HOUSE OF COMMONS

Housing, Communities and Local Government Committee

Oral evidence: High streets and town centres in 2030, HC 1010

Tuesday 9 October 2018

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Watch the meeting

Members present: Mr Clive Betts (Chair); Bob Blackman; Mr Tanmanjeet Singh Dhesi; Helen Hayes; Andrew Lewer; Teresa Pearce; Mr Mark Prisk; Mary Robinson; Liz Twist; Matt Western.

Questions 40 - 120

Witnesses

I: Tom Ironside, Director of Business and Regulation, British Retail Consortium; Edward Woodall, Head of Policy and Public Affairs, Association of Convenience Stores; Andrew Goodacre, Chief Executive, Bira.

II: Brigid Simmonds, Chief Executive, British Beer and Pub Association; Kate Nicholls, UKHospitality; Joe Harrison, Chief Executive, NMTF.

Examination of Witnesses

Tom Ironside, Director of Business and Regulation, British Retail Consortium; Edward Woodall, Head of Policy and Public Affairs, Association of Convenience Stores; Andrew Goodacre, Chief Executive, Bira.

Chair: Welcome to this evidence session in our inquiry into high streets and town centres in 2030. Thank you very much for coming this afternoon. Before we come over to you, I ask members of the Committee to put on record any interests they may have that are relevant to this inquiry. I am a vice-president of the Local Government Association.

Andrew Lewer: So am I.

Mr Prisk: I am a non-executive director of Stanfords, a cartography and mapping business.

Helen Hayes: I employ a councillor on my staff team, and I am also a vice-president of the Local Government Association.

Liz Twist: I employ a councillor in my office.

Teresa Pearce: I employ a councillor in my office as well.

Mr Dhesi: Also, as per the record, I am a councillor as well.

Q40 **Chair:** Thank you very much for coming. Just for our records, could you just go down the table and say who you are and the organisation you represent today?

Tom Ironside: I am Tom Ironside. I am director of business and regulation at the British Retail Consortium.

Edward Woodall: I am Edward Woodall. I am head of policy and public affairs at the Association of Convenience Stores.

Andrew Greenacre: Andrew Goodacre, chief executive of the British Independent Retailers Association, or Bira.

Q41 **Chair:** Thank you very much for coming this afternoon. Just to begin, we are looking at the high street and businesses there. In general terms, to start us off, what are the particular challenges that retailers are facing at present and that they are likely to face in the years leading up to 2030?

Tom Ironside: At the moment, retail is undergoing a prolonged and radical transformation. We believe we are only at the beginning of that process. This is driven by, on the one hand, new technology and changes in the way consumers are accessing retail and using retail, and, on the other, by a rapidly rising cost base—that relates to both people and property—and reducing profit margins as a result. Online sales are continuing to grow very rapidly, and this transformation is most visible on the high street, although actually it is profound across the companies that we represent. Numbers of stores are falling currently, and numbers of employees are also expected to reduce. In a nutshell, that is the challenge and, in a way, the opportunity that exists currently.

Edward Woodall: I agree with what Tom said. In terms of the grocery market, it is a very competitive market at the moment, in terms of the competition between supermarkets, discounters, convenience retailers and online retailers. That has an impact on costs. There are also more players in that market in terms of grocery, around competition, out-of-home sector and those areas. That is a big competition in the market. The challenge is staying relevant in that market, and that requires increasing levels of investment from retailers to remain relevant and deliver a positive offer for convenience stores to continue to compete.

There are also big cost challenges that retailers are facing, as well as strong competition. There are costs in terms of employment, both wage and non-wage costs, from wage rates increasing and from the apprenticeship levy and pension contributions. Those things are a big challenge. There are then operational costs. One of the things I was keen to raise today was the impact of some operational things on high streets where retailers are operating, in terms of crime and anti-social behaviour around their stores, and also very practical things on high streets, such as parking provision and accessibility to high streets, which is a key issue.

Andrew Greenacre: Specifically for independent retailers, they tend to be on the smaller side of the retail market. They face all the challenges that these two gentlemen have highlighted. What I would say is it is less easy for them to create a multi-channel form of retailing, exploiting or using the internet to their own business advantage. It is not quite as easy for them; they often do not have the resources or the technical knowledge to do so.

We all need footfall in the high street, and there is massive change in behaviours that we are seeing now. If you are looking ahead to 2030, they are set to continue, and the challenge for the high street is about how we make it a multi-use and different-use high street to what it is today. Is it just about retail? It might be argued that there is too much retail. How do we incorporate residential, service-led, leisure-led aspects of the high street as well as retaining a strong retail input as well?

Q42 **Chair:** Are there different types of retail that are doing well and that you think by 2030 might be doing even better?

Andrew Greenacre: It depends what you class as retail. Many of our members just refer to retail as product-led, so the compare market. The chances are that more and more of those products will go online. Within that the very best will survive and do well, large or small. There are other forms of retail, service-led, be it coffee shops, be it barbers or be it hairdressers. I saw a statistic that said one of the biggest searches was "barbers near me" or "hairdressers near me". One would imagine that they may still have a market, because as yet you cannot get your hair cut online.

Edward Woodall: There are two determining factors around success on high streets and in retail. One is about convenience, and how you can have a convenient offer to the customer. Obviously, convenience stores are doing that well, because they are either serving footfall around high streets or serving footfall near to where people live. Convenience is clearly a place where online has capitalised on their offering: something quick and easy and accessible to consumers. That is one determining factor in success.

The second one is experience. The future of successful retail will be those that offer an experience on the high street, in the store, in the products that they are displaying and how they are displaying them, but also in the wider environment that they are in, and that means probably changing the environment they are trading in, so it is not just retail but is also leisure, social activity and other things as well. Convenience and experience are the two defining factors of successful retail going forward.

Tom Ironside: I absolutely agree with that. The only thing I would perhaps add is the extent to which the online purchasing experience and the more traditional purchasing experience are part of a seamless whole. Can you bring those together into a customer experience that is consistent and delivers across both of those channels effectively?

The only other thing I would add is that there is a very strong focus on value for money across the consumer base, so you need to meet that in order to have a real chance of thriving.

Q43 **Matt Western:** I have a simple question. It is always very easy to look at what is happening in the UK, but of course the digital economy works across boundaries. How is it that other countries seem to be more resilient in their high streets? That is my impression, particularly in France. You go to Paris and you look at the little independent shop, the bakery or the little hardware store on the corner, even in quite an expensive area. What are the differences that mark out the UK, where we seem to have a higher uptake of online?

Tom Ironside: That is a really good question. Part of it in the UK is an openness on the part of consumers to utilise technology and to take advantage of innovation, perhaps in a way that is not necessarily always there in other parts of Europe. My wife is French; I completely defer to the French experience on that side, but at the same time there is clearly a range of countries around the world in which people can move more rapidly to make the most of the opportunities that have been presented by new technology. I am not the person to answer the question about what the underlying causes of that might be.

Andrew Greenacre: I guess also the geography may well create a big problem. The UK is a fairly condensed country, and I was reading that Amazon have a very low penetration level in America, for instance, which is a huge country. However, the UK is very efficient to deliver to and very efficient to service because of its size. There is a lot of density of population and a lot of density of shopping potential in the UK, compared to huge countries such as America, France, Germany, et cetera. I suspect that may influence the penetration.

Edward Woodall: There is one further issue that is possibly worth highlighting, and that is the level of property taxation in the UK, which is one of the highest in the G20. If you play that into the development of other forms of retail, which might be less property-intensive, there is clearly a potential linkage there from an explanation point of view.

Q44 **Matt Western:** Do you have that data?

Edward Woodall: The G20 data is well-rehearsed, and we would be very happy to share it with you.

Q45 **Liz Twist:** Before I ask my question, I would just like to ask a bit more about the difference between the larger stores and the convenience stores, and whether there is any differentiation between how the two groups are coping at present within town centres.

Edward Woodall: My members are obviously looking to benefit from the footfall around those town centres. One in four convenience stores trade on the high street. Obviously, the cost of trading on a high street is bigger, and therefore the store footprint and the employment costs are going to be bigger with that store as well. There are bigger challenges in the cost base from trading on a high street compared to trading on a secondary parade or secondary high street, overall.

Tom Ironside: In terms of the interrelationship, there is a sort of symbiosis. You often need large retailers to draw people in from a large catchment area. You need smaller, independent, more varied retailing perhaps to hold people there when they arrive. There is a mutual dependency. To go back to something Andrew said, it is not clear that in all retail locations that balance will remain as it as at the moment, because of the shift that is underway.

Edward Woodall: Large and small retailers interrelate, and high streets are about getting the right ecosystem for driving footfall and creating an attractive place for people to visit. There are some policy levers to try to deliver that, in terms of town centre versus planning policy, and trying to drive where there are new large retail developments coming forward into town centres and high streets, to make them places where footfall will happen, and then other smaller retailers can benefit from them as well.

Q46 **Liz Twist:** If I can move on to the recent rise in insolvency and company voluntary arrangements affecting large retailers and restaurant groups, what do you think are the reasons behind the increased number of CVAs?

Andrew Greenacre: On our side, small operators either survive or go out of business. CVAs are not too common on our side. For me, looking as an outsider, it is a question of footfall, which not even the big guys can survive without. Tom knows more about CVAs, I suspect.

Tom Ironside: In terms of what we think the underlying causes are, I have alluded to them already: costs are rising and profitability is falling; it is at a very low level. Again, we can provide statistics on this, but average profitability is now at 3% to 5%, whereas you only have to dial the clock back five to 10 years and it was twice that. There is an industry transformation underway. It is all of those things, and for us it is the centrally driven costs around the property and business rates, and some of the people costs that are actually accentuating what is happening currently.

Q47 **Liz Twist:** Some landlords are saying that CVAs are being used, or perhaps misused, by some retailers who want to end expensive leases. Do you have a view on that?

Tom Ironside: Yes, we do. We do not think that there is persuasive evidence that that is the case. We see CVAs as a symptom of the issues facing town centres, not the cause. I struggle to see that a company would enter into a CVA process lightly, because they entail serious undertakings on the part of the company concerned, and it is open to the landlords and creditors to vote down the CVA. I am 90% sure that that has yet to happen. We would also play in, at the back of this, that there are all sorts of retailers who would say that actually it is the fact that they are stuck in upward-only rent reviews that compels them to find themselves in the situation that creates this cycle.

Andrew Greenacre: It is certainly the rent reviews and rent management by landlords. There is pain for us all, if you are running the retail outlet, and the landlords will have to face some pain on this as well. Recently a member contacted me in Stratford; they wanted to sell the business and had provisionally sold the business, but the landlord was using the opportunity to put rents up 38%, which meant that the business was not sustainable. The same landlord owns a property next door, adopting the same policy, and had had six tenants in two years. I think the landlords do need to take a measured view on how they support their business, because a steady, stable tenant—whether it is private or commercial, in fairness—is far better than the revolving door syndrome.

Q48 **Liz Twist:** Do large retailers that close shops, leaving prominent units empty, have any responsibility to protect the rest of the high street?

