

Housing, Communities and Local Government Committee

Oral evidence: Supporting our high streets after Covid-19, HC 37

Monday 5 July 2021

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Members present: Mr Clive Betts (Chair); Florence Eshalomi; Ben Everitt; Ian Levy; Andrew Lewer; Mary Robinson; Mohammad Yasin.

Questions 162 - 207

Witnesses

I: Luke Hall MP, Minister for Regional Growth and Local Government, Ministry of Housing, Communities and Government; Paul Scully MP, Minister for Small Business, Consumers and Labour Markets, Department for Business, Energy and Industrial Strategy; and Kate O'Neill, Director of Policy, Cities and Local Growth Unit, Ministry of Housing, Communities and Local Government.

Examination of witnesses

Witnesses: Luke Hall MP, Paul Scully MP and Kate O'Neill.

Chair: Welcome, everyone, to this afternoon's session of the Housing, Communities and Local Government Select Committee. It is the final evidence session of our inquiry into supporting our high streets after Covid-19, something which I am sure is of importance to everyone in the country in various ways.

I will come over in a minute to our two witnesses today. We have two Ministers in person with us in the committee room. First, I will just ask members of the Committee to put on record any interests they may have that may be directly relevant to this inquiry. I am a vice-president of the Local Government Association.

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

Ben Everitt: I have nothing to declare.

Florence Eshalomi: I am also a vice-president of the Local Government Association.



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Andrew Lewer: In addition to my register of interests, I am a vice-president of the LGA and a board member of Northampton Forward.

Q162 **Chair:** Bob Blackman will be joining us eventually; he is also a vice-president of the Local Government Association.

It is a great pleasure to welcome Luke Hall, who is the Minister for Regional Growth and Local Government, and also Paul Scully, the Minister for Small Business, Consumers and Labour Markets; they are Ministers from the Ministry for Housing, Communities and Local Government and BEIS. You are both very welcome indeed. You have an official who you jointly brought along with you, at least virtually. Perhaps you could introduce your official to the Committee.

Luke Hall: We are joined by Kate O'Neill, who is the director of policy at the Cities and Local Growth Unit, which sits jointly between MHCLG and BEIS.

Q163 **Chair:** Thank you both for coming to answer questions this afternoon. We all agree this has really been a challenging time for the high street, for businesses there. I am sure there are more challenges to come, and it is how we deal with them that we want to try to explore with you. We have had a lot of evidence and several evidence sessions orally about this matter. There have been some differences of view about how far the Covid pandemic has fundamentally changed what goes on in our high streets and town centres, or whether it has been something that is going to pass and we will get back to a normal situation afterwards. Ministers, what is your view about the impact of Covid and the legacy of Covid?

Luke Hall: The first thing that is very clear is that Covid has resulted in the largest and most synchronised shock to the economy, to social lives and to the high street that we have seen in living memory. It has certainly changed attitudes, shopping habits and much more for many people. One of the first things that is very clear is that there is a significant drop in footfall since the start of the pandemic. We have seen a 35% reduction in footfall compared with this time two years ago, so pre-pandemic. We have also seen, unfortunately, a rise in vacancy rates, with the vast majority of those—over three-quarters—in retail.

There are some green shoots, if you start to look at some of the numbers. As you start to look at the lifting of restrictions, we are seeing a recovery in numbers from the lowest point this time last year in May 2020. Footfall is up about 200% since then, and more in some regions of the country. In north Yorkshire, the west of England and the east midlands, footfall is recovering well.

In terms of how fundamentally it has changed habits for the future, the reality is we do not know yet whether footfall will recover to pre-pandemic levels. A lot of the external academic research suggests that there are a number of factors that will affect and determine that, such as confidence to just go back and start shopping again safely on the high street, the trajectory of the online trend and also the change in working



habits as well. What are so important are some of the packages of support that we have been trying to deliver businesses, not just the capital projects such as the towns fund, the future high streets fund and others, but also the comprehensive package of support in business rates, loans and job retention schemes. The full nature is yet to be seen, but the support is working well.

Paul Scully: You are absolutely right. This is a really pivotal moment for the high street. I was a councillor between 2006 and 2010 in Sutton, and I remember then having conversations about what our high streets will look like in 10 or 15 years' time. As Minister Hall has said, this has accelerated some of those conversations. It is now, "What does the high street look like in six months, a year or 18 months?" We are still, as was said, working through what the baked-in behaviour changes are, if any, and learning those lessons. Is it the use of cash? Is it the increased use of digital? There is also the obvious one about the difference between bricks and mortar and online.

I am also the Minister for London as well. Looking at town centres, Minister Hall talked about high streets starting to bounce back in terms of footfall. The towns and cities, as we know, have lagged behind, whereas typically they lead the way out of recessions. This is slightly different. London being three times the size of the next European city, never mind the next UK city, has a particular centre of gravity and there is an inertia issue around public transport and getting that confidence back.

I am optimistic for our high streets, but I am just explaining the fact that, having put £352 billion of support into the economy as a whole, including retail and hospitality—that ecosystem that makes up our high street—we now have 352 billion reasons to help shape that recovery rather than just letting our hands go and returning to a free market. It is important that we encourage people back to their workplaces when possible, again looking at what the grain is in terms of blended working, as we can get back to international tourism, domestic tourism, getting our students back into our town centres to get that spend up and that ecosystem back up and running. That will happen, as I say, from us working together and carefully shaping the recovery together.

I will just finally say that I liken our relationship to Minister Hall being on the high street with the local authorities, with the residents, looking into the shop windows, and me, the retail and hospitality Minister, being in there with the businesses looking out. Together, we have to have a strong partnership to make sure we shape this.

Q164 **Chair:** That is an interesting vision I have of the two of you in a shop negotiating. When we took evidence, I remember particularly John Timpson, who has been very much involved in the taskforce looking at the high street, said that he began by thinking that what Covid had done was to accelerate 10 years of change in the high street into one year. Then he changed his mind and thought that the impact might not be



quite so radical and it might go back to something like we had at the beginning of the pandemic. At this stage it may be too early to say precisely what the situation is going to be. Does that mean that the Government have to be open-minded about whether the plans for the high street in the future will need to be revisited and revised, and probably be somewhat different from what they would have been if we had not had a pandemic and we were back to 2019?

Luke Hall: Yes, in short. As I said, we just do not know yet the exact future for things like footfall and some of the other issues we have already talked about. We absolutely have to keep an open mind, both in the advice we are getting through the Urban Centre Recovery Taskforce and others, and also in the options and support packages we pursue as a Government. That is absolutely right.

Chair: No doubt you will be interested in the Committee's suggestions and recommendations when we produce them.

