are going to fill these vacant units with.

Rather than seeing it as a negative, we are really seeing it as a positive, as a time to rethink. When the going is good, you just keep on going, do you not? This has given us a chance to say, "Hang on a minute. We knew this was changing and we really did not give ourselves time to think and



adapt.” Yes, the West End is very successful and it will bounce back eventually, but we are seeing it as an opportunity to say, “What is Leicester Square? What is Piccadilly Circus? What is Oxford Street?” We all know Oxford Street because it is the key retail destination, but obviously there has been a change. We may talk about that later, but there has been a change there. Let us reimagine that. What does that look like as we progress over the years?

I also foresee the opportunity for businesses that perhaps were outpriced from coming into the West End. The cost of doing business may well have been a huge barrier to some up-and-coming businesses from elsewhere in the country. Again, this rebalancing of rents, et cetera, will give those businesses a chance to come in and try their hand in a world city like the West End.

Again, I genuinely believe there are opportunities to be had. I am not sure individual businesses have the time or the space in their heads to be able to do that, but certainly Government, the local authorities and the BIDs in those communities have a responsibility to be doing that thinking for them.

Q89 Mary Robinson: I want to look at online shopping. It is growing faster than projected, with some projecting online sales to reach 50% by 2025, five years earlier than previously anticipated. Do you see this rapid growth continuing, or is it simply a reaction to lockdown?

Martin McTague: I will start by defining the problem. There are four types of retail: food, service, non-food and leisure and hospitality. What we are seeing is that food is up 21% and the rest are down 20%. The reality is that, overall, you are pretty much in the same place, but the big beneficiaries are the big supermarkets and maybe, to some extent, the convenience stores. Online is significantly up; it is 40% up. We are seeing that some of the non-food retailers have made some quite impressive switches to online. One example is Next, which is not one of my members; it has made an impressive switch in its online offer. A lot of smaller retailers have done the same thing.

The problem is that a lot of these small retailers either do not have the technical skills or do not have the resources now to make this switch, but their future will definitely be multichannel, so they have to think about the future. There is a real need now for extra training and extra investment in these businesses.

Q90 Mary Robinson: Can I just follow up on that, Martin? Is there anything that central Government or local government can do to help those smaller businesses to innovate so that they can compete with the larger online retailers that you have spoken about? In other words, for your members, what more can be done?

Martin McTague: If central Government could target a lot more of the resource that is coming out now into productive investment—in other



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words, investing in making the switch to multichannel retail, investing in training and the equipment necessary for these people to be able to trade online—that would make a massive difference. It would not just be helping retailers for the sake of it; the diversity of the retail offer would be much better if they invested now.

Ros Morgan: It is a really good question, and there is no doubt that the pandemic has accelerated this online use. That is all it has done. We knew that this was coming but it has accelerated it by five or 10 years, or whatever the case might be. Businesses have had to catch up faster than perhaps they had originally intended. We have seen some cracking examples of businesses that have managed to make that work, where others have struggled. Martin has covered all of those support measures that are needed.

One of the things that we definitely need to consider is levelling the playing field between online businesses and high street businesses because, as we know, the taxes paid by high street businesses, especially in the West End, are incredibly high. It is very difficult for them to compete with the ASOSes of the world, which are entirely online. We would like to see a levelling up of that playing field, if you like. Perhaps it could be a revenue-based tax for online businesses. None of us wants to see our high streets die. We absolutely need to have both, and we need to do everything we can to support businesses and enable them to do that.

Q91 **Mary Robinson:** Martin, can I just follow this up with you? Obviously we do not want to punish those small, local, independent businesses that may be wanting to try out more of the business online. Is there something that Government can do to make tax fairer so that online shops contribute their fair share?

Martin McTague: Yes, there probably is, but we have wrestled with this now for the best part of 10 years, to my knowledge, and none of the solutions is particularly attractive, because we are not trying to stop people changing their shopping habits. That is clearly something that was a well-entrenched pattern long before Covid struck. What we can do is make sure that if small, innovative businesses want to compete effectively, they are able to make their offer online with equal measure against the likes of Amazon and the rest. There is a place for them.

Do not forget that there are a hell of a lot of businesses, especially service-based businesses, that will never be online. You cannot get your hair cut online. Clearly, there are a lot of impressive, small retailers that will thrive with no online business. They should be encouraged as well.

Q92 **Mary Robinson:** Is there anything in particular that you would like to see being done to encourage them? It is just this mix that I am interested in. For instance, Debenhams has been criticised for contributing to its own downfall by not getting to grips with online sales, whereas you have mentioned Next, which has done well. For your own



local stores, the local businesses that you would be interested in, what more can be done?