Tom Ironside: I do not think any large retailer takes that decision lightly. Given the scale of the investment that a large retailer has made in order to have a large store on the high street, the investment in the local workforce and the relationships that they build up with the local community, it makes no sense to think that they would exit that sort of relationship and position without being compelled to do so. At the same time, it is absolutely essential that shops are commercially viable. You cannot have loss-making elements of your overall property portfolio without further imperilling your business model. It is not something that any company would enter lightly, but I cannot see how you can maintain a loss-making property portfolio on an ongoing basis.

Q49 **Liz Twist:** Does having empty, purpose-built units, very often in a particular style, not imperil the rest of the high street?

Tom Ironside: We would say that is a question for the landlord of that property, in terms of the use that that property is then put to. That is part of the discussion. We were at the Future High Street Forum this morning, and it was part of the discussion that took place there, which was about how you can create alternative uses for some of these properties in as responsive and effective a way as possible, to deliver what the local community wants and also ensure a vibrant commercial centre.

Andrew Greenacre: It does depend on the owner of the property. The store operator is not always the owner.

Q50 **Liz Twist:** No, but sometimes they are.

Andrew Greenacre: Sometimes they are, absolutely. It does come down, as Tom said, to the question: if it is no longer viable as a large retail unit, what else can we do with that property? What else is available? That requires some vision at a local and national level, to regenerate our high streets. You are right in one way; there is no worse sight than a large site boarded up. I totally agree. Where I live, we have exactly that scenario now. We have to accept that there needs to be a like-minded approach to making more use of that property. Retail, or large retail, may not be the best use.

Q51 **Matt Western:** If you do not think it is down to the large retailers to have responsibility, do you think it is down to Government, in terms of the policies that they put in place, whether it be on rates or in terms of rent controls and CPI-related rent control? Should they be the ones bearing responsibility for the withdrawal from the high street? There is a massive disadvantage to the high street compared to out of town.

Andrew Greenacre: Certainly, I totally agree—and I think all three of us are aligned—that business rates are becoming an increasingly huge burden for businesses, where margins become tighter. Previous work and reliefs given on business rates have made very little difference to the average retailer, large or small. We would absolutely agree that lowering the overhead burden on a business would help. All good businesses will adjust their variable costs in line with their turnover. You cannot vary fixed costs such as a pre-agreed rent or business rates. There is a responsibility there, before it closes, to look at what more you can you do to maintain its viability as a retail unit.

Q52 **Matt Western:** You gave the example in Stratford, where there was a 38% increase in the rent, and therefore it is about the legislation that controls rent increases in that sector. That is extortionate.

Andrew Greenacre: I suppose the landlord would argue that they are charging market rent, so they want to put it back up to market rent. The particular business owner had been in that same business for 20 years, I believe, so maybe the rent paid was below what the landlord saw as market rent. The reality is trying to use the opportunity of a change of ownership to increase by such a large amount is counterproductive, both for the landlord and for the business. Whether you would introduce legislation to stop that, I do not know. I am loath to mention rent control, but I think there needs to be an awareness that landlords have a role to play in keeping the high street viable.

Q53 **Mary Robinson:** This situation where the rent went up by 38% when there was going to be a change of ownership and the existing arrangement lease had ended is really interesting. Have you got any evidence to say that when these increases take place it actually does have an adverse effect on the future rent? I suppose that a landlord may argue that they will get a more profitable, better offer in that premises.

Andrew Greenacre: To answer the first part of your question, no. We have not got any data behind that. This is the first time such an example has been brought to our attention. That is not to say it has not existed; it is just that a member took the trouble to write to me. I am pretty new to the role, and I guess that inspired the member to write.

You are right that the landlord may view that opportunity. It is a risk that the landlord takes, of course. I think it is an unwise decision, because most people ought to know if you are a landlord of a property on the high street, the number of people coming along to rent a property must be getting less, because people know the problems and the higher risk associated with a high street business. I think landlords do need to be wary of their approach.

Q54 **Mary Robinson:** Do you have any evidence that these market decisions that have been taken are actually having an effect?

Andrew Greenacre: No, we focus more on business rates and the impact on business rates over the last two years, rather than rents. I think we ought to start looking at rents, because the other fear is that if business rates were reduced, landlords might see that as an opportunity to increase their rents, which would be completely counterproductive. We would not want that to happen.

Q55 **Chair:** We will come on to business rates. I just want to come back to Tom Ironside on the issue of large empty buildings, because it is something that really detracts from the whole appearance of the high street and, with footfall not happening, it just looks awful. Let us name Marks & Spencer, then, which is not about to go into liquidation as far as we know. It has some reasonably healthy finances, in spite of challenges. The buildings they have will probably have been built for them, purpose-built, and when they close them they probably close them in some of the poorest communities, because that is where they are making least money. They shut down the building. They claim to be socially responsible. They claim that their employees go out and raise money for local good causes. However, the amount of damage they do to a local community by leaving that building empty is enormous. What responsibility do they have to the future of that community, where they have traded and made money for many years?

Tom Ironside: I cannot speak for any specific company, but what I can say is that no large retailer would take the decision lightly to exit a significant property or indeed any—

Q56 **Chair:** I was not asking about the exit. I was asking what responsibility they have after they have gone. Can they just wash their hands and walk away? They can, obviously.

Tom Ironside: What will frequently happen in those situations is the retailer will look for another sort of unit that will provide them with the opportunity to meet the consumer needs in the way that they need to meet them within that local community. Quite frequently, you will find that a smaller format store or something of that sort—

Q57 **Chair:** You have that big building there that was built for them, and they have just left it. Is that the end of it? Do they have no responsibility?

Tom Ironside: Every single large retailer will look at the viability of their property portfolio on a store-by-store basis.

Q58 **Chair:** That was not the question that I asked. I was asking if they have an ongoing responsibility, rather than just walking away from an empty unit?

Tom Ironside: It will always be the decision of last resort to walk away from the building. However, unfortunately, against the backdrop of an industry transformation such as the one that is currently underway, those decisions will need to be taken.

Q59 **Chair:** They then have no responsibility whatsoever to try to help regenerate that community, get alternative uses or work with whoever to do it.

Tom Ironside: That is a really good question. Many retailers, at the time they take that sort of decision, will provide additional support to their workforce, reskilling them or giving them opportunities to prepare for re-entering the job market. There is support offered in that way. There is ongoing support that any retailer would provide to its employee base. At the point that they get to the stage where they are looking at closure, that is the last step on the road.

Q60 **Chair:** And the last thing they do, because I think the answer is that, no, they do not have the responsibility and none of them exercise it.

Tom Ironside: That is not for want of engaging with the local authority prior to that decision taking place, seeking to support the local community through local partnerships such as business improvement districts. There are all sorts of ways that retailers try to influence the commercial success of their local areas and contribute to that. That is not something that they get to lightly.

Q61 **Mr Prisk:** Half of this inquiry is thinking ahead and trying to understand the character of retailing in the digital age, and thinking about how we can ensure that it is able to make that change. In your opinion, what will retailing look like in 2030, both on our high streets but also as a business sector?

Tom Ironside: To be completely candid, no one can say definitively what it will look like. The picture will vary from location to location. We can certainly say there will be significantly fewer shops, and there is an expectation that there will be significantly fewer people employed in the industry. We expect sales will continue to move online, although there is a question about whether penetration will be the same in all parts of the industry.

What we would say is that retail will continue to be a really important part of what is offered in many high streets. At the same time, that is not the universal picture. There will be high streets, in which retail takes a secondary role, or maybe even further down the pecking order as they redefine what it is they offer. We also think that in those centres where there is the greatest need for redefinition, you are likely to have a need to bring the commercial centre into a tighter area, and potentially that opens up the need for greater residential around that part. That is how we see the immediate future developing.

There is a big piece, which I will not necessarily go into unless this Committee is interested, around what that means in terms of the workforce and what you look for from the workforce, and there is a very significant project we have embarked on in that space.

Chair: We may come to that later.

Edward Woodall: Obviously there will be a different shape and size to our high street, the structure of the high street, and a different mix of provision. There will be less retail, probably more residential, leisure and social, hopefully to drive footfall into those areas. I think we are going towards smaller high streets in a lot of locations.

Q62 **Mr Prisk:** Do you mean smaller high streets or fewer retailers on high streets?

Edward Woodall: I think I mean smaller high streets. There will be fewer retailers, which will necessarily mean that high streets will have to consolidate and get smaller overall. A hierarchy of centres will become key, because going back to my point around convenience and experience, there will be big centres that people will drive to: "I am going for a full day's shopping, where I can get coffee and I can get lunch, and I can go to the cinema and do some shopping". There will then be smaller high streets and town centres as you go down that will have to offer a different provision overall. That might be more convenience-driven than it would be experience-driven, so there is a key change there.

That might actually present quite an interesting opportunity. In the lead up previously when we have had conversations about high streets, we have talked a lot about clone towns and how all towns are cloned and have the same retailers. That is going to change, because big retailers are going to consolidate where they have to have stores, and probably push them into centres and those top hierarchy towns. Smaller, secondary towns are going to offer more opportunities for independent businesses to offer something a bit more different and diverse, which has a different convenience or experience overall. Overall, there will be smaller high streets and a hierarchy of centres.

Q63 **Mr Prisk:** Groceries have been thought of, until recently perhaps, as being more protected from the natural shift towards online. I am just looking at groceries because that is a very important part of your members' business. What shifts are you seeing there? That is quite a distinct part of retail.

Edward Woodall: There is a definite shift to online purchasing as well, and there is obviously pressure on price and value. Value perception for the customer in convenience is key, price is still key and value perception overall is key. We are competing with more people offering food provision, more people eating out of the home, and therefore the convenience retailers have to invest more to try to remain relevant with those competing factors overall.

Andrew Greenacre: The high street is hard to predict. I am an eternal optimist. People predicted the end of books when Kindles were developed, but we have seen a bit of a fight back in that area. There have to be question marks about how far the internet revolution for shopping will go, in terms of people's behaviours, and whether people's behaviours change as they get older. I suspect we will see more online shopping as the generation below us and the generation below them see it as the way of doing business.

To create a viable environment in 2030, it comes down to an aspect that I have heard the BRC and others talk about, which is about not viewing it as the high street but viewing it as the place—a multi-use place that you want people to feel comfortable going to and using and visiting. I agree entirely with Ed that if you go around the country you will see pockets of excellence where people are projecting a different image for their place, based on diversity and a wide offering. That is certainly where independents can play a role, because an independent business can be nimble and agile in terms of its stock content and the way it adjusts to market needs, and can add a character to any high street, any town centre, that people would like to see. It is not all about the big chains, and I note Tom agrees with that: you do need this range of availability.

The interesting aspect for 2030, for me, is what was talked about yesterday in terms of impact on environment. If everyone is shopping online and all of these delivery vans are driving around the country, it certainly explains why I struggle to get from A to B very quickly. Does that change the business model of Amazon, ASOS and people like that, in adjusting to the need for an environmentally efficient way of operating? The warnings were quite stark yesterday; there has to be change. I am not laying all the blame at the major online retailers' feet, but it does have an impact, and maybe differently to what the high street would offer in that respect.