Q165 **Ben Everitt:** Thank you to both Ministers for your comprehensive answers to Clive's questions. They set up my question quite well. We have spoken to a number of witnesses and received a fair bit of evidence that suggests that there is quite a lot of worry out there about the cliff edge for the relatively comprehensive package of support for businesses that has been wrapped around our economy and our high streets over the course of the pandemic. When that is taken away, there will be this cliff edge and businesses will be left on their own. How are we going to prevent that and how are we going to mitigate that cliff-edge effect? Minister Hall, can I start with you and then we will go over to Minister Scully as Minister for fun, as I think he just described himself?

Paul Scully: I am not sure about that, crikey. Come and sit over my side; it is not always fun.

Luke Hall: If you look at the overall package of business support that the Chancellor has outlined at the Budget, what he has tried to do is, as you say, draw up a comprehensive package of support that almost errs on the side of generosity to accommodate even the most cautious possible view about the time it might take to exit some of the restrictions. If you look at the support package, most of it extends well past 19 July, into September and beyond. For example, the job retention scheme ends at the end of September, and we have a number of the grant schemes being distributed by local authorities. The finance schemes end at the end of the calendar year. The targeted VAT relief of tourism, hospitality and retail ends at the end of the financial year.

By its nature, in its design, I would not necessarily agree that it is a cliff edge of support. I would say it is a carefully designed transition of support to enable businesses to stand on their own two feet, which we would all agree is what businesses want to do and are passionate about trying to return to. That timeline or phased out support is probably the right mechanism.



As a last point here, most businesses have welcomed the certainty that this provides. Giving a really clear upfront explanation of what support is coming and when, and when it is ending, has been really helpful.

Paul Scully: Yes, absolutely. At the height of the pandemic, I was speaking to the retail sector chief execs and the hospitality sector chief execs once a week. I continue to speak to them and to the trade unions. Clearly, at that time, there was definitely a view of a cliff edge, in terms of what was happening at the end of the financial year, but the Chancellor, as Minister Hall said, addressed that within his Budget. He deliberately went long to allow for that flexibility about changes, because it was always about data, not dates. There was always a degree of uncertainty although, as Minister Hall said, we have been trying to give as much certainty as we can.

He is right in talking about the different times that some of these schemes continue until—furlough until September, the self-employment income support scheme until September and the additional restrictions grant until next year. I know the one that was most exercising was probably the rent situation, with the rent moratorium, because that was very little to do with Government per se. It was trying to make sure that pragmatic, constructive conversations could go on between leaseholders and their tenants. That is why I am glad we managed to again extend that. We are legislating on that.

Chair: We will come on to some specific questions about that in a little while.

Paul Scully: That is what we have been trying to aim for.

Q166 **Ben Everitt:** If I am hearing you both correctly, in terms of the eventuality of the extra month of restrictions that we had being bumped through to 19 July, is that factored into that tiered way of tapering out the support? If that is the case, how confident are we that we could take any additional restrictions within the current scheme? If there is a need for more support, would that be available?

Paul Scully: Essentially the answer to your first question is yes. That was very much factored in by the Chancellor in his Budget. We have the Prime Minister and the Health Secretary standing up in turn at 5 this afternoon to talk about 19 July, and they will again on 12 July. We always said that we would make a decision a week before. I am optimistic that we can start peeling away more of the restrictions.

Obviously, retail has been able to open more fully than, say, hospitality over the last few weeks, but none the less there are still constraints on their capacities. It is important to remember for hospitality that they are minimising losses rather than making profits, so we are not yet at the point that they can really start paying down those debts that they have built up.



None the less, the Chancellor has continued to flex, the Prime Minister has continued to flex and we will work that through as we see what happens over the next few months. By pausing at step 3, we gave more time for people to be vaccinated and we introduced enhanced response packages to help affected areas in local situations, where we may need surge testing, because it is so important that we just do not go for the stop-start situation that we had last autumn if we can help it. That is the last thing that businesses want. It is the last thing we want as Government.

Q167 Ben Everitt: Back to Minister Hall, obviously a lot of money has gone out of the door. How do we know that we are using it appropriately? How are we evaluating the success of the schemes that we have in place? What lessons are we learning about the different impacts of the support across sectors, across regions and in different communities? We are talking here specifically about the high street. Of course, the support packages are much broader than that. How do we know that we are not missing anybody, or that somebody is not being supported in a way that we would like?

Luke Hall: There are a number of different ways. One of the first things we have done as MHCLG is to set up the Urban Centre Recovery Taskforce. That is chaired by the Secretary of State and the chair of Homes England, and it is comprised of a number of experts from academia, business and local authorities, who are using evidence that we have provided them, but also their own external evidence-gathering as well. That is both monitoring this information and providing us with recommendations about how to respond to some of the challenges that we are facing. That is very much looking at the work we are doing there.

We in MHCLG are also collecting lots of data from local authorities. We collect data weekly on how many grants have gone to different parts of the country, different businesses in different parts of the country, to try to analyse that. That is published in an aggregate form once a month as well on gov.uk. We also look, as we have talked about previously in this Committee, at more in-depth monthly data from councils to look at some of the impacts and trends, to monitor that way as well.

On top of that, we use some of the regular data that we cross-reference against the support packages, whether that is footfall, card spend, external data sources—Google Mobility data sources, for instance—to look at some of these impacts on the high street.

The crucial point, though, is that, when looking at this, we then use it to factor it into policy-making, which is what we are very much trying to do. We are looking at all this work and evaluating it. A good example of where we are trying to do that is through the material change in circumstances provisions in the directors disqualification Bill, which had its Second Reading last week. We are delivering a £1.5 billion package of extra grant support through local authorities for businesses impacted by the pandemic but that have not yet had access to reliefs. We are using a



lot of that information to try to inform that policy and that guidance, which will ultimately go to local authorities. That is the crucial point there: trying to bring all that information that we are monitoring together in a coherent way to inform the policy mechanisms that we are delivering.

Q168 **Ben Everitt:** I agree entirely. Of course, it is about what you do with the data as well as what data you have. An example would be if you have two neighbouring authorities and the discretionary grant is being used differently to support different types of businesses in those two neighbouring authorities. Is there any action that Government will take to try to even things out?

Paul Scully: It is difficult, because we are trying to give local authorities the opportunity to reflect their local economies. Minister Huddleston and I, for example, wrote recently to local authorities to make sure that they get their additional restrictions grants out quicker, especially when the top-up was announced, because they were not able to access their top-up until they had spent their original money. We were saying, "You can do that in one of two ways. You can either give more money to your existing pool of businesses that you have been spending on, or you can widen the remit of your local policy and go to some of the people who have lost out". It may be taxi drivers or the wedding sector—these areas that you, as a Back Bencher, have had people approaching you about, just as I have had. On the other hand, we do not want to trample over that discretion that local authorities have had.

Another example that we reflected on, again with my London hat on, was that the original grants were based per resident rather than per business. The latter grants have changed somewhat. If you look at the City of London, for example, there are very few residents. There are only 350,000 residents in that area, but there are loads and loads of businesses. The amount per business that was given as an allocation was very small. We were able to reflect, flex and adapt to that situation.