Martin McTague: A lot of these businesses are owned by people of my vintage. They have grown up in a world where retailing was all about bricks and mortar, and they are adapting as quickly as they can to this new world. There is a lot more that Government could do to try to help them go multichannel. It is a point I have made before but am reinforcing: instead of saddling them with all this debt, allow them to convert some of this into productive investments in their own businesses so that they convert to multichannel. What is the point in pursuing some small retailer for £50,000-worth of bounce back loans when, if you force them into liquidation and they have to go bust, that money is never going to be paid? Let us try to get it invested in something productive.

Ros Morgan: More and more businesses are doing both. Let us face it: every one of us today, if we have googled a company and it does not come up, think it is not real or that there is something dodgy about it. There is a certain expectation, but it is not appropriate for every single business. Those businesses that are ready for it need that investment and time. Both of those things are in short supply at the minute. If some concerted effort could be going towards those businesses that are ready to become multichannel, rather than a blanket approach and trying to encourage everybody, that is probably the best help that can be offered.

Q93 **Chair:** In the past, landlords might have been an important but almost invisible part of the high street scene. Every few years they have had their upward rent revision, taken the money and probably left it at that. The last few months have probably seen more interest in landlord-tenant relations. I wonder what your view is of what has been happening. Has it had a positive effect? Has it been a confrontational one? Where are we up to with this?

Martin McTague: There is a stereotype of landlords, and it is true of a minority, with the big, maybe aggressive organisations that pursue small retailers and are not easy to deal with. There are certainly plenty of examples of that, but there are many small landlords who are often retired retailers who rent out their shops to other small retailers. They are in as much trouble as anybody else at the moment, because for many people they are not getting any rents paid on their properties. Some of them have decided to go for converting retail to office. Now that business plan is shot, because there is a serious reversal in the number of offices needed, especially in city centres.

The critical thing that is worth emphasising is that 45% of small towns have fewer than 100 shops, so they are approaching critical mass size. If they lose many more of their shops, they will be in dire straits. They essentially will not be attractive as any kind of retail entity. It is very important that we are able to stop especially small landlords going for the soft option and converting from retail to residential.



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Ros Morgan: I have a slightly different take, not disagreeing but a slightly different look at it. In the West End, from the outset, the landlords have been advocating negotiations and resolution rather than litigation. I am proud to say that, by and large, the majority of landlords in the West End really have acted properly. There have been a few, and they have been in the press, that have not acted as well, but the majority have. These are all commercial businesses that are there for the long haul. Landlords do not want to see vacant units. It is in their interests to retain their tenants, especially if they are good tenants and they are right for the area. It would be very hard, potentially, for them to refill those spaces.

I have seen really great conversations and negotiations taking place, but it has depended on how the landlords are financed. They are all financed very differently, and the majority have large borrowings themselves and covenants that they have to meet. Therefore, they are between a rock and a hard place, where they have to pay back the bank. They have to pay their loans, but in order to do that, they need the income from their occupiers.

It has been wrong. I know a lot of pressure has been put on landlords and an awful lot of responsibility. Some of them have the resilience to be able to step up and take that role, but there are some, whether rightly or wrongly, where their financial structure just does not allow them to offer any kind of movement. It is those landlords that we really need to work more closely with to work through a resolution.

The other thing I would say is that the moratorium has been helpful for the occupier, certainly, but I do not believe the right way forward would be to continue that moratorium beyond this March period, because all it is doing is building up rent arrears. Unless the landlords have offered some kind of entire write-off or other arrangement, ultimately all we are doing is kicking the can down the road, and these mostly small businesses will find themselves with even more debt, without the opportunity to pay that back any time soon. I would like to see Government intervene to some extent, because we need to find a resolution to these rent arrears.

Again, we should not pass the buck to the banks, because again they have their bonds, et cetera, that they are committed to. My view on it is that the responsibility needs to be spread and if, for example, we had a solution such as everybody taking a little bit of responsibility, that being Government, tenant, landlord and bank, then perhaps we could come out of this with most businesses being able to survive.

Q94 **Chair:** I have a final question to you both. Immediately, one suggestion has been a property bounce-back grant, not just more debt for the sector but a grant that would help both landlords and tenants in the retail, hospitality and leisure sectors. In the longer term, for many locations, is it not true that landlords are just going to have to accept lower real rents than they would have thought they would have had to do a few years



ago?

Martin McTague: Yes, you are right, and there is an air of reality creeping in. We all knew that there were structural changes to the retail sector. Maybe this has just accelerated it. It has pointed out the problems that landlords would have had to deal with eventually anyway. It has also created a problem for Government. If you have the best part of £30 billion coming in through business rates and you do not really have a plan to replace that, you are going to have to think very quickly about how business rates can be reformed.