Q64 **Mr Prisk:** You have each given slightly differentiated views, but what Government interventions—and these might be positive or negative; they might be regulatory or they might be fiscal; they might be national or they might be local—can help that 2030 arrive? What are the things that

Government can usefully do or perhaps stop doing?

Andrew Greenacre: Reducing the cost burden going forward, because the margins will be less with retail, because the perception is that it is cheaper online. That is the phrase that is often said, and more often than not it is. There needs to be a way of levelling the playing field there.

If there are fewer shops, you still have the buildings. You talked about empty buildings. What is it we do with empty buildings, large or small? That is where planning, the change of use in planning and maybe even licensing aspects within these regions all need to be aligned, so we are talking about the place and what we want the place to deliver, and not just an individual store.

Q65 **Mr Prisk:** What about the convenience side?

Edward Woodall: A lot of the things that can help are at a local level, about adapting changes of use at a speed to allow high streets to adapt and change overall. A lot of the decision-making and action from government can be at a local level. It is interesting. We talk about business rates—and I am sure we will come on to it—but there are quite a lot of powers for local authorities to use their business rates discretionary relief to target activity in particular areas to try to reduce costs. If you want to make this high street have more retailers, 50% funded by central Government you can reduce rates on the particular premises, or however you want to determine it. A focused use of discretionary rate relief by local authorities could really help if you are trying to target particular areas. Change of use and definitely targeted rate relief are two areas.

Q66 **Mr Prisk:** For the smaller businesses that tend to be members of your organisations—they are not wholly, because I appreciate that convenience stores are obviously not just smaller businesses—you both have not mentioned your competition, whether it is Amazon or whoever. Does Government have a role in intervening to level the playing field? Do bookshops have to go on with people going into their shops and photographing the book in order to buy it cheaper online? Does Government have a role in any of this?

Andrew Greenacre: It is going to be very hard to change people's behaviours. The internet has changed all of behaviours in many different ways, young and old. It is going to be hard to change those. What is true is that the way to level it up is to look at the perceived cost of buying online being so much cheaper. I am told a lot of anecdotes of people ordering six dresses to try on at home and returning five, and it costs nothing to do that. There is a cost to it, but it is just not being borne by the consumer. Maybe there is a need to look at how solely internet businesses are taxed. I have heard talk of a turnover tax or a sales tax. I do not know enough to know whether that would be a good thing or not, from a consumer point of view, because it would simply add to inflation, arguably.

Q67 **Mr Prisk:** Certainly, most booksellers say that Amazon is able to sell books below the price they can buy them, so they cannot compete on price. You would be interested in whether some form of turnover tax might be able to level the playing field?

Andrew Greenacre: It needs to be looked at and considered as a viable option.

Q68 **Mr Prisk:** Do you mean an online turnover tax?

Andrew Greenacre: Yes, which I think would apply to all online businesses. It is not just the Amazons; some of my members trade online. It is a bit like paying the insurance premium tax, arguably, for insurance. We all pay that as an extra, irrespective of the premium. Maybe it is something of that nature.

Edward Woodall: It is incredibly difficult to roll back things that have already happened in terms of online trading. An interesting one from us, in terms of business rates and how business rates have applied to online businesses—

Chair: We will come on to business rates in detail in just a minute.

Tom Ironside: For us, it is tax and property costs, and we think that tackling business rates within that will become more and more of an imperative as we move further down.

Q69 **Mr Prisk:** Does that include making sure that the warehouses that Amazon or others use are taxed at a much more balanced rate to reflect the comparison to high street costs?

Tom Ironside: We certainly think that you should be taking an objective approach to any valuation of any property. Whether that equates to what you just said or not, I do not know, but we would assume that the Valuation Office Agency would follow a clear objective process when it is undertaking that.

We would like, in relation to the broader cost environment—because that is important—clarity, certainty and consistency. There has been a proliferation of levies and suggested levies over the last decade, and actually that is really difficult for businesses of all sizes to deal with. We have touched on planning, and planning flexibility, and I know we will come back to that subsequently.

The only other thing that it might be worth flagging, which has not really surfaced so far, is helping people make decisions and helping the right sort of leadership emerge at a local level, which for us is a really interesting challenge. Taking good, informed decisions about what you need in a local setting against a backdrop of very significant national change to me seems pretty daunting. There might be, and there should be, a role for some sort of central support in that space.

Q70 **Teresa Pearce:** Edward, you mentioned about the rise of online, but has the increase of click and collect not actually helped some small convenience stores with footfall, with people coming in to do that?

Edward Woodall: Yes, so in the convenience sector, as well as the products, we provide services in stores. Click and collect and post office services are a good, positive footfall driver into stores as well. Increasingly there is a conversation about a last-mile solution, and getting product to people's houses, and we as convenience retailers have a role to play in that. There are some benefits on the side of that, and retailers have to adapt and change to try to take advantage of that. For example, if you want to have Amazon lockers in your store, you require planning permission and they could be subject to business rates. We want to take down the barriers stopping people from taking on those services.

Q71 **Teresa Pearce:** That is a way in which your industry changes as things change. It is quite nimble.

Edward Woodall: Yes, it is.

Q72 **Mr Dhesi:** Let us now focus in on business rates for retailers. I appreciate that there are differing opinions. On the one hand, I have received quite a number of complaints about the unfair advantages for and the unfair practices of online retailers such as Amazon, but conversely we have also got Paul Johnson, the director of the Institute for Fiscal Studies, who wrote in July this year that reducing business rates would not actually help high street shops in the long term. In your opinion, is there a problem with the business rates system? If so, is the main problem the fact that it does not actually fairly capture tax revenue from online retailers?

Andrew Greenacre: Yes, there is a problem. We absolutely agree with that assertion. It is complex, it is down to valuations; the reliefs offered are complicated, and when margins decrease it becomes an increasing burden on any small business. Looking from a small business point of view, business rates is the number one burning issue for them. Whenever I talk to any member, whether it is on the phone, by email or face-to-face, business rates and the cost of business rates, and the way it is assessed, is the number one issue.

Q73 **Mr Dhesi:** Do you think it is because it does not fairly capture tax revenue?

Andrew Greenacre: It does not reflect how well a business is doing. It does not reflect anything else that impacts on that business. When you are a small retailer, the smallest amount of increase in costs is magnified, because your turnover is by definition that bit smaller. If you align that with labour costs and with the other things that have gone up over the years, it becomes a real challenge to afford that, because you know it is not going down. No matter how well or how badly you are doing, it is not going down.

Edward Woodall: One problem is that business rates do not raise as much from online retailers, and we think it is interesting that there are a number of rating methodologies used currently for important sectors—petrol forecourts, ATMs, the hospitality industry—that base business rates around their turnover, or the receipts and expenditure model. The evidence we submitted to you asked the question of whether a similar, new valuation scheme could be used for online businesses where they do use property, as a potential way of addressing that. That is one issue.

The key issue with the business rates system, if we are looking to reform from within, without starting again—because we definitely would not support a sales tax or a turnover tax—is that the system does not really incentivise investment and change from businesses. If you invest in your store, to try to adapt and change, actually your business rates bill increases in a number of strange ways. If you put CCTV cameras in your shop to reduce crime, then your business rate bill can potentially go up. If you put an air conditioning unit on the side, your business rates bill can go up. If you extend the premises to provide a new offer you need to make your business relevant, your business rate bill goes up. That is, I think, a challenge to an adapting high street and an adapting retail industry.

Tom Ironside: For us it is completely understandable that with very significant property and people costs, and an emerging debate around that, there is a discussion around distribution of the burden within the industry. We would offer two sets of statistics that we think are absolutely core to this. One is that retail accounts for 5% of the economy, so 5% of GDP; we account for 10% of business taxation and we account for 25% of business rates. We fail to see how adding additional new taxes to the industry is really going to resolve the challenges we currently face.

The second is, if you look at the top 10 largest online retailers in this country by sales, eight of them have sizable bricks-and-mortar property portfolios. Whatever you do, you are simply drawing a new line through an industry, creating winners and losers, and we think it is about bringing down the overall quantum of the burden on the industry, which we recognise is a very significant ask; but we think that is the longer-term question. For us it is about freezing business rate increases for the next two years, and using the time you buy to come up with an objective solution.

What you have had over the last 10 years is successive Budgets that have introduced new temporary reliefs, new caps and new mechanisms. To be honest, these have layered on top of one another, almost like sediment, until you end up with a very complex system that is not transparent and where no one feels that they have a responsive feel for what they are paying and why they are paying it. We think there is a real journey to go on to mend that system.

Q74 **Mr Dhesi:** What reforms to the system do you think would maintain the current level of revenue for yourselves, while providing a fairer balance of taxation between online and high street businesses?

Andrew Greenacre: The idea we put forward very recently was to introduce a business rates allowance for businesses. In the same way that we all pay income tax and there is an allowance on how much you can earn before paying tax, we believe an allowance could be introduced to all businesses before they start paying rates, and we have set that level at £12,000. That would not necessarily help the larger stores, because their rates are already so huge anyway, but certainly the average retailer on the high street has a rateable value of £20,000 to £24,000. Introducing the allowance reduces the rate liability by 50%.

How would you pay for it to balance the books? We believe that if you stripped out what Tom refers to as the sediment of reliefs, the administration burden around that and the complexity, and stopped giving those away, you could replace it with a straightforward and simple allowance, and you could maybe then look at the higher end and ask, "Is there a bit more we can squeeze out, either from online retailers or from the larger stores, to balance those books?" From our perspective, quite selfishly, we are looking at the small to independent retailer.

Edward Woodall: I hopefully made the point about incentivising investment and how we improve the system. The Scottish Government have recently introduced a growth accelerator, so if you invest in your store your rates bill does not increase for a period of time. I think they are using 12 months. That allows, if you have invested, some time for you to recuperate those costs. We obviously recommend that we look at slightly longer than a one-year period, but certainly something that incentivises investment in the system better than what we currently have.

Tom Ironside: We think there are all sorts of ways in which you could simplify the system, and create a closer linkage between the bill you are receiving and the valuation that took place. There are all sorts of things. You can reduce antecedent date time period prior to revaluation. There are all sorts of initiatives, but we come back to the quantum. You have a mechanism that was introduced in the early 1990s, at 34p in the pound. It is likely to breach 50p in the pound very shortly. That is what is unsustainable.

Q75 **Chair:** Who is going to pay the difference?

Tom Ironside: We will not pretend that we think that is an easy question to answer, but we think that you need to look across business taxation for a sustainable solution. You cannot try to solve business rates within the envelope of business rates and get to a solution that is actually satisfactory. You have to look across the broader gamut of business taxes.

Q76 **Chair:** Looking across, how do you find the answer?

Tom Ironside: You will not get a viable answer from any single trade body. It needs Government leadership to undertake a proper fundamental review of the business taxation system.

Q77 **Chair:** You have ducked the question. Put it back to the Chancellor.

Tom Ironside: It is too big a question for any one trade body.

Q78 **Matt Western:** I just have a quick yes-or-no question on that: are you concerned that an increasing proportion of local authority revenue is going to come from business rates?