Finally, I will just say that the data is great. You ask about what we do with it. It is also about speaking to businesses individually and learning their lessons, and speaking to local authorities to see what the barriers were. Rather than just seeing that they are not paying out very quickly, it is about picking up the phone and saying, "Why are you not paying out? Is there something I or Minister Hall can do to help break down a barrier?" That is one of the things that we have been doing quite a lot over the last year.

Luke Hall: That was the only point I was going to very quickly add to. There is also just that last bit of contact directly from Government Departments to councils, to see whether there are any individual issues, such as a capacity issue or an issue about interpreting the guidance. We continue to do that and speak to councils about those issues too.

Q169 **Ben Everitt:** That is fantastic. It sounds like you have been learning the



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lessons as we have been going along. Is there a plan to formalise the lessons learned into a formal document at some point?

Paul Scully: Overall, the Government have announced that they are going to have an independent statutory public inquiry on the lessons learned over Covid in its entirety. That will include support as well, I am sure. None the less, as you rightly say, Minister Hall and I both have been learning lessons along the way, sharing best practice with local authorities as we have picked it up from another council. With the original grant scheme to retail, hospitality and small businesses, I rang 120 local authorities and picked up some good tips along the way that I was able to share.

Q170 **Chair:** Just picking up on one issue that got reported back to us, there is a feeling by some retailers about lessons that could be learned. Hopefully, we do not get into the situation again, but you can never say never on these matters. It is on the issue of face masks. I remember Darren Pearce from Meadowhall shopping centre in Sheffield, which happens to be in my constituency, was commenting about the fact that, because there was no way of determining whether someone was actually exempt—the Government did not bring in a scheme for some form of medical criteria to exempt people—anyone could claim exemption and there was absolutely nothing they could do about it. That caused real rows, with staff being concerned about challenging, but other shoppers complaining that people were not being challenged. Is that something that you might like to think about for future, if it ever occurred again, and perhaps have a different plan in place?

Paul Scully: It is something that we can certainly take away, because I know it is something that has been raised with me, not least from Paddy Lillis from USDAW as well as the British Retail Consortium, about the tensions in retailers. What we do not want to do is put pressure on retailers to enforce. They are there to do their job. They are doing a tough job in difficult circumstances. Neither do we want the police on the door of every shop. It is getting that balance right.

Chair: As Darren Pearce explained, groups of young people coming in all saying, “We have asthma”, is not really believable, but there is not much you can do about it, and then that causes the tensions.

Q171 **Florence Eshalomi:** One of the issues you highlighted in your earlier response was around a number of commercial tenants not being able to pay their rent and the knock-on impacts that has for their landlord. Obviously, the eviction ban for tenants ended on 31 May, but the commercial ban for tenants will go on until next March, in 2022. What was the evidence to support the Government’s decision to extend that eviction ban?

Paul Scully: We have spoken to a mixture of landlords and tenants to try to get as much information as possible. For the reasons that I was saying earlier, it is a tough one, because basically you are really intervening on a



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commercial contract between landlord and tenant. For Government to do that is quite a step.

It is important as well to remember that what we are doing with the commercial rent moratorium extension is basically for the rents that have built up until now. If tenants, moving forward, are open and can pay, they should be paying. A lot of businesses clearly have not recovered, as I have said, and there are a lot of debts that have been accrued. For example, the most recent data that we have indicates that hospitality rent payment continues to lag significantly behind the average, with just 44.1% of rent paid following the March payment date. That is compared with 71.8% across the sectors. That constitutes a 2% reduction compared with the same period after the December rent payment date. You can see that there is the risk, without further intervention, of significantly increased business closures and job losses across a range of the sectors. That was the thinking behind the extension, particularly in England.

Luke Hall: To echo the point, without further action, it was becoming clear that if there was not any further action taken, you would end up with significant numbers of businesses continuing to close and significant job losses.

You asked about the evidence. When you look across the sectors Mr Scully outlined, it is universal across all sectors that, despite the quite dramatic differences, there are businesses that are still struggling to pay rent in some circumstances. Even for offices, which are at 94% of collection rates 90 days after the March payment date, there are still businesses there who are struggling to pay. That was why it was considered to be sensible to have this blanket policy, which means that we can protect businesses and try to give that extra time and important clarity about the breathing space, so that they come to some sort of arrangement between themselves.

Paul Scully: I said "particularly in England". I actually meant in England, because it is obviously devolved.

Q172 **Florence Eshalomi:** That is helpful for commercial tenants. On the fact that the Government then chose to ring-fence that unpaid rent, were there any other options that the Government looked at? Again, why is there one approach for commercial tenants and another for residential tenants? I am sure I and other colleagues on this call have a mixture of commercial tenants and also residents who are struggling, the same residents who need to work in those businesses, the same residents who, if they are homeless because their rent has not been protected, cannot service and work in those businesses. In effect, it could be a double-whammy for the businesses you are trying to protect.

Luke Hall: In answer to your question of whether other options were considered, the short answer is yes. We launched a call for evidence on commercial rents earlier in the year, in early April, to look at a couple of



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different points. It was, first, just to get a good understanding of the current state of negotiations between tenants and landlords, and then to seek suggestions about what should come after 30 June. We then consulted on a range of different options. That was ranging from the removal of the current protections to a phased withdrawal of the current protections. We also looked at targeted options for legislation, looking at specific businesses that are most impacted by Covid-19.

Yes, we did look at individual options. We felt this was ultimately the right level of protection to support most businesses and landlords to come, hopefully, to an amicable conclusion using the guidance that we have published, rather than moving into arbitration.

In relation to the differences, there are lots of different factors that separate the commercial relationship from the housing relationship. If you look at the action the Government have taken on supporting residents in housing since the start of the pandemic, whether it is the increase in the local housing allowance or all the various other types of support schemes—the uplift in universal credit and others—there are quite a different set of factors that determine the circumstances and the policy responses. They are quite distinct there.

We published the guidance for tenants in residential properties to help them come to those agreements with their landlords as well earlier last year. We have taken action across both fronts, but they have required a different policy response.

Q173 **Florence Eshalomi:** It is good that guidance is there. Just on that, Minister, you have referenced residential tenants. Will those tenants have their outstanding unpaid rent ring-fenced, similar to commercial tenants?

Paul Scully: To be fair, we would need to speak to the Housing Minister on that. I do not want to jump into his role. We approached it in a different way. By introducing furlough and the self-employment income support scheme, we are effectively trying to support people's incomes as best as we can, rather than necessarily their outgoings. We tackled it at the other end, looking through the opposite end of the telescope, if you like. If you close down a business, short of paying their entire turnover, there was no equivalent that you could do on a commercial basis, which is why we had to tackle it at opposite ends.