Ros Morgan: It is really simple. Somebody touched on it earlier. I see this as a rebalancing. The intro to one of the questions was that rents have gone up each year. You are right. The rental costs in the West End are much higher than elsewhere in the country. That was good for some businesses, and for others less so. What this crisis has presented is a natural rebalancing. Yes, the rental levels will have to lower; there is no doubt about it.

What I would tell you is that, for any vacant unit that has become available in the Heart of London area, there has not been a lack of interest. Certainly, we have had celebrity chefs sign up to a restaurant just recently and we have had plenty of interest from the City office sector wishing to move into the offices in the West End. I am not saying that is a solution, because it creates a problem for the City, for example, but there is a little bit of natural rebalancing, which is a good thing.

What I would ask Government for, and what we have been asking them to do, is for them to get more involved in this conversation between the landlords and the tenants because, again, the best landlords have gone as far as they possibly can. I have landlords who are members. Many of my landlords have given rent-free holidays for this entire period and have just written it off. Unfortunately, some just are not in the position to do that. Whose responsibility does that come under?

Q95 **Chair:** Very quickly, are you supportive of bounce-back grants?

Ros Morgan: In principle, yes.

Q96 **Bob Blackman:** I have some quick questions about business improvement districts, your views on them and their role in actually helping the high street recover. We have some examples about partnerships between local businesses and local authorities. What role do business improvement districts have, particularly given they have been concentrated on commercial success?

Ros Morgan: Is the question about what role they can play moving forward?

Bob Blackman: Yes, and particularly in place-making, because a lot of the talk now is that we cannot just talk about commercial centres or residential areas; it is all about making a place where people can live and



work in the same area.

Ros Morgan: I simplify it, because a business improvement district is just a means to collect money in a bank account that can then be spent on whatever the community would like it to be spent on to improve an area. Really simply, that is how I often explain it to people. It just so happens that it is the businesses that are willing to contribute to that pot and that therefore get the opportunity to vote. Over the years, in the very early days, there was a very clear line drawn, with BIDs only speaking to businesses and the councils speaking to the residents.

Over the years that line has blurred and has gone completely multi-coloured, because, certainly in the 20 years that I have worked in the BID industry, I have got to know the entire community, because you realise that you genuinely need to work together. Again, it should not be either/or; it should be horses for courses. Whatever fits that area is what you should adapt. I work with my residents in St James's; I work with the vicar at St James's church. We embrace the whole community, and we see that we get a much greater return on the investment in the area if we do that.

In terms of the role that BIDs should play, it should not be dictated. Originally a BID was designed around crises and BIDs were brought about because businesses needed that one single vehicle to bring their thoughts and ideas together and then to try to come up with a solution for it. What better crisis than now? The BIDs have become even more important.

Originally, BIDs were concerned that a lot of them would be challenged and, frankly, financially they were because members were unable to pay a lot of the levy this year. Certainly, on average across the country, the forecast levy collection is around 60%. BIDs are not for profit, so whatever we bring in, we spend. We are not there to develop large reserves. That is not the intention. Our responsibility is to spend money on the things that our community wants us to spend that money on.

Q97 **Bob Blackman:** On the previous Committee before the election—I think Clive, Mary and I are the only ones who were on it—one of the things we suggested was actually renaming these to be community improvement districts, rather than just simply business improvement districts, so we could get everyone involved in seeing the benefit. Names are important. Do you think that is something we should suggest?

Ros Morgan: The business bit comes about because the businesses are putting the money in. Again, I am really simplifying this because there are crossovers. Residents pay their council tax and, therefore, councillors engage and work with that community and deliver what they are asking for. Similarly with the BIDs, it is usually the businesses that are making that financial contribution and therefore want to have a say on how that money is spent. For me, it is less about what it is called. This is probably a better way of looking at it: any sensible BID will include the wider



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community. If it is really looking at the future interests of that area, it will include the entire community.

The BIDs themselves have developed over the years. Originally, it was that janitorial role. Believe me: during that first crisis and then when we came out of the lockdown, we went back to basics. It was stripping out all the jazz hands, glitz and glam, because they were all closed. Actually, this was about making the streets even cleaner, putting the signage up, having welcome people, giving out masks, giving out directions, et cetera. We went back to that role.

Over 20 years, we have developed and evolved from purely janitorial services, maybe even marketing and events, to this place management and place-shaping. Right now, as a BID, working alongside my neighbouring BID, New West End Company, we are leading the charge with Westminster and London & Partners to establish an investment and recovery programme, where we absolutely know where we are going. We are driving that from the ground. It is about, what do our businesses and our community need? Our relationship has improved during this period, both with the local authority and the likes of London & Partners, and that is really the way forward.

Changing the name may help, but all I would say is that the BID is just a template. Of course, you could have community BIDs, but then the community would need to be invested in that. If that is what they are willing to do, that is a great thing.