Tom Ironside: I should say that there is not a formal BRC position on this, but we can see the clear risk that if the one lever that local authorities have to pull is business rates in a future world, then that is likely to exacerbate some of the challenges. That is a yes; there is a risk there.

Edward Woodall: Yes.

Andrew Greenacre: No, I think with good leadership—that is an "if"—at local level, it could be beneficial.

Q79 **Matt Western:** Can I just move on to local government planning and the involvement of local authorities? Do you think they are particularly well-placed to take a lead role in local partnerships, involving how we improve and ensure the viability of our high streets and town centres?

Tom Ironside: Unfortunately, my answer to what I suspect might be the next few questions will be, "Some and some". There are some really good examples of local authorities that, from our point of view, are engaging and providing a positive forward plan and vision for their areas, with the right understanding and capabilities. There will be others—and we can name specifics—where the experience is very different. That can be a result of both capacity and capability. What we are keen to do and to see is to come back to that question of partnership. How do you support good quality local partnerships on the ground?

Edward Woodall: Local authorities need to be part of their local partnerships, and where possible, if they can, they need to be leading and co-ordinating people to come together. There is a strong correlation between those high streets that are celebrating and succeeding, and those that have strong partnerships that bring together local authorities, businesses and civic leaders to discuss what they want and what their vision for the high streets is.

For the Future High Streets Forum, we did some research into different local partnerships, and there is a huge range of different-sized partnerships with different budgets. Half do not have a budget. Most of them see their purpose as expressing a vision for their local high street and marketing their unique selling points of those high streets. Local authorities definitely have a role to play in it. When you ask them what their priorities are, the high cost of rates on high streets, poor accessibility and lack of investment in public realm were the areas that public partnerships wanted to work on most, and there is clearly a role for local authorities to work on those things with them. Yes, they fundamentally need to be involved.

We need to do more to help and enhance, to ensure those local partnerships work better. That was a key part of both the Portas Review recommendations and the Grimsey Review's recommendations: that local partnerships are key.

Andrew Greenacre: I totally agree with my colleagues here. I have been heartened in the last four weeks, having discussions in depth with two local councils—one in Harrogate and one in Altrincham—where I have seen really good leadership and involvement, and a willingness to work with local bodies; that is a full range of local bodies, whether it is the Visit Harrogate, the cultural society or Trafford Council in Altrincham looking at investment and working closely with local investors to make that happen. There is a role in the LGA to share that best practice around across the leadership and encourage others to do the same.

Q80 **Helen Hayes:** We have received considerable evidence suggesting that the planning system is not flexible enough to allow retailers to respond to changes in the wider trading environment. What aspects of the planning system need reform?

Andrew Greenacre: One I hear is change of use, and then it has been response to applications. Those are the two areas I believe our members have commented on in terms of planning.

Tom Ironside: It is use class flexibility. What you have is a world in which bookshops want to be able to offer coffee at the back of the store and—I say this recognising that I am not the target audience—a yoga studio upstairs. In order to get to that stage, theoretically, you could find yourself in a world in which you need to satisfy the requirements of three use classes rather than a single one, and this is one of the areas where the planning system or regulatory framework is lacking what is required. You need greater flexibility from that point of view.

The other area we had highlighted is that there is, within planning requirements, regulation of how you use the internal space: storage space versus shop space. In the new retail world, having more flexibility about where that balance falls will be essential to ensuring commercial viability of a shop. That will develop over time, so there is no hard and fast, but what there is here is an example of an area in which you have to have the right frameworks in place to avoid lagging behind changes that are being driven by the market.

Edward Woodall: I very much agree that it is around use classes—up and down changes, in terms of from banks and bars to convenience stores or whatever it may be; that change needs to be able to happen and to happen quite quickly, because that is really the key. It is about speed of decision-making at a local level.

Q81 **Helen Hayes:** Where do you think the balance lies between the strategic role of local authorities in safeguarding land for particular purposes and making sure that the needs of the community are met across any given town centre area, and the need of individual retailers to be able to dip in and out of different uses for different premises as required? You lift the lid on flexibility of use classes, and you get all sorts of different property owners and retailers deciding to do different things, and suddenly the coherence of the whole is lost, and perhaps lost for the long term. Where do you think the balance lies between the important responsibilities local authorities have, and the need of individual retailers to be flexible?

Edward Woodall: That is definitely the question, is it not? You want the flexibility to be able to adapt but still to have a local authority and a local plan that articulates a clear vision for what their high streets need to be. I am afraid that is a judgment that needs to be made at local level and is not easy to reflect in policy in any way.

Tom Ironside: That comes back to the point that we have touched on slightly a couple of times already, which is the quality of those local discussions and the mechanisms of local engagement, whatever they may be. What it really illustrates is that there cannot be a single solution to this, but also it has to be an ongoing conversation.

Andrew Greenacre: There must be an acceptance that the days are gone when one building, one shop or one retail unit will be single use. I think most retailers will need to diversify in some way, and introduce an element of leisure service into their environment. I agree with you: it cannot be a free-for-all. What we would like to see is an acceptance that multi-use needs to be encouraged and controlled at the same time. However, if speed is not there, the opportunity will be lost.

Q82 **Helen Hayes:** Do you think the recent revisions to the national planning policy framework are helpful in that regard?

Andrew Greenacre: It is not an area I know too much about.

Edward Woodall: Coming back to your previous question, one of the key principles for us in the national planning policy framework was around "town centre first" policy and driving new retail investments into town centres. I think we have always been somewhat sceptical about how well a policy is set out in the NPPF and how well it is enforced at local level. Some of the research we did back in 2014 about how successful the NPPF has been in driving new retail investments into town centres showed that 76% are actually being delivered out of town instead of in town. There is a challenge there. There were some amendments to the NPPF that would help that and some of the guidance does, but actually local authority planners in some places do not have the skill and the force behind their policies with which to drive investments into town centres. That is a big challenge in the future if we want to drive footfall into high streets as a key policy.

Tom Ironside: Members have expressed no significant concerns in relation to the most recent NPPF consultation.

Q83 **Helen Hayes:** Turning from planning to licensing, how well does the licensing system support retailers who wish to adapt their business to keep pace with changing trends?

Tom Ironside: Can I defer to Ed Woodall, who I suspect is this panel's expert on licensing issues?

Edward Woodall: There are a lot of powers available to local authorities in terms of the licensing system, and one of the key principles is that alcohol licences are specific to individual premises. Local authorities have lots of powers within that. I think we counted some 26 changes from nine pieces of legislation to the Licensing Act since it has been introduced. We are very clear that local authorities have lots of power to adapt the offer that they want for their high street. The House of Lords has been quite clear that that licensing system has had a lot of change and actually needs a settling-in period and perhaps a bit more skill at a local level about how they apply this. However, I think there is certainly room for adaptability.

Q84 **Mary Robinson:** Moving back on to partnerships and talking about this again, how common is it for landlords, retailers and councils to work together to help high streets and town centres succeed? Are they actually doing this?

Tom Ironside: We have really good engagement with national landlord representatives. We have, at a strategic level, very good engagement with the industry representative body but also with some of the larger institutional landlords. Where it gets more difficult is where you have—particularly outside London but also within London—a more fragmented landlord community. Where you do not have a small number of institutional landlords, you might have a much larger number of individual owners, and that makes it harder to get to a coherent piece of engagement.

What we do like is the property business improvement district model. We can see that that has worked well in the parts of London where it has operated, and we think there is a really good case to look at whether that could be expanded outside London, because it is a really good way of bringing them into a formalised structure.

Edward Woodall: We were all very excited by the Local Government Finance Bill, when it arrived, and unfortunately it did not come back. That had, as you said, the property owner BIDs element in, which had quite widespread support. Revisiting that piece of policy would be a good place to start.

Andrew Greenacre: I see them as a final piece in the jigsaw, yet to be fully bought into. Tom is right that the larger corporate landlords are no doubt there, and I know people in the BPF who are talking that way. It is when you get out of the large conglomerates and to the individual or smaller landlords. I use an example that, when I was in Harrogate, every other stakeholder was round there apart from the landlords. That is not the landlords' fault; it is just that they are not being asked to join in. They are not being asked to take part. If they were, you might have got one or two of the large landlords in that centre involved.

It is the final piece of the jigsaw that needs to be there, but it is very hard when you have a very fragmented landlord market.

Q85 **Mary Robinson:** You seem to be suggesting that landlords, if they were at the table, would be a better part of the jigsaw. However, to what extent are landlords to blame for empty retail premises on our high streets and in town centres? Is it down to them?

Andrew Greenacre: Not entirely, no. It would be wrong to place the blame for a failed business on landlords or the internet. You have to look at what is happening in the wider context of the lower footfall in town centres, changing use of town centres and all of the things we have all talked about previously.

I go back to what I have previously said about landlords. They have property, they want a return on that property, and I am sure they would rather have a tenant in there operating a business than not at all. I would like to think that. There ought to be some challenges around why some properties have been left so empty for so long. What is the advantage of leaving it empty, if there is one at all? They are not the root cause of the issues.

Q86 **Mary Robinson:** Are retailers being prevented from adapting and evolving to the challenges they face, because of the relationship between themselves and landlords? To what extent is the relationship to blame?

Andrew Greenacre: Tom talked about the rents, and that often rent agreements are seen as upward-only. That is historical. Again, it is about a changing attitude. I am fairly certain that most commercially orientated landlords absolutely understand the challenges faced on the high street, and understand that it will impact on their portfolio of operations. They need that high street to be as successful as we do. I am fairly certain that that dialogue, when it takes place, can be constructive.

Q87 **Mary Robinson:** When Bill Grimsey came before the Committee, he told us that BIDs, by definition, are there to improve businesses, not necessarily to look at long-term development of the place. Is this fair and would you support his proposal that BIDs should be replaced by community improvement districts?

Tom Ironside: We would say that there are quite a number of BIDs that do an extremely good job of both addressing short-term priorities and also contributing to that more long-term strategic piece. That is not to say that there is not an issue for us around ensuring the quality of what is passed through a business improvement district; that also needs to be focused on and we have some specifics that we put in the evidence that we gave to you previously.

We do not have a formal position on the idea of community BIDs, but I would have a reservation about anything that added additional burdens to residents living in a local area, if that is what is envisaged. I pass; I have not seen enough of the detail of that set of proposals to comment on that.

Q88 **Mary Robinson:** Earlier you indicated that the retailers try to influence the commercial success of their areas. Should they be looking at community too?

Tom Ironside: It is an integral part of being a successful business. If you are not meeting what the local community need, then you are not going to prosper. Retailers would say that it is an absolute pre-requisite for what they do. Whether business improvement districts provide the right mechanism to do that, I would have a question mark over, to be absolutely honest with you. However, given that you have strong local authority engagement in many good business improvement districts, it feels to me that there is a route in to unifying that community/business/local authority relationship.

Q89 **Mary Robinson:** So are BIDs working well?

Tom Ironside: It is not a one-answer question. There are some very good business improvement districts, but there are lots that probably need more support to up the quality of delivery. It is not a one-size-fits-all answer.