Q174 **Florence Eshalomi:** One of the other things our predecessor Committee looked at was the whole issue around compulsory purchase orders. In the 2017 Conservative manifesto, there was a commitment for this to be reviewed. Evidence to the Committee shows that this still needs reform. Do you know if there has been any progress on the Government reviewing the Landlord and Tenant Act 1954, and then streamlining or looking at compulsory purchase orders?

Luke Hall: We are at this moment looking at further reforms to encourage councils to use their CPO powers for long-term empty



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properties in the circumstances where property owners are purposefully stalling regeneration plans. We will make an announcement on that very shortly. I cannot give you the date today, but it will be in quite short order. We recognise that we want councils to take a proactive approach to regeneration, including in the high street and utilising brownfield land. CPOs are an important part of that.

We have introduced some reforms in the last few years, back in 2017, to speed up the process, but we accept that there is definitely more to do there. We need to do more to give councils the powers, the capability, the capacity and probably the confidence to use CPOs, so we will make an announcement as quickly as we can.

Q175 **Chair:** Just to pick up again on evidence that we received about the relationship between landlords and tenants, obviously many retailers and businesses in hospitality have struggled through this period. The point made to us was that, equally, landlords have struggled, because they have not been getting rent. Some of them will say, "It's okay. We can see the shops have been shut for long periods of time", but there are other shops that have been open right through this period, and the Government are still protecting them with a ban on evictions there, ring-fencing their arrears. Is that not a bit unfair on the landlords, when businesses have not been affected at all as retailers and can still take advantage of the same restrictions that are there to benefit businesses who have been affected by the Covid situation?

Paul Scully: This is why I said at the beginning that this is the biggest tension and concern for us, because we were stepping on those commercial contracts. Yes, there have been some bad tenants. There have been some bad landlords. Clearly, there has been lots of good on either side, so I do not want to downplay that, but none the less there are tenants that could have paid and should have paid.

We have tried to make really clear that if you can pay you should pay, because you are affecting your high streets; you are affecting those vulnerable businesses. It is important to remember that not all landlords are offshore investments or something like that. There are pension funds involved there. There are a lot of mom-and-pop, single-owner businesses that just have a few properties that will suffer as a result. That is what has exercised us to try to get this correct solution there.

Q176 **Chair:** You did not think of some discriminatory protections then, which did not give protections to businesses that stayed open right through the pandemic.

Paul Scully: It was just tough. You saw some good practice of people returning support that they had had and making a virtue of the good work that they had done but, on the other hand, there were some businesses that were not able to trade fully. I will not name names, but that is where some of the tension came; maybe some played up on that unfairly, and some really did get into a genuine dichotomy.



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Luke Hall: I absolutely agree with everything Minister Scully said. Perhaps just to add, when considering the policy response that we have just been talking about, in terms of arbitration, this was a system that was supported by both sides of the coin in that respect. It was supported by representative groups from retailers and from landlords. We think, ultimately, that is the right policy response, all things considered. Now we will make sure that is a workable arbitration process that is manageable.

There will be more detail on this in due course, but one of the things we will be doing is making sure that the body has the power to ask an individual, if they have acted in bad faith during the period, to pay for the costs of the process. There will be some sticks there during that process, to look at how we can make sure we are encouraging good behaviour.

Paul Scully: It is important to remember when you are looking at the whole thing and the lessons learned that we were talking about, all of the schemes of support that we have been hearing have pretty well been reverse-engineered from some quite large things—furlough from payroll, self-employed from tax returns, the grant scheme from the business rates system and all of these kinds of things—for ease of delivery, speed of delivery and also to make sure that we can keep on top of it in terms of fraud and other checks on value for money for the taxpayer. Nothing is perfect, clearly, and we know—it has been well rehearsed—that people have fallen between the cracks, but we have tried to flex as best we can.

Chair: Okay. We will now move on to a question that is easy to resolve: business rates.

Q177 **Andrew Lewer:** We have touched upon business rates once or twice, but this is a question that hopefully will draw all of that together and address it in its own right. A lot of the evidence that we have received has expressed concern that, if business rates return to their full value after relief comes to an end, it is not going to be a sustainable position for businesses. Ahead of the final report of the business rates review, which is scheduled for the autumn, what certainty can you give high street businesses now that they will not be hit by punitive business rates when that business rates relief comes to an end in March 2022?

Paul Scully: As you have rightly outlined, we have the taper there. As part of the rates review, the Government published the joint consultation between Treasury and Minister Hall's Department, MHCLG, on more frequent revaluations. That is something that businesses have long asked for. That will hopefully have a most sustainable three-year revaluation system as well, but it is important that whatever comes next is more agile and more responsive. That is something that Government want. It is something that business wants. That final decision will be reached when the publication of the report comes out in the autumn, as you rightly say.

Luke Hall: First of all, I would just say that there has been, as you have outlined, a significant package of business rate support since the start of the pandemic; there has been £16 billion of relief now. We are trying,



even at this stage, to take further action, as I alluded to earlier in terms of the MCC Bill. We are going to be distributing another £1.5 billion. Obviously, it is way above my pay grade to forecast the outcome of the Chancellor's review. That will come later this year. If people look at the way in which we have approached the issue—we have tried to support businesses and we have tried to taper off the support so that businesses can get back on their own two feet—they will see that we are on the side of businesses and considering the future very carefully.

Q178 Andrew Lewer: Just to follow on that theme of being on their side and also making sure that the Treasury does not get absolutely everything its own way, can I venture into that pay grade a little more and ask you whether the business rates review will consider the disproportionate impact that business rates have on retail in particular? That is something we have been hearing time and time again in recent years, but obviously in the last year particularly.

Luke Hall: The review is looking at how the system currently works, what should change about the business rates system, the issues that need to be addressed and the many ideas that are being submitted for change in the business rates system. As part of the fundamental review of business rates, I am sure the Treasury will be looking at all of these options and taking representations from you, the Committee, as with the many representations they have received on these issues, very seriously.

Paul Scully: Undoubtedly, the retailers in the hospitality sector that I have spoken to have raised very much that point. They have talked about the fact that the success of a business is not measured in square-footage these days; you have to bring it into the 21st century. How do you have a business rates regime that can work alongside online retail, in particular? How do you connect it better to local authorities? These are three recurring themes that have come up in feedback to me. I know Treasury and MHCLG will be listening to that as they formulate their response in the autumn.

Q179 Andrew Lewer: On that theme of local authorities, when will we see the comprehensive guidance that MHCLG has promised on how business rates reliefs are operated by individual billing authorities?

Luke Hall: We are completely aware of this commitment that has been made. I would say in slight defence, if I can, that many businesses have not been paying business rates over the last year or so. We will be publishing that after the outcome of the fundamental review of business rates but before the end of the financial year. It will be in that period between the Chancellor's announcement and the end of the financial year. We recognise it is a complex landscape and that guidance is absolutely required, so that will be done this financial year.