Martin McTague: This is definitely Ros's speciality.

Bob Blackman: Indeed, but you might have some comments.

Martin McTague: Essentially, my experience is that a lot of BIDs are quite low key and, as Ros says, janitorial. That is not going to cut it post Covid. They are going to have to be a lot more ambitious or they will not survive. I cannot see any of these businesses voting for them in their current form, if that is the level of ambition they have. There is time for radical change. Maybe that could include community improvement districts; I do not know.

Ros Morgan: Martin, do you mind if I disagree with that point?

Bob Blackman: That is even better. That is what we like to hear.

Ros Morgan: I would disagree with that, because if an area does not have the level of cleansing that is required, especially now, people are scared to death of leaving their house. Therefore, this need for that extra deep clean and for the area to look and feel safe is even more important. I would argue that, if an area feels that it needs janitorial services, then go for it. It is horses for courses.

In some other areas and some other boroughs, the cleansing service delivered by the local authority might be top notch and therefore does



not need to be touched at all, but in many areas, because of the budget cuts that most boroughs have now faced, the service has been brought to a statutory service level. For somewhere like Westminster or the West End, that really does not meet the mark when you are trying to lead the way as part of this global city. If you have a high street, like my local high street, and it just needs cleaning and no one is doing it, then that is what it should be. If they just need Christmas lights, then that is fine. That is where the money should go.

I really would encourage anybody to have these conversations, rather than trying to dictate. The basic principle of a BID is not to dictate. Instead, ask the businesses what the challenges are and then find the solution to those challenges. It can be anything whatsoever; anything goes.

Q98 **Bob Blackman:** There is a final question from me. Martin, I will ask you this, if you know any details. One of our other suggestions previously was that the Government create a register of BIDs and identify the areas without one. What has been the progress on that particular issue?

Martin McTague: We do not have universal enthusiasm for BIDs, if I am totally frank with you, across our membership. Some are quite keen on them, but there is a feeling that they are dominated by the principal business rate payers. If you are not paying business rates because you are below the £51,000, you feel like you are not really listened to, and therefore it is the business rate payers that are dominating it. I am sure that is not the case in Ros's area, before she contradicts me again, but there are definitely examples.

Bob Blackman: In Ros's area, there is no one under the £51,000.

Martin McTague: A register where people perhaps felt that they could understand where they were in the whole process might be a good thing, but it is not something we have had any demand for.

Ros Morgan: A register does already exist. As I said at the beginning, we have about 400 BIDs in the UK. These are regulated. BIDs are regulated and we have to go through a mandatory ballot, follow the regulations, et cetera, and there is a five-year term. We are legal entities. Any BID that exists is already on a register, be that with the BID Foundation, British BIDs or ATCM. They share their information and they survey, et cetera.

It is an interesting question in terms of whether the register is just to identify areas that have a BID or whether it is to identify areas that do not have a BID. In terms of areas that do not, I would hate to see BIDs forced on areas because, again, it comes from the ground up. Traditionally, BIDs came from town centre associations or local associations where the same four faces turned up. I was a town centre manager back in the day and I had the same four faces trying to improve the future of an area. They were also the same four that would



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contribute. The original principle of a BID was that everyone contributed instead of those same four big players.

It really depends on how the BID is set up. Again, it is tailored. It should not be dictated. I have to have a threshold, because the cost of my collecting a levy would be more than the levy I collect, but we would never ignore the businesses that are below that threshold. In fact, they get all of the services for free and some, because some of our smaller businesses are more demanding. We see that as part of the BID principle. Yes, you are a bigger levy payer, but you still only get one vote. That is the importance of making sure that you have the right infrastructure set up. You need to have a proper representative board, you need to have a good leader—a chief exec and a team—and you need to have the support of the local authority as well, and the statutory bodies, to make a good BID work.

It is more about identifying those BIDs that are not performing the way we would want them to and working with them to encourage them to become good BIDs, rather than perhaps assuming that all are operated in that same way. It is really emphasising the good practice, making it as flexible as possible. I would say, in all of the BIDs that I have worked in, in my role I am the only person who can play that role of broker between the business community and the other elements of the community, be that the local authority, the police, the fire brigade or the residents. The BIDs know our job is to know our members, to know them well and personally. No one else could have replaced the role that BIDs have played over this crisis.

I would flip the emphasis back on us: are we asking enough of our BIDs? Let us go and speak to them.

Chair: Thank you very much indeed to Martin and Ros for the session you have just given us. There is a lot of interesting information. You were generally in agreement with each other, though one or two little exceptions crept in towards the end. As Bob said, it is always challenging to the Committee to have different points of view put to us. Thank you both very much indeed for coming and giving evidence to us this afternoon. That is appreciated.