Chair: Thank you very much indeed for coming to give evidence to us this afternoon.

Examination of Witnesses

Witnesses: Brigid Simmonds, Chief Executive, British Beer and Pub Association; Kate Nicholls, UKHospitality; Joe Harrison, Chief Executive, NMTF.

Q90 **Chair:** Thank you very much for coming. Could you just go down the table and say who you are and the organisation you are representing, please?

Brigid Simmonds: I am Brigid Simmonds, and I am the chief executive of the British Beer and Pub Association. We represent 90% of the brewing industry, and our members own 20,000 pubs.

Kate Nicholls: I am Kate Nicholls. I am chief executive of UKHospitality, which is the trade body that represents pubs, clubs, bars, restaurants, hotels, coffee shops and high street hospitality businesses. We have 700 member companies. They represent 70,000 outlets up and down the United Kingdom.

Joe Harrison: I am Joe Harrison. I am the chief executive of the NMTF, which was formerly the National Market Traders Federation. We have in excess of 20,000 members, which represent almost 67% of the current working market traders in the UK. Part of our remit we see as the safeguarding of our retail markets industry for our local communities. We have some 1,400 markets within the UK, and they operate on a daily, monthly and weekly basis.

Chair: Thank you all for coming.

Q91 **Andrew Lewer:** What challenges are markets and the hospitality sector facing at the moment, and into the next few years?

Brigid Simmonds: I suppose we could start off by mentioning the word "Brexit", which is of course creating enormous uncertainty, both for us as businesses but also in terms of a lack of money in people's pockets. Of course, for those of us who operate in leisure and hospitality, you need money to come out and be able to spend it. Food inflation is an enormous part of that. On the plus side, obviously the low pound has helped tourists. We have had an increase in tourists. Seven out of 10 overseas visitors visit a pub while they are in this country; it is third on the list of things they want to do.

Our overall problems at the moment are to do with tax. I hope some of you have been through Westminster tube station today; you will have seen the signs for "longlivethelocal.pub", which is the campaign we are running to hopefully ask the Chancellor not to put up beer duty. We unfortunately have RPI increases written into the Budget. It would cost the industry over £100 million, because RPI is running at 3.1%. Of course, it is RPI; it is not CPI for us. We have 90,000 people who have signed up to support our campaign, and we have a very short three-week period to finalise and to convince the Government to do that.

I am sure we will come on to talk about business rates. It is a cumulative impact on the pub, which is everything from the living wage—we do not want to be perceived as low-pay employers, but there is obviously an impact of that—it is auto-enrolment to pensions, and of course we are covered by such a wide range of Government

Departments, so there is such a lot of regulation that comes our way, which then increases our costs.

Kate Nicholls: I would echo quite a lot of what Brigid's just said. In hospitality generally over the last 12 to 18 months we have had a bit of a perfect storm. We have had rising regulatory costs that have hit at the same time. Businesses have struggled to cope with that increased cost burden, and we estimate that over the last 12 to 18 months as a result of that you have had 20% to 30% wiped off the margin of a lot of businesses, and they would have had to deliver like-for-like sales at twice the rate of inflation just to stand still to account for it. Unfortunately, what we have seen over the last 12 to 18 months is flat sales across hospitality. If you look at hospitality more generally, people are going out, but they are not going out any more frequently. There is a larger increase in supply, and people are not spending more when they do go out. As a result, sales are flat, profits are down, and you have seen some high-profile casualties on the high street as a result.

Joe Harrison: As far as the retail markets industry is concerned, we are predominantly town centre-based and therefore face all the same as the rest of the town centre retail. In many cases we are in the historic town centre, prior to the development of retail centres in the 1970s, 1980s and 1990s, and further developments of edge-of-town and out-of-town developments through more recent times. Therefore we have seen a decline in the numbers of people trading on markets. We have a definite problem as far as age group definition of the people trading and shopping on markets. We have quite a few answers to those situations, which I would like to share with you, but we are desperately in need of some support as an industry, in order to generate the new markets and market traders.

Q92 **Andrew Lewer:** Let me just ask you specifically about this, Mr Harrison. Are there any particular types of markets that you notice are declining more noticeably than others?

Joe Harrison: That is a difficult question to answer, because markets are USP-local. Some traditional markets are thriving in their areas. Quite some number of markets—it is almost 70% of markets—are run by local authorities. In more recent times, some local authorities have seen the wisdom of making reinvestment into that. Barnsley, where the headquarters of our organisation is, has put the market at the heart of its regeneration of its town centre. We would like to use that as a prime example of best practice for a local authority. They are building the rest of the new would-be town centre—the Glass Works and everything around it.

More often, seaside towns have seen a decline in their markets, largely due to a decline in people visiting seaside towns as a holiday destination, although 2018 has seen a return of some visitation there. But that is mainly due to the number of people who have gone out of business due to the expenses of the likes of business rates or the positions that the markets hold within their towns.

Q93 **Andrew Lewer:** You touched on Barnsley as a more positive example. Could we have some more examples of some growth and success in markets? I will then move on to some examples of sector growth and success with both of you as well.

Joe Harrison: We are fortunate to be in an industry that can take many forms. Some of the new markets that have developed are taking different forms to traditional markets. Food festivals and specialist events in country towns are actually markets, albeit with a different name. They are proving to be hugely successful, because markets have tremendous community value. There is buy-in from the community and people wanting to uphold community values within the places where they live. I have seen a resurgence in certain sectors of our industry, and we are looking forward to the future, to 2030 and beyond. We hope that will continue to grow and that new traders and young traders will come in to the industry. I believe we will see some great changes for the future.

Kate Nicholls: Hospitality generally is a hotbed of entrepreneurship. It is one of the easiest industries in which to start up, and you do get a lot of young businesses that come through. We are seeing a lot of growth in eating and drinking out. We are seeing a lot of growth in street-food markets across the country, not just in central London. Across the country, there has been an explosion over the last five years in casual dining and restaurant openings in metropolitan city areas. We are now seeing that go out into market towns and seaside towns. We are seeing a spread of it. Although it is a challenging environment, there are still new openings and there is still growth. We are still growing at about 5%; it is just that we are not opening at the rate we were a couple of years ago.

Brigid Simmonds: On the pub side, at many times we are quite weather-dependent. You will know we had a great summer and we had the World Cup. The Treasury announced that they have taken £100 million more in beer sales than they have at any time last year. We then had the problem of CO_2 throughout that, about whether we could actually produce the beer and, indeed, whether we could serve it in the pub. From that point of view, yes, we had some growth over the summer, but we had a very long, hard winter, which went on until the end of May. Of course, when what I would describe as "wet-led" pubs do well in good weather, the restaurants or those pubs that are more food-led perhaps do not do so well, so it is horses for courses.

We have seen a resurgence in wet-led pubs because of the interest in beer and craft ale. There is more growth in that. Overall, however, we now serve a billion meals a year in pubs. We have 50,000 bedrooms. A lot of them are very independent in the way they source locally. It is all about provenance. There are 18 pubs with Michelin stars so we are very much part of that.

Q94 **Teresa Pearce:** It has been very challenging—you know that—and all of your industries have adapted. Looking forward, what will markets and hospitality and pubs look like in 2030?

Joe Harrison: Personally, I think we will see a lot more specialist markets developing. As an organisation, we are currently working on Go Trade, which is a European-funded project generally along the south coast but it does include Great Yarmouth and the north coast of France.

In terms of some of the operations we do, there is the Youth Markets project we have been leading on. That will be an opportunity for young entrepreneurs that will improve the state not only of our markets but of our high streets and town centres in the future, given the right support and the right opportunities. We have been running that project for about six years. We are planning to expand the National Young Traders Markets project that is destined for 2019 and 2020. I see an opportunity for us to gain some funding from the local enterprise partnerships in order to develop those would-be future entrepreneurs. Some of those who have already gone through the programme have been hugely successful. We have solid evidence of where the efforts we have so far made are doing some great work, but it needs to be expanded. We need to match the fall-off we have experienced over the last 15 years.

Q95 **Teresa Pearce:** Do you see that this would vary across the country? Are there areas like small towns where there will be more growth than in cities?

Joe Harrison: No, I actually see it as quite a blanket situation across the country. There are young people in all areas in our country. To give an opportunity for young people to embark on an entrepreneurial career is a good thing. It is something that is not taught in our schools and colleges as part of the curriculum, yet surely in this day and age, looking at the problems we see on the high streets and our town centres, maybe it is one that we should be looking at introducing. Some of the major names on our high streets and in our town centres started as market traders. There is proven evidence that it works. There is an awful lot of effort going on; some encouragement from Government and within the corridors of power here could enable us to get to where we need to get to.

Kate Nicholls: You are going to see a greater blurring of the lines around what hospitality looks like, what hotels and restaurants look like and also what the high street looks like. It is going to be driven a lot by what consumers are looking for from their high street. Increasingly, they are looking for a broader range of offers at different times of the day. They are looking less for a destination for shopping and more for a destination for leisure and more for a shop window where they can browse. You are going to see the distinctions between a pub, a bar, a restaurant, a nightclub and a shop blur away; you are going to see hybrid operations that develop, where the local hotel will provide space for the local pop-up, for the florists or for picking up parcels out of hours. You are going to see that development across the high street as customers are using their high streets in a different way.

I entirely echo what you say about entrepreneurship. Some of the newest brands on the high street in terms of casual dining have come straight out of street food and pop-ups. It is a hotbed of innovation where we can keep things going. That will only increase and expand as we look more imaginatively at the public spaces we have in the public realm. I see further innovation and dynamism.

Brigid Simmonds: I would still see pubs as very distinct. Pubs serve beer. They are beloved by their local communities; they are beloved by most politicians. The average politician has 72 pubs in their constituency. It is actually really quite a lot. We need to stop taxing and regulating them too much. I do interviews around the world with people who care and who would love to have a great British pub in their own countries.

They will still be there. In many places, particularly in rural areas, they are the last public space that is available. Some of them run post offices or shops; they are there for wakes and marriages. They have a particular place in our society and they will continue to do that. Despite the fact that we are drinking 18% less alcohol than we did in 2004 and that young people spend a lot of time on phones and all of those things, they will still want to go out and meet in places like pubs. Pubs still will be there. Whether we will have as many as 50,000 remains to be seen; that is very much in your hands.

Q96 **Teresa Pearce:** We have heard a lot about retail suffering because of online and digital. How does your sector use digital to its advantage, in a way that helps the high street?

Brigid Simmonds: I have to be honest and say that digital is really difficult for us. Pubs cannot be virtual; they cannot be online. They are not good users of space, which is why business rates are such a big issue for them. I will be honest and say that there are an awful lot of pubs that still do not have websites and that do not use digital very well. I am having and have had discussions about this. First, we had discussions with McKinsey and KPMG, which was part of the group led by the CEO of the John Lewis Partnership, which looked at productivity. We are now working with the Parliamentary Office of Science and Technology, looking at how you could help digitally the high street, but particularly pubs, to be more productive, because productivity is obviously key for all of us.