Q180 Andrew Lewer: Why was the 100% business rate relief not extended to align with the lifting of restrictions on 19 July? That would have seemed the more logical period for assessing businesses and their ability to pay.



Paul Scully: I will just go back to the original answer about support. The Chancellor designed the support to err on the side of generosity, as Minister Hall said, and to go long in the first place. It is important to remember that the Chancellor looked at it holistically. You can salami-slice each of the support processes, but the Chancellor has to look at protecting the whole economy, protecting jobs as well as the businesses that provide those jobs, and ensuring that there is sufficient money there for public services. That is part of that holistic approach.

Q181 **Mary Robinson:** Recent data indicates that smaller town centres have fared better than large urban centres, and out-of-town parks have fared better than high streets. How is this evidence informing the Government's approach to supporting the recovery of high streets and town centres?

Luke Hall: First of all, as I mentioned earlier, we have the Urban Centre Recovery Taskforce. As I said, that is constituted by experts, chaired by the Secretary of State. That looks in particular at regeneration, planning, housing policy and the urban built environment as well. It looks at a number of different data streams in terms of gathering its evidence, as you alluded to.

First, we as a Department—I am sure Minister Scully's Department does this, too—supply it with information on card spend, for example, footfall, mobility data, these trends that you refer to in terms of the better performance of coastal areas, towns, historic towns and high streets and communities over regional cities. The group is specifically designed to come up with recommendations for us. It also looks at a number of other evidence sources as well. Through the High Streets Task Force, for instance, it has access to quite a lot of data. It looks at the work produced by the professional research and data group. That monitors the impacts of Covid-19. It has published a Covid-19 recovery framework on its website. That has been used for implementation and policy design as well. The High Streets Task Force is also looking at publishing data dashboards every single month, so that information is useful as well.

Again, as I say, we use cross-Government data as well as the external data sources to gather the evidence base as well, but it is both a quantitative and a qualitative information-gathering process that goes into design of policy. I come back to that example I used earlier of using all of that and tying it together, to ultimately deliver something that reflects the impacts that we are seeing, like we have with the MCC Bill and the guidance that we are producing.

Paul Scully: Again, I have spoken to the metro mayors and to a lot of the local authorities in the city centres. I will just give you a quick view with my Minister for London hat on; sorry to get London-centric for a second. As I said, it is a particularly big city that has been particularly hard-hit. Normally, it is always thought that London leads the way out of this, but actually we have the London Transition Board, which I co-chair, the London Recovery Board, which the Mayor of London co-chairs, and



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the West End recovery board. That all feeds into the Central Activities Zone, which is the slightly less romantic name that we give the West End, the City and Canary Wharf, the business zone of the centre.

The West End alone is 4% of the entire country's GVA. If you walked around it in the first lockdown, it was a ghost town. Frankly, that is the best test I have always had. In most of the lockdowns, I have still been out in the Department, and there has been parliamentary business as well. I just end most days walking around the centre of town and just getting a sense of atmosphere, getting to really put that human touch on the data that Minister Hall was saying we get on a regular basis. That is what is driving my passion for getting London back up and running again, because all of our city centres are so important to drive their own region's recovery as well.

Q182 Mary Robinson: Of course the challenges of online are still there and perhaps enhanced by Covid. How does the Government intend to level the playing field between bricks and mortar and online retail?

Paul Scully: We have talked a little about how we are looking at the fundamental business rates reform and the fiscal measures that we have here as well. I also co-chair the Retail Sector Council, which is a group of retailers that are respected by the retail sector and represent them really well. I chair alongside Richard Pennycook. The retail sector remains a key part of the high street. Any thriving high street needs that strong retail offer. Still, 72% of retail transactions in 2020 took place in stores, so physical retail is going to be a really important measure.

As well as Government looking at this, through the Retail Sector Council and other bodies, retail is looking at this itself, because it needs to protect itself, clearly. It is about how they get the right balance between their work in bricks and mortar but also driving their customers, if they are not able to come into the town, to their own websites as well. They can have hybrid measures as a retail sector. There is any number of digital offerings that are helping co-ordinate that as well. If you go to Watford, for example, WhatsApp was driving an initiative there to have a WhatsApp-led high street in Watford. There are a lot of different areas there.

This is an important place where MHCLG comes in, because it is about some of the easements that local authorities are able to give, to then make them semi-permanent and to have a better offering for people to be able to eat outdoors and drink outdoors. It is that ecosystem that I was talking about, helping ease parking measures or improving public transport measures, to encourage people to be able to shop local and get back into their own local high streets, as well as having a city and town strategy for retail.

Luke Hall: Mr Scully gave a very comprehensive answer there, so I will not add much to it. His Department does a huge amount on this. Perhaps I would just add that, alongside the business rates review, we look at the



almost unexpected impacts on local authorities as well. There are actually some impacts on things like local authority finances, for example through the increased recycling collections that they have to do because of the significant amount of extra packaging that comes into people's homes from increased online deliveries that would have normally been distributed via other means. There are lots of other tangential impacts as well, which we are speaking to local authorities about and monitoring very closely.

Q183 Mary Robinson: *[Inaudible.]* Consumer trends indicate that shoppers are placing increasing value on sustainable and ethical consumerism. How does the Government intend to incentivise high street businesses to invest in greener, more ethical business models?

Chair: I do not know whether the witnesses got that. The reception, Mary, made it very difficult to hear. The issue Mary is raising is about shoppers placing, during the pandemic, more emphasis on sustainable and ethical consumerism. What might the Government do to incentivise that, encourage it and be supportive of it?

Paul Scully: Again, this is one of the bits of work that we are doing with the Retail Sector Council. They are working on the circular economy. It is about the last mile and what more they can do to have green and sustainable businesses and green high streets. We are financially supporting them to get that bit of work up and running. They are doing some pilots up in the north of England. If that works out, we will be able to share best practice and roll that out across the country. It is really just investing in the sector to be able to help themselves. They will do it so much better if they are incentivised and if they come up with the projects themselves. I am really excited about some of the work that is happening there.

Q184 Mary Robinson: The future of high streets is also going to depend on where people choose to work. Where do the Government want people to work?

Paul Scully: I missed that last bit. Is this about the return to work?

Chair: Yes, it is about where the Government want people to work, which will have a big impact on where they do their shopping.

Paul Scully: There is so much to be gained in having a workplace where you work alongside other people. Especially for young people, I have seen people in my own offices propping a laptop up on their own bed. They just do not have the home and the resource to be able to work from home. We want to drive flexible working; we want flexible working to become the default option wherever possible. None the less, flexible working is not the same as permanently working from home. That is just living at work, frankly.