Digital is a challenge. As you probably know from my evidence, I have been very involved in the Great British High Street competition, which has been a really good Government initiative, one which we all support. That has also looked at how you make the high street more digital. That is going to be essential going forward, if we are going to attract young people and people who are constantly on their phones and on websites to come and use our high streets.

Kate Nicholls: Brigid is absolutely right: you cannot eat, drink or sleep online. What the hospitality businesses on the high street can do is to use their digital presence and their digital marketing—a lot of it is driven by social media—to encourage footfall and visits, to facilitate that trail around a town centre or high-street involvement. It is not a virtual business; what you are getting is people coming in and spending time in your business. Often they are the strongest Wi-Fi providers on the high street.

Teresa Pearce: Free Wi-Fi in coffee shops, yes.

Kate Nicholls: Absolutely, yes. In coffee shops, restaurants, pubs and bars you can go in and get free Wi-Fi. You can sit and consider what you are going to purchase or look at what you are going to do. By the time we get to 2030, retail is going to be more shop window and less actual shopping, apart from those businesses you cannot do online. What we can do is encourage visitor footfall and encourage dwell time. What we know from those behemoths in the shopping centres out of town is that if you have a really good, balanced leisure offer, people do spend more, they do spend a longer period of time and they do visit the high street, as well as the markets that are alongside it. We have a role to play in that in encouraging footfall and delivery.

Digital technology is also hurting hospitality businesses. You have Airbnb; you have online travel agencies that are promoting and detracting from independent businesses, offering things such as rooms at competitive prices. There is a digital revolution going on in hospitality. Sometimes we are bearing the brunt of it too, not just from the Amazons and the Googles.

Q97 **Teresa Pearce:** What Government interventions are needed, if any, to help your sector evolve? Mr Harrison talked about entrepreneurship and teaching people in schools. Is there anything you would like to add, Mr Harrison?

Joe Harrison: As far as digital is concerned, as a community we must accept that digital is the future. Therefore, we have been encouraging our membership to start an online presence. Certainly, they can use the social media aspects of things to advertise where they are and what days they are there, because some of our markets are itinerant; they move from town to town. We do see that there are downsides to social media, but there are a lot of upsides. Being able to advertise businesses on all the different social media platforms is a great thing.

Even businesses where you would not expect to order online, even down to the fruit and vegetables trader, can have an ecommerce website and a digital presence that has a click-and-collect facility where goods can be collected from the local pub when the market is closed, because you cannot expect a trader to be up at the wholesale market at 3 am and still be there at 8 pm when you return home from work. Digital will enhance the possibility and the likelihood of those businesses staying around and being able to use the other facilities within the town centre as a crossover in terms of being able to click and collect and pick the goods up from. Therefore, it keeps the opportunity open to the trader and keeps them in line and on the same level playing field as the rest of the retail sector, including the online sector.

Q98 **Teresa Pearce:** Just quickly, if you could recommend to the Government an intervention to help your sector thrive and evolve, what would it be?

Kate Nicholls: It would be on business rates.

Brigid Simmonds: Mine would be an industrial strategy for tourism. Both Kate and I are involved in the DCMS and VisitBritain, in pushing for an industrial strategy for tourism and a sector deal, particularly around skills. To come back to the Brexit issue, we have a real problem with overseas people who work in our industry; it is 24% in brewing and pubs, 17% from the EU. There is a lot of talk about something that I really hate people talking about, which is non-skilled workers. I would call them soft skills in our industry. They are absolutely essential. Tier 2 and the proposals that have been put forward by the Migration Advisory Committee, particularly the £30,000 cap, will not work for us. It will not work for us, particularly in pub chefs. We have been talking about, and we are very much hoping that the Government will do, a sector deal for tourism, and that skills, both recruitment and retention, will be an essential part of that.

Kate Nicholls: That would pick up some of the issues we have talked about. The bid we put forward to Government to back us would see Government supporting a recruitment campaign to promote the value of jobs in the sector; it would also pick up on digital so it would help to spread digital training amongst small and medium enterprises so that they can improve their productivity, but it would also give that entrepreneurship training you are talking about to lots of schoolchildren.

This is a sector that employs 3.2 million people, and 60% of those jobs are for under-24-year-olds. They are jobs at all skill levels in all parts of the country. In most places, they are walk to work. We have a fantastic opportunity to promote how well the sector can contribute to soft skills, as Brigid says, but also to the hard business skills those young people need to get a job either in our sector, growing up and going from bar to boardroom, or going out and being productive citizens in other parts of the economy.

Joe Harrison: I personally would like to see more accessibility. This is not about new funds or more funds but about the funds that are available to develop these projects. I know Brigid and I have sat on ministerial roundtables with the DWP and the like. A large number of trade bodies say, "We are not for profit. Surely we would be the ones that are most directly able to help develop our sector", rather than the agencies, to which funds are made available. You need a degree in hieroglyphics to find your way through the channels for gaining that funding.

The funding is now out to the local enterprise partnerships and it is available there. That accessibility to organisations such as ourselves and individuals must be made an easier process; people have to be able to access those funds. That would give us some genuine growth in the sector in my opinion, in order to develop new would-be entrepreneurs in all of the sectors. Not-for-profit does what it says on the tin. It does not need to make a profit; it needs to enhance the actual industry it represents.

Q99 **Mary Robinson:** The first teenage market took place in Stockport in 2012. Joe and Tom Barrett, a pair of brothers, got together and set it up. They have been successful since, but what more could be done to actually improve the offer?

Joe Harrison: I am from Stockport; that is my hometown. It is a useful thing. We as an organisation actually tried it before the two Barrett boys, who have done an excellent job—do not get me wrong—because they have actually found a way of promoting the fact that there is a need for that and a change in the type of markets that we offer. We have been running the National Youth Market at the same time.

We had a regional one in Greater Manchester this year; we had one in Yorkshire. We held the national one at Stratford-upon-Avon. There is a big drive now to develop local youth markets that will go on to regional finals and a national final, which we are embarking on. We are making plans to do that. We are not talking about huge amounts of money, but reasonable amounts of funding put behind these projects could really make a difference. As I say, we have actual evidence; we have case studies on our Mission for Markets website, where we have the traders and markets that have been developed and the people who have been involved with that. It is key that we gain some of that funding and we actually push forward with a youth programme. It is one of the main keys for the markets industry.

Q100 **Mary Robinson:** Briefly, you mentioned click and collect. When the market is closed, you can go down to the pub and collect it there. Something just occurs to me. How closely are disparate local business working together to support each other and to lend a hand?

Joe Harrison: They are working together quite well. I listened to a young lady last week at the Go Trade project who is running a platform called Shop Happy. It is about developing the technology around click and collect. She had great enthusiasm, and her driver was the fact that she is a mum with young kids who wants to access fresh, local produce. She can order it and access it when the market is closed.

There is a need for community values to be developed. We are currently working with Leeds University on the social value of markets. It is very easy to ascertain what the commercial and economic value is to these different industries, but there is a definite need to demonstrate the social value and the benefit to the communities they operate in.

Brigid Simmonds: If you look at some of the high streets that have been finalists in the high streets competition, from Colwyn Bay to Bognor Regis, they are about working together at a local level. I have just been to Prestwick to look at this year's competition, and 30% of their traders were working together. Where they work with the local authority, with the private sector and their universities, that is where we have seen the success. It takes leadership. There is certainly more that local authorities could do. There is an issue about skills and being slightly risk averse, dare I say it. In certain situations, they are not prepared to take that leadership role, but in the right place it can be done and it has been done.

Q101 **Matt Western:** I just want to come on to business rates. There was a question a moment ago, and one of you raised that as a primary factor. This is probably more for UKHospitality than perhaps for your colleagues either side. To what extent is the major problem with the collection of business rates the fact that there is an imbalance or an unfairness between online and non-online, between physical providers and online?

Kate Nicholls: Yes. All businesses understand that they need to pay their fair share in tax and they all understand they need to contribute to fund local services and national services. The issue with business rates is that the Treasury has a fixed amount that it wants to take in business rates, and there are fewer and fewer businesses that are in the high street and in those prime city centre locations that are able to contribute to that. Yet outside of that you have businesses that are less property-intensive and certainly less labour-intensive, who are not paying their fair share and are not being taxed accordingly. In the last business rates revaluation, hospitality generally—across pubs, bars, hotels and restaurants—was the only sector that saw an increase in all regions of the country. In most cases, the increase was double-digit. On average it was a 24% increase, but we have had members reporting a 665% increase in their rateable value.

The increase came in with very little notice and we also had changes made to transitional relief, which meant that that business rate increase fed through in two years instead of five. That meant that businesses simply could not cope in a lot of circumstances. That is why business rates, this time around, has become such a contributory factor to what has been happening on the high street. For those businesses, it has been the difference between viability and non-viability.

Brigid Simmonds: It is a huge issue on the pub side. We pay 2.8% of the total business rate bill, but we only equate to 0.5% of turnover. You have pubs paying 7% or 8% of their turnover in business rates. For many other businesses it would be half that. We cannot be virtual, and we need the introduction of a digital tax that is hypothecated—I know the Treasury hates hypothecation—to reduce the burden on the rest of the industry sitting there now. Otherwise, you will not get a solution.

There are some short-term things we can do. I noted that the previous panel talked about how in Scotland they have had the Barclay Review. If you make a capital investment in a pub, you immediately have a ratings officer standing on your doorstep wanting to put up your business rates. The Barclay Review recommended that it was at least a year. I think that could be up to five years. Otherwise, until you know whether that the capital is going to make a success of your business, it is not going to be an answer. We pay business rates on turnover, and we have a problem at the Valuation Office Agency. It is meant to be on what a reasonably efficient operator would do, and in fact what is happening is that they are putting it up. It is based on actual turnover. There are issues about the Valuation Office Agency, the time it has and the expertise it has. We are now working with them to try to do some exercises to help them understand the pub market more, but it is the number-one issue for many members.

When we go to the next revaluation—because of what Kate talked about, the zero-sum game, with the Treasury wanting to raise the £25 billion or £29 billion—you are going to find that businesses are going to disappear, because those increases are not sustainable.

Q102 **Matt Western:** Are there any other reforms you would like to see, Ms Nicholls?

Kate Nicholls: Yes. In the immediate term, we need a freeze. We do not want any more RPI increases going through in the next year. If we do not have any action on that, we have another 3% increase hitting high street businesses and hospitality businesses in April. We want to change the valuation methodology so that it takes account of capital investment, to make sure it is not penalising success, but you also have to change the valuation methodology for some of those businesses that are online to look at the turnover they generate from those different types of premises.

You do that already in the valuation methodology; you can differentiate between different types of hospitality businesses. For supermarkets, they can differentiate between different zones in the building that are subject to different rateable values. It cannot be beyond the wit of man to find a valuation methodology that values an Amazon warehouse or a Google office on the basis of the amount of business that is done there. It is not the same as a cash-and-carry. There are valuation changes that could be made to make sure they are paying their fair share.

Fundamentally we have to have a root-and-branch reform that looks at a digital sales tax. That is the only way you can use that to offset the cost that is happening in the high street and the valuation that it has to pay. Brigid talked about how much pubs pay, but hospitality overall is 5% of GDP and 20% of business rates. That is not sustainable. It has increased over the last five to 10 years. It is just not going to be sustainable going forward. If we are talking about who is investing in our high street and who is bringing those empty shops back into usage, who is making sure you have well invested night-time economies, they need the headroom to be able to invest. While you hammer them with business rates, they simply cannot do that.

Q103 **Matt Western:** You were in the room earlier when the representative of the British Retail Consortium was giving evidence. Were you surprised at how reticent he was on that question?

Brigid Simmonds: No, because they represent a lot of online business so I can understand why they would take that position. As you know, we have a £1,000 reduction for pubs at the moment. We would obviously like that to continue and be increased. What it recognises is the difference it makes to the really small rural pubs. Chair, you and I have talked about rural rate relief, which used to exist and does not really exist now. There are things we could do in the interim. Politically, we are not going to get a complete root-and-branch reform this side of a general election, if I am honest, but we need to look at what more we can do to stop it being a problem.

Kate Nicholls: But that root-and-branch reform is going to take time. It might not come to fruition for a while, but it needs to start now because it is going to take a long time to work out what the system should be, so we need to get that process started. It took three years for the Barclay Review to go through and we are only now getting some of the changes coming through in legislation. That will take time.

There is another point on online and digital. In a large number of our town and city centres, you have a large number of Airbnb and home-sharing properties that are also outside the tax regime. We need to find a way of making sure that all businesses pay their fair share to fund vital, local public services. We pay £39 billion in tax, so we pay more than our fair share. That is the entire defence budget or the entire Brexit divorce bill. You need to make sure that other businesses are contributing fairly. If they are a legitimate business and commercial activity, we do not want to tax them out of existence; it is just a level playing field.

Q104 **Mary Robinson:** With regard to pubs, obviously there has been a huge drop in the number of pubs that are operating at the moment; it is about half over the last 10 years or so. A lot of this is put down by pubs themselves to valuation and also to the way that business rates operate for them. There is the fair maintainable trade model as against the annual rent valuation model. Do they work?

Brigid Simmonds: Pubs pay by turnover. If you have a bad summer and you have a beer garden, you do not use it and there is no point having it included in rateable value. Square footage would not work in that sense. Actually, petrol forecourts are the only other type of business that pays in a similar sort of way. The problem is that we are paying too much. This fair maintainable trade has to be bottomed out. I listened to someone in the Valuation Office Agency say that there was no such thing as overtrading in London. That simply is not the case. If you are a small tenanted pub in a part of north London, of course you could be overtrading. We need to find a way of identifying that. That is down to the problems of the Valuation Office Agency and the amount of time. We have not talked about appeals. We still have not sorted out the appeals from the last valuation. There has to be some serious work done on that side of it, but we do need to look at how this FMT, as we would describe it, actually works in process and ensure pubs are not paying as much as they do at the moment.

Kate Nicholls: What they tend to do is look at turnover; they do not look at the costs. The costs of doing business have escalated. They do not make enough allowance within fair maintainable trade for the amount that costs have gone up: business rates, the national living wage, the apprenticeship levy.

Brigid Simmonds: As it goes up, that contributes to your turnover, so the tax goes up.

Kate Nicholls: You are taxed on a tax. Hotels are taxed in the same way; they are based on revenue too. You are taxed on a tax. You have 20% VAT. You are taxed on that in terms of business rates. You have to take account of the costs of doing business. You have to look at profitability. That is what the Valuation Office Agency is not doing at the moment.

Q105 **Mary Robinson:** On the point of valuation, this does not get mentioned often to me, particularly by pubs. There is a concern that, particularly with regard to pubs, the valuation officers themselves do not know the industry as well as they should. Is that valid?

Brigid Simmonds: It is valid. When I went to see Rishi Sunak, who is the Minister, I asked him to—and he did—write to the chief executive of the Valuation Office Agency and ask her to talk to us about how we could improve that. We are continuing those discussions, but I will be honest and say that the base of understanding is not very high. There are 50,000 pubs in this country. The VOA has an awful lot of sectors to cover. Because pubs tend to be unique, it is more difficult, but we need to find a way of solving it. The discussions are ongoing.

Q106 **Mr Dhesi:** Let us now delve into the role of local government. The borough council in my constituency are very active on dealing with this, but I appreciate that opinions and experiences can differ nationally. In your opinion, are councils best placed to lead local partnerships to improve high streets and town centres?

Brigid Simmonds: Not necessarily, no. It is horses for courses, and high streets are different. Again, I would come back to some of the examples of high streets. If you look at Colwyn Bay particularly, and indeed London Road in Brighton, the councils actually moved their offices so they would be part of the regeneration of the high street. They are often the people who appoint town teams. But if you look at business improvement districts, some of those have been leaders. Some of them have just been entrepreneurs who are individuals working together. I have never been to any successful high street where the local authority was not involved.

I worry slightly that some local authorities do not want to get engaged in some of this. They do not see it as their priority. They have their own challenges in terms of costs and statutory duties, but it is absolutely essential that we do that. Falmouth is another good example. They are a unitary authority; they worked with the local town council as well. They even worked with the railways to develop something they were not allowed to call an Oyster card to get people to come down to what is quite a remote area. They are not necessarily always the right person to do that, but high streets do not succeed if somebody does not manage to get them involved.

Q107 **Mr Dhesi:** Is that opinion shared?

Kate Nicholls: I would agree. They are key in pulling people together. They can play a facilitating role, because often they can bring a lot of stakeholders together. They do not necessarily need to lead them. In some of the best high streets I have judged in the recent competitions, the galvanising person behind it has been local businesses, who have then gone to the local authority to help them pull together a broader range of stakeholders. They do need to be involved.

There is one other thing that is quite interesting. We had some research published last week by the Local Government Information Unit, which talked about councils believing that the night-time economy had an important role to play in supporting and helping high street retail and their desire to develop their night-time economy. There is a desire for local authorities to look at innovative ways. Sometimes they lack the toolkits and they lack some of the resources that could help them to deliver it. That is where a partnership approach can deliver real benefits and help them to deliver their ambitions.

Joe Harrison: As has been said, the leading role should not necessarily be taken by the local authority, but they may facilitate it. These are business issues. Whether it is retail or whatever, these are business issues. Generally, the best people to lead them are businesspeople. The local authority can act as that facilitator and, indeed, encourage businesses to be involved with a wider cross-section. A key factor that is often missed out of these developments is the end user, which is the consumer. There does need to be some involvement with the local community as consumers in those groups. You might be second-guessing what you think should happen, while the local consumer would actually give you some indication on what they would like from the development of their town and high street.

Q108 **Mr Dhesi:** Let us move on to the planning system. The diverse evidence we have received suggests that the planning system is not flexible enough to allow businesses to respond to changes in their sector. I have a two-part question. First, what would you like to see reformed? Secondly, are the recent revisions to the national planning policy framework helpful?

Joe Harrison: Personally, I would like to see more flexibility amongst the things that can take place in the retail sector in our town centres—and markets, for that matter. They should be developed with a broader spectrum on what can take place. Too rigid a policy has led partly to where we are now; it needs to be more open-minded. Actually, involvement in town centre is not just retail. It is entertainment; it is leisure. That has a bigger part to play, which will keep people coming back to their town centres.

Kate Nicholls: You are right that the planning system has been, to date, a bit inflexible. It has not kept pace as well as it could have with changes in the modern high street. If you think about it, the casual dining revolution is only five years old. It does not take account of that. The use classes order in particular is too inflexible and too out of date now for the way modern businesses are operating. More importantly, as Joe rightly says, what are modern customers wanting from those businesses? It is not sufficiently customer-led. You do need to keep it under regular review to make sure that it keeps pace with changes in the marketplace.

In terms of the national planning policy framework, there have been some really positive recent changes there. It has been patchy in terms of how it has been taken forward and how it has been taken up at local authority level. Slimming down the guidance so that it is not top-down controlling but bottom-up enabling is a positive move. In particular, we were very supportive of the recent introduction of the agent of change principle, which is going to be really key as we move forward to 2030 and you see greater residential use on the high street. Having that protection for businesses that are pre-existing that may create noise and nuisance and making sure that residential developments in the high street take account of that is positive. It really is about making sure that those new planning tools to encourage local residents to be involved and to plan positively for future growth are taken forward and driven forward and kept up to date and fresh.

Brigid Simmonds: One of the big problems is about zoning in local plans. Some years ago I used to deal with David Lloyd Leisure. They wanted to go on light industrial sites and of course were told that they were not light industrial. We have to reform the local plans at that level. Kate is right: we then need to link this with some of the use class orders so that you create some more flexibility and it moves faster. The problem is that it is not moving quickly enough. In addition to the agent of change principle, this is not only about existing developments. If you put leisure developments at the bottom of a new tower block, you need to make sure the people in the tower block have put in the noise insulation so they do not come and complain that it is far too noisy and that they did not know that when they moved in there.

There is another thing I would like to see. There used to be a good practice guide on planning for tourism, which gave a much greater understanding of the tourism industry. When the national planning policy framework was developed, it disappeared; it only exists on the VisitBritain website. We need to have more information. Slimming down is great, but there has to be a greater understanding, particularly for some councils that would not necessarily look at that sort of thing to make sure the tourism industry has the ability to expand and evolve; they are an important part of town centres too.

Q109 **Mr Dhesi:** Finally from me, how well does the licensing system support businesses that wish to adapt to changing trends?

Kate Nicholls: In terms of both planning and licensing, there needs to be greater co-ordination between the two at local authority level. It often inhibits business development if you have to go through two parallel processes or, worse, one after the other. The problem is that they have a lot of top-down control and they are designed to stop problems, rather than encouraging local authorities to think about how we enable local businesses to develop and flourish. There is a parallel mindset that has to go alongside it. When the Licensing Act was first reformed, the initial guidance that came out in 2005 did talk about planning positively for economic growth, taking account of economic needs in development and how licensing sat alongside a suite of other local authority policies.

As Brigid says, lots of those guidance notes and lots of that positive wording that was around it have just disappeared. It tends to be the dead hand of local authority. When you have a local hotel that wants to open a sun terrace in a seaside resort, it should not take six to nine months to get planning and licensing to go through. When a café wants to have some tables and chairs on a pavement, somebody should not turn around and say, "You cannot have planning permission because you have to get licensing". You say, "It is already a licensed area", and you go back around. When you get into some local authority planning and licensing departments, it is like the Hotel California: you can never leave.

We need to make sure they think about it. If we are looking at how to develop for 2030, there are positive things that could be taken forward. Every other regulator in this country has to have due regard to economic growth. It is a test that applies to every single Government Department as well. It does not apply to planning and licensing. That is not to say this would cut across local authority discretion; these have to be local solutions and local issues that are developed. Just having that check to say, "Have you thought about economic growth and what your decision would do to it?" would be positive. We see no reason why that test should not be extended to local authority planning and licensing.