We want to go with the grain. It is not for us to mandate businesses to rush back to the workplace and say, "You have to come back on this



date". None the less, we have to get the balance right. We have to show the benefits of continuing professional development by being able to work alongside colleagues who may have been 10 or 20 years in that business, so you can learn from that process. The joy of Zoom and Teams, apart from when we have to ask our questions through interpretive dance because the network is not as good, is that it is great for getting around the country, but it is a little bit like "The Truman Show" in real life; someone has created all of this, and so, again, you do not have those brush-by informal conversations.

Again, towns and high streets are dependent on people getting back into workplaces and tourism. If you are not going to come into your workplace, do not expect that town and city to look the same as a result. If we value it, we have to use it.

Luke Hall: I was not sure whether there was a remote meetings for councils element to that question or not, Ms Robinson. I was not sure whether that was exactly where you were going, but I am happy to come back on it, if that is what you were trying to deal with.

We had the call for evidence for remote meetings for councillors, which closed on the 17th of last month. We are now considering the options for the future of remote meetings, which would require primary legislation and taking into account a lot of the feedback we have had from members on this Committee and elsewhere about the future. Clearly, there is an important question about remote access for councillors as well in the future. We will publish that as soon as we can, and we will consider all of those responses. There is an important policy discussion that we are having there as well.

Q185 **Chair:** Just to follow up on two of those points, Mr Scully, you mentioned that people who decide to work from home should think about the implications in terms of what the place they normally work at will look like if there is not the footfall going through the shops there. Do the Government have any responsibility to try to adjust policy to reflect that potential change for many town and city centres, if suddenly a lot of their workers work from home in the future?

Paul Scully: Yes, it is part of this shock. It is part of the baked-in behaviour changes that we were talking about right at the beginning. We have to try to shape that. As I say, we have pumped in a lot of support for local economies, and we have to make sure we shape that recovery. I am really optimistic that towns and cities will bounce back, whether it is bouncing back to where it was in February 2019 or a new reality that goes behind that new normal that we have been talking about for so long.

It is a good thing for the Government to be looking at flexible working anyway. That is not just in terms of the blended or hybrid working, with three days in and two days off or whatever it is, but also in terms of people's hours, varying the times that they may travel in, giving people



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the ability to wrap their work around childcare or elder care and these kinds of things, or for people who are going through traumas or stresses to have flexibility of hours.

As I say, there is only so much we can do. We should not be dictating to employers or to employees, "This is a fixed way of working". It is up to employers and employees to be having a conversation that works for both.

Q186 **Chair:** In future policy, the Government have to have regard to whether there is an impact of that choice.

Paul Scully: Yes, absolutely they do.

Q187 **Chair:** I have a nice easy one now; maybe Minister Hall would like to take it. Is the current balance of business rate collection from online retail and physical retail in the high street fair?

Luke Hall: That is exactly the sort of issue that the Chancellor and his colleagues in the Treasury are looking at in detail now. There is clearly a huge amount of interest on this particular point from our constituents and from colleagues in Parliament as well. I know HMT published a call for evidence in July last year about online sales taxes as part of the fundamental review of business rates. I am sure they will be considering a number of representations that answer your questions in very different ways as part of that. I would not want to pre-empt the outcome of that review, as they are working through a number of different representations.

Q188 **Chair:** We look forward to the report of the review with interest. The way that the Government have chosen to help high streets in town and city centres is with a number of funds. We can go through them. There is a high streets fund, a towns fund, a levelling-up fund and the shared prosperity fund. There are a lot of funds, all of which require local authorities to sit down and write bids, some of which will be unsuccessful. Is it really the right approach, looking at the long-term strategic need to safeguard and change the high street, to have a series of different funds, all with a bidding process and all unconnected to each other?

Luke Hall: If you look generally across all of the funds that we are delivering—you are right: there are a number of different funds—what we are trying to do is address different policy objectives with different mechanisms. There is a mix of short-term and longer-term interventions here. For example, the UK community renewal fund is just a one-year fund and bidding process, whereas the levelling-up fund is over the Parliament, so a local authority can have one bid during the course of the Parliament. What we are trying to do is make sure that the funds get to where they need to go to get the best value for money.

In terms of the capacity, we certainly recognise that councils have to expend capacity and officer time and elected member time in delivering these funds. That is why, in the delivery of the levelling-up fund and the



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UK community renewal fund, we have provided quite significant capacity funding to the high-priority areas. There is £125,000 for priority 1 areas in the levelling-up fund, and that is helping those areas quite substantially to bring people on and to buy external expertise to put these bids together. The same goes for the UK community renewal fund as well.

We have certainly received a lot of representations about this. That is something we will take into account when we look at the future funds over the longer term, like the UK shared prosperity fund, for example. What we want to do is to try to have the right funds to match the policy objectives that we are trying to deliver. We think that we have matched the expectation with the upfront support for councils in terms of capacity funding as well.

Q189 Chair: Can these funds be joined up in any way? There is a separate bid here, and a council may or may not be successful, and then there is another bid over here. We know that the high streets in towns want a longer-term strategic view. How can you turn these different funds, separate from each other, into a longer-term strategic change?

Luke Hall: That is exactly what some of the other support that we are providing is doing. We want to bring more parts of the jigsaw into play. For example, the High Streets Task Force is offering really detailed advice on this. What that is doing, as this Committee knows from the work it has done on this before, is bringing different stakeholders together to look at the longer-term vision for the high street.

A lot of the work that has been done in forums like that could be integrated into the bidding process or the decision-making process for some of these funds. It can be integrated that way. Of course, we should not underestimate the quality of local leadership. Local leaders want to bring together these types of interventions to bid for them as well.

You hinted at whether councils could integrate some of the bids together in forms if they were unsuccessful. Yes, some councils do that. For example, we have had councils that have unsuccessfully used their officer time to submit a bid to the future high streets fund, and have then altered that bid and are submitting it to the levelling-up fund. If that is what you were hinting at, there are ways for them to alter those bids and use them in other ways that are also productive.

Q190 Chair: If a council is looking, say, to do a significant repositioning of their town and city centre, maybe by reducing the amount of retail space and bringing more housing in, which some councils are doing, is there any way of joining up funds that are specifically for high streets or town and city centres in with housing funds? There may be a need to do CPOs or to deal with land with one purpose that needs the existing buildings removing or maybe some contamination issues dealt with in order to put housing on it. Can those bids be linked in some way? If so, how is it done? Who is overseeing that in Government?



Luke Hall: Absolutely, yes. Mostly that will be overseen through my Department. A good example of where that is done is perhaps through the towns fund in the assessment processes of the bids. A big part of the assessment process, for example on these town investment plans, is looking at the overall vision and strategy for the town. It does not just look at things in isolation; it looks at the other external changes that are happening in the town as well. It is not that they work in complete isolation; they do look at the local authority's plans and medium and longer-term plans as well. It is more joined up than just a sporadic group of different funds operating in isolation.

Q191 **Chair:** Why was there no thought given to saying perhaps in areas with mayors and combined authorities—though it probably could have been done in other areas as well—“Look, we need you to achieve certain objectives. We need you to go and look at your town and city centres. We need you to do regeneration. We need to look at different local plans for your areas. Here are some funds. Go off and achieve the objectives. Spend those funds in an integrated way to achieve those things, and we will monitor your progress”, rather than having local authorities put individual bids in for every single scheme they want to do?

Luke Hall: We certainly received those sorts of representations from combined authority mayors. That is definitely the case. Having said that, we also received a lot of representations from councils to deliver the funds directly themselves as well. There are always two sides to the representations.

When you look at the funds individually, they are quite distinct in terms of their policy objectives. If you look at the levelling-up fund, that is specifically about infrastructure, town and city centre regeneration, transport investments and cultural heritage assets. The reason that we have different funds is that there are different priorities that the Government want to achieve. That is why they have distinct allocation methodologies, which are all published on gov.uk, and different pots that can be bid into, as you say.

To the point you are hinting at, we are looking at this, for example, for the UK shared prosperity fund. We are taking into account a lot of this feedback for the future of that. We have certainly had representations from metro mayors about the delivery of that type of funding into places like skills and areas where they have a lot of expertise and authority. We are certainly considering that very carefully, but it is fair to say that there are mixed representations from different groups about how these funds should be delivered.

Ultimately, the point I would come back to is the fact that they are significant funds being injected into communities who want to see change on the ground quickly and who we think will see that through the course of this Parliament, despite the challenges that are presented to us by Covid.



Q192 **Chair:** How will we measure success?

Luke Hall: If you look at the outcomes that we have asked local authorities to achieve, we have set up a monitoring and evaluation strategy for the high street fund and the towns fund. That looks at a number of different objectives. For example, the strategy tracks how the projects develop, their impact and the value for money that they deliver as well.

We are monitoring the success of those through a number of different levels of evaluation activity, and that will demonstrate what impacts the programme has had and the value for money. We have just finished having that programme peer-reviewed, and we are about to publish it on gov.uk very shortly. I hope to do that before the summer recess, so I hope the Committee will be able to take that into account as well. That will look at things like the relationship between inputs, outputs and outcomes achieved by the funds as well.

We have asked individual places to submit quite a lot of information back to us on the achievements they are making with the funds, and then we are looking at the larger strategy as well. In terms of the individual places, we have essentially given them a template to return to us with regular data outputs. That looks at things like how many jobs the individual projects have created or their impact on footfall; when it is in relation to transport, it looks at how it has changed the use of public transport or how it has shaped place-making by investment in transport through things like reducing emissions in different areas as well. There are quite specific targets that will be measured and checked.

On top of the individual project-level monitoring and evaluation, there is then a wider set of broad outcomes that we will look at. Those will look at things like business profitability in the area, employment outcomes, whether local economies have improved or the quality of life and wellbeing in an area. It will look at that much broader range of factors as well. There is quite a thorough and comprehensive monitoring and evaluation assessment that will come out in a couple of weeks' time.

Q193 **Chair:** Will this be public? Will all of the figures be public so that everyone can look at what has been successful and what has not?

Luke Hall: The process will be published in a couple of weeks' time. The assurance underneath a lot of those metrics will be done at local level by the 151 officer as well. There will be a local role to play. There will be individual localised decisions there about data publication. I can certainly come back and confirm to you the exact quantity of data that we will publish.

Q194 **Chair:** Just to be clear, this is going to be data that will be published about results. Will there be any targets set that we can then use to monitor success against?



Luke Hall: First, it is important to recognise that there are distinct and different funds here. For example, in the towns fund, when local authorities submitted their bids they submitted business cases and we expect them to hit those milestones. They submit data to us on a regular basis throughout the year, and we then have follow-up meetings with them. We would only agree to continue to release the funds to them if they are delivering against the targets they have set and the value-for-money principles they have set. There is quite a robust process from our point of view to make sure that local areas are delivering as we move through the process.

Q195 **Chair:** Local authorities will set themselves targets that are agreed with you, and then you will be monitoring with them whether they are hitting those targets. Will that all be public?

Luke Hall: That particular process is in relation to the towns fund. It is slightly different depending on which fund you are talking about. We will publish a summary all of that monitoring and evaluation strategy in the next few weeks.

Q196 **Chair:** That will set out for each of the funds what the process is going to be.

Luke Hall: I cannot confirm that exactly today, but perhaps I can agree to follow up with you in writing after the session to confirm the level of detail that we publish. I do not have that exact detail with me now, but we will certainly aim to make it a transparent process.

Q197 **Chair:** Given the amount of money involved and given that it is a bidding process, I would say that we need to know the bids that have been successful or otherwise in that process.

Luke Hall: Yes.

Q198 **Mohammad Yasin:** How do the Government propose to support local authorities to build the capacity and skills to develop truly transformative vision for their local areas?

Luke Hall: We have touched on a couple of points here already. First, there is the significant capacity funding that we are providing. There is £125,000 per local authority for every category 1 authority in the levelling-up fund; there is £20,000 for every place that is prioritised in the UK community renewal fund; and in the devolved Administrations we are providing the capacity funding as part of the levelling-up fund to every local authority. That is just to reflect the fact that there is a bit of extra work for them to do there to build a new relationship with the UK Government as well and to set up new ways of working. We are certainly providing that capacity in that respect.

We are also providing capacity and training to councils through the High Streets Task Force, and that is again providing a lot of training and information on local leadership. If you look at the work that has done through Covid to support places on high-street regeneration, it has



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published a Covid recovery roadmap and it has published a lot of data about footfall as well. They are doing in-person visits and online webinars and guidance that you can participate in. They are also just helping people, importantly, to make more data-driven decisions, so making sure that councils and political leaders have access to data that they might not have seen before.

There are a variety of different ways that we are trying to provide capacity to places both through direct upfront funding and through training and guidance. A first tranche of 70 councils are receiving that support through the High Streets Task Force, but there is absolutely more to come in that respect. There will be a comprehensive offer to high streets and local authorities that are not on that initial list of 70 as well, so that everybody is able to receive that level of basic training and support.

Q199 **Mohammad Yasin:** You mentioned the High Streets Task Force. Do the Government intend to review the remit and/or the budget of the High Streets Task Force?

Luke Hall: We will keep that under review, but the important question here is, "Is it working? Is it effective?" So far, we think it is. Its work has been significantly impacted by Covid. They were piloting some of the in-person visits when the pandemic started to hit. Clearly, it was very hard for them to deliver that during lockdown. They then moved towards that system I was talking about of more online, digital and remote support for councils as well.

I would make a couple of reflections on that so far. First, the advice seems to be working really well on the High Streets Task Force where the local authority is able to bring together lots of different stakeholders. Where it is bringing people together—whether it is the local shopping centre owner, the business improvement district, the LEP or potentially some of the residents and business groups—to have that conversation, it is proving to be very effective and very informative. It is probably less so when there is just a direct conversation between a council officer and the taskforce. It is proving effective so far, and that is the important part for us as a Department.

Secondly, the feedback is good. When you monitor all of these training activities, it is always hard to get direct value for money assessments on them in lots of ways, but the feedback has certainly been very good. Well over 80% of people say that they have been very useful or useful in thinking about the future of their high streets. That continues to improve when you have more stakeholders involved.

So far it has been successful, but it is early days and it is difficult because of the impact of the pandemic. We will certainly be monitoring the rollout of their delivery over the next few years. They have plans to complete their first 70 in-person visits this calendar year and next year, and then a further 85 in 2023 and 2024 combined. Clearly, we will be holding them



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to account on that, but so far they are doing a good job and the feedback is good, which is also important.

Q200 Mohammad Yasin: How will the Government's plan for jobs benefit high streets and town centres? Does the plan for jobs have targets for jobs on the high street and in town centres?

Paul Scully: This is why we have actually widened our approach to business in terms of the plan for growth. The plan for growth really does centre exactly around the high streets as part of any other number of sectors. If you look at apprentices, the kickstart scheme or any of these initiatives, they feed into retail, hospitality and the ecosystem I was talking about, including tourism as well. You do not just go to a London hotel to sleep in another bed; you go because of the culture, the restaurants, the shops and all of the things that are there. It is the same for towns and cities across the country.

Everything that we have done to protect jobs has been done to protect jobs especially around the ones that are most hard-pressed: retail, hospitality and the ancillary sectors around hospitality. You can only have viable high streets if you have people working and living around them.

Q201 Chair: The last subject to explore is permitted development rights, which the Government have announced changes on with regards to allowing change of use from a wider range of buildings to residential use. Why did the Government not do some kind of impact assessment on the potential impact of this measure on the high street?

Luke Hall: First of all, we pursued this after a suggestion from the Urban Centre Recovery Taskforce. As I mentioned earlier, the membership of that taskforce was drawn from experts from right across the sector. They used their considerable knowledge about high streets and permitted development rights and other things to suggest this change.

We certainly know that, where we have more people in a high street, living in a high street or around a high street, the more viable the services are likely to become because of the increased footfall that you see around those areas. You can see that in some practical examples around the country. If you look at Wembley, there was major development there. That has had a hugely positive impact on some of the revenue growth for local businesses. We have received some positive representations about what this will do and achieve in making high streets more attractive and viable places.

There is quite a lot of evidence to say that, where there are a lot of vacant units, a high street is less viable because it is a less attractive place to visit, to spend time, to spent leisure time in hospitality businesses, for example. There is certainly a lot of evidence there. Ultimately, this will contribute towards the country's housing needs; it will help regenerate brownfield sites; it will help regenerate high streets and



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provide the flexibility that we require. Ultimately, we hope it will improve the customer base for those businesses and services on the high street.

Q202 **Chair:** That is a hope, rather than an impact assessment that looks very carefully or indeed brings a pilot in to test the hope before the measure is rolled out across the whole country.

Luke Hall: It is drawn from suggestions from the Urban Centre Recovery Taskforce, some of the information and evidence that we have about the damaging impact of vacant units and the positive examples we have seen around the country. There is some evidence to suggest that having people living close to the high street and having fewer shops that are vacant makes the high street a more viable place.

Q203 **Chair:** What has been said to us in one piece of evidence is that it could be really beneficial to convert the upstairs of shops, which are not used or may be used for storage or whatever, into accommodation. That generally brings more people into town and city centres. That is very different from converting a shopfront. If you start to get several shopfronts converted, the footfall on the high street may actually be diminished and other shops that are still open may lose out because of that.

Luke Hall: What we have tried to do is make sure that PDR provides long-term viability to the high street. As you have discussed with my colleague, the Housing Minister, there are some tools that councils have to design local systems there, through article 4 and others. I know that was talked about in the Secretary of State's written ministerial statement last week. Councils do have tools there to find action they can take in the core area of the high street, if they feel that is appropriate for their community and if they take representations on that point.

We think there are safeguards there as well. We have listened through the consultation that we ran as well, to make some amendments to the final policy, which was published last Friday.

Q204 **Chair:** When we previously conducted our inquiry into the high street—this was before the pandemic—there was a recognition that many high streets would need to redesign substantially at least parts of their area, probably bring more residential back and maybe therefore also substantially remove sections of retail, rather than just individual shops, converting them to residential.

If that happens or is needed in a particular local authority area, could the impact of one or two shops having changed to residential get in the way of a more wholesale revision to what is going to happen in town and city centres? Is the local plan the right place to do this through?

Luke Hall: Local plans clearly set out the broad framework in development areas, but PDRs can still play an important role in providing more housing units and in taking pressure off greenfield sites and others.



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Again, the announcement last week was helpful for clarity for a lot of councils. They are able to use article 4 to section off and define part of a local authority area in a high street, to make sure they can take those individual applications in the normal way if they did not think that was right for their area. There are tools there to give councils the opportunity to make those decisions themselves rather than through the PDR process, as the Secretary of State outlined last Friday.

Q205 Chair: If a council come to the view that an area needs to be CPO'd and have its use changed because of the significant decline in need for retail, which I suggest is going to happen in quite a few areas, could the fact that one or two of those shop units have just become homes get in the way of that?

Luke Hall: Again, local authorities, through article 4, would have the ability to put in place the framework to stop that happening, if they felt that was appropriate for their areas. There are tools and safeguards there to stop the most egregious examples that you have outlined from happening.

Q206 Chair: Can I just come on to one issue that again we explored with the Housing Minister? We got a reply back from him, which I am told does not quite answer the question that we asked. This is the issue about class E use and the fact that within that there are now retail and offices. There could be an office block out of town that can now be converted to retail without planning permission. Effectively, that gets around the sequential test and the local authority can do nothing about it. Is that your understanding of the situation?

Luke Hall: I apologise. I would have to defer to my colleague, the Housing Minister, and come back to you with perhaps a clearer answer than he has so far provided.

Q207 Chair: The answer we got back was that it did not apply to properties over 1,500 square metres. That actually is not true of conversion within class E; it only applies to conversion to residential from a class-E building. That is something that does need looking at. The sequential test that was brought in during the 1990s under the Conservative Government at the time was generally regarded as a really important step to safeguarding retail in town and city centres from out-of-town development. I hope the Government might have a think about that one. We will probably write to the Housing Minister again about that, if that is helpful.

Luke Hall: I will take that point back to him.

Chair: Thank you very much indeed. Thank you, Ministers, for coming and answering a range of questions this afternoon. You have agreed to come back to us on certain issues, and we look forward to hearing from you particularly about the evaluation of the various funds that have been brought into place for protecting our town and city centres. Thank you both very much indeed.