Brigid Simmonds: If I can give you one quick addition to that, Cornwall Council did a very good piece of work where they looked at bringing all their licences together, so people did not have to think about six different places. They actually have a hub and they give advice. That could be expanded to all councils. Kate is absolutely right, in terms of how licensing works with retail on the high street. Particularly if you are wanting to develop chameleon-type premises, which of course are there now—they are one thing in the morning and something else at night—it is essential that they work hand in hand. Too often, they do not.

Joe Harrison: There is certainly far too much regulation within the licensing system itself. It is overegged. I gave a presentation to the Institute of Licensing officers at the end of last month, explaining why there are 50 conditions within the licence for a street trader on Oxford Street, as it were. That is an 8 ft by 10 ft pitch, yet they have 50 conditions within the licence with which to conform. Unless they conform to those conditions, they are penalised and run the risk of losing their business. There is far too much unnecessary regulation there addressed to people who are running their own businesses, particularly small businesses, and are time-poor. They would not, by way of things, fully understand the legalities of those regulations. It is far too unnecessary.

Mr Dhesi: Having served on a council's licensing committee, I would like to have thought that I was very helpful, but I think I stand corrected for being far too officious.

Q110 **Chair:** I have one question on planning and flexibility. One person's flexibility is another person's problem. My constituents want the council to have more powers to stop the creation of more betting shops and fast food outlets. They say that if they all come together they destroy the whole spirit of an area. How do you manage to marry the two together, making the flexible changes that are necessary while actually giving some control over the change of the whole area?

Brigid Simmonds: That would have to be part of the reform, particularly looking at how you make the use class orders work together. I agree: clustering can sometimes cause a problem in town centres. Particularly, it can cause a problem with late-night venues with everyone going out at the same time. You have to look at all of this in the round; you cannot look at the planning and the use classes in isolation. You have to look at planning, use classes and licensing all together to make this work.

Q111 **Chair:** Should there be some more flexibility for local authorities to make those adjustments themselves?

Brigid Simmonds: There should be, as long as they are going to be absolutely proactive about it. We all know there are some great councils—and I am absolutely certain that the council you represented on licensing was one of those. But my concern is that there are some that just will not make those decisions. I am also not sure they have the expertise. In Scotland they have developed some expertise and a hub around high streets.

One of the places I went to was Bishop's Waltham. They were selling all their woolly hats in September, because someone had done some training for an individual retailer to help them with how to sell woolly hats in September. There is more training that could also be done at local authority level. Perhaps we need to think about how that training could be provided, because you do not necessarily have the skills in digital, how to make your social media work, how to attract people, or events, which are absolutely essential to most high streets these days. We could have some form of hub, looking at what they have done in Scotland and how that might work here.

Kate Nicholls: It is also worth noting that local authorities do not actually need to have any additional power. They have the scope and ability at the present moment in time; they just need to make better use of the powers that have already been given to them to control the clustering you are talking about. The Localism Act 2011 and the national planning policy framework do give them the ability to put in place the controls. On licensing, they have sufficient powers at this moment in time. They need to be encouraged to use them more creatively and to think through. It is partly about consulting with local businesses and local residents to make sure you are fulfilling that general obligation to plan positively for future development.

Q112 **Mary Robinson:** I would just like to explore the role of landlords in terms of the health of the local high street. To what extent are landlords to blame for empty properties on our high streets and town centres?

Kate Nicholls: You cannot blame landlords for empty properties on high streets. They are a contributory factor. It is a bit like local authorities: there are some good landlords out there who work really, really hard to support local high streets and to make sure they are curating them and that they have a good mix of local businesses. There are others that are institutional landlords and they have a very fixed business model and they are not very engaged. Some of them are good in parts.

Forgive me; I came in part way through the last session so I may be repeating stuff you have already heard, but one of the problems in our sector in particular is long leases. Because of the costs of fit-out and development, you are looking at a 25-year lease. It will usually be upward-only rent reviews within the course of that lease, and you will get landlords who are quite inflexible about the terms of payment and the lease length. That means that when a business hits the buffers or hits trouble there is limited flexibility. What we have seen is that there is a real lack of transparency around high street commercial rents charged in this country, which means you have disguises about premiums and rent-free periods. People do not know what they should be bidding for when they look at comparable rents and they go into it, as a result of which we have some over-rented property. That has undoubtedly contributed to the pain we have had on the high street recently. You could not say that landlords are to blame solely, but they do contribute in certain cases.

Q113 **Mary Robinson:** What about the relationship between landlords and tenants? Is that relationship detrimental to businesses adapting to the challenges they face?

Kate Nicholls: Again, there are two areas where landlords and tenants will always have healthy disagreements: one is about the level of rent and one is about the entry and exit points of the lease when you have dilapidations. Those are going to be areas of friction and rub, and those are areas where the code of practice on business leasing could do more to facilitate a more helpful relationship. Broadly speaking, both parties have their best interests at heart. They both want a well-traded venue and they both do not want to see empty sites on the high street. They should work hand in hand. Where those relationships are good and productive, you do see some very positive support coming through and you do see landlords thinking carefully about what happens on a high street.

However, there are also some very poor examples. If you get a landlord who opens up a number of restaurant sites, people invest into it and then they introduce pop-ups outside of it, suddenly your footfall is damaged. They need to be a bit more careful about the initial rent-setting and about how they curate the space to make sure we do not have clusters of properties and we do have a good mix of independents. The best landlords do that already.

Brigid Simmonds: It was always a pity that business improvement districts initially did not look at the involvement of landlords; they were about tenants. We need to think about that. One of the questions perhaps you were going to ask was about using community improvement districts, which Bill Grimsey suggested. That would be a way of getting everybody to work together, because the problem with business improvement districts is that they are only really about the tenants who are paying the 1%. They can work really well; Nottingham is a really good example which was originally a night-time BID, actually, in terms of what they could do to make it safe, particularly with the student population. It would be good to have something that is wider than that, where there is a requirement to have more involvement from the landlord.

Q114 **Mary Robinson:** Is it common for landlords, businesses and councils to work together to help high streets and town centres succeed? Is that commonplace in your experience?

Brigid Simmonds: It is commonplace in all of these places we have visited as judges for high streets. That is where the success is there. In some cases it would not necessarily be the landlords, but it would definitely be the tenants who would be engaged in that. However, we have to think wider than that. We are about to come up to Halloween. You could think about putting pumpkins in all of your shop windows and then getting your schools and their parents to come and judge them. That is the sort of thing where you will get that community engagement. If you do not have all of that community engagement, you are not going to have a successful high street.

Kate Nicholls: I am not sure it is commonplace across the country. Where you have good high streets or where you have a business improvement district in place, those relationships will be developed, most particularly between the tenants, the independent businesses and the local authority. The missing piece of the jigsaw is all too often the landlord community. It is a horrible phrase, but where they have skin in the game they are going to work to make sure that high street is successful. Where they do not—they are not included in business improvement district costs; they are not paying business rates; they are not contributing to those kinds of developments—they can take a back seat. We need to find a way of engaging those local and institutional landlords to play a part in making sure the high street is a success. Spreading good practice and making good practice more widespread would be a step in the right direction.

Joe Harrison: In some cases, there is a difficulty with the local authority actually identifying who the landlord is of a long-empty shop. In my hometown, where they have developed some of the areas around the marketplace, it took some considerable time to determine who actually owned the properties before it was actually able to compulsorily purchase and redevelop them. There is that aspect of what has happened, really. Are landlords actually at fault for why the shop is empty? That is not necessarily the case. We have empty units within our high streets and town centres because of the development of edge-of-town and out-of-town developments and the very fact that, as a retail sector, we are over-shopped. There are too many shops and not enough traders to work within them.

Q115 **Mary Robinson:** Mr Harrison, earlier you said that local consumers should be included in saying what they would like to see in their towns. Bill Grimsey told us that BIDs are, by definition, there to improve businesses and not necessarily to look at the long-term development of the place. Is this fair? Do you support his proposal that BIDs should be replaced by community improvement districts?

Joe Harrison: There is a case for BIDs in certain circumstances, but Mr Grimsey is right: a big, big part of a local community is the people who live within it. Therefore, they should play a greater role. They would be the ones who actually identify what they like to see that would satisfy them and for it to be a welcoming and great place to engage with. The community value and the social value, to me, in all of our town centres are very important factors, along with people’s engagement, which is very often neglected.

Q116 **Mary Robinson:** What level of involvement do markets have in this?

Joe Harrison: They have very little, actually. The fact is that markets are a collective anyway; they are shops without windows and doors. Overall, you have to be over a business-rateable value to be involved. Although many traders are individually rated these days for the size of their pitches or units in indoor markets, many do not fall within that category. Unfortunately, though we see them as the historic and current heart of a town, they are not involved in those organisations. They do not have sufficient influence. They could have a greater influence on the community being involved in it as well.

Q117 **Mary Robinson:** Would a community improvement district give you more scope there?

Joe Harrison: It would go some way to actually improving the situation as a whole. As I said before about the local authority's involvement, if they create the facility and facilitate that situation, it will be a step in the right direction.

Kate Nicholls: I am not sure I necessarily agree that business improvement districts are just there to improve businesses. That is a shorthand form. What business improvement districts are there to do is to improve the environment within which business takes place, which is very different. In a lot of cases, those business improvement districts can have a positive impact on place-making and place development, so they can facilitate things such as Christmas markets to pop up. They can have a positive impact in the overall amenity and atmosphere in the town centre, which is more positive. However, they are limited by the fact that to be actively involved and to make it work, you are a business-rates payer. That means you exclude quite a lot of people. However, some of the best business improvement districts have developed mechanisms for reaching outside of that group of business rates payers and taking the temperature of the wider business and residential community. I would not want to have community improvement districts to replace business improvement districts. There are ways you could make business improvement districts evolve and there are ways you could have community investment districts sitting alongside that.

Q118 **Helen Hayes:** I just have a couple of final questions on markets, Mr Harrison, if I may. Earlier you spoke about the benefits of markets, not just in terms of their financial contribution to the economy but in terms of their social community impact and importance as well. Are those benefits sufficiently recognised by local authorities and local partnerships?

Joe Harrison: No, they are not, to be quite blunt. The social values they have are not recognised. They have a social value for the elderly person who is maybe living alone. The only time they meet people and communicate is when they go to the market on market days. They can be a great community where people do gather. People do not say, "I will meet you in the supermarket", but they would say, "I will meet you down at the market." There are facilities there to engage dwell time within the local markets. Markets are not sufficiently high enough on the political agenda, even at a local authority level, for the importance of the roles they do play to be recognised.

Q119 **Helen Hayes:** Markets are quite a diverse sector. To what extent is it easy for new markets to set up? To what extent is it easy for existing markets to adapt and change? Is there any tension within the market sector around the types of markets that might be experiencing decline versus the ones that are sort of on the rise at the moment?

Joe Harrison: Yes, there is. I do recognise tensions within there. As a human being, it is fair to say that not many of us do like change, but change is necessary, especially for the greater good. The changes afoot in markets offer opportunities for different age groups to be engaged with, for different products to be sold and for engagement with new technology in order to facilitate what they do. There is a need for change. There is some rubbing against each other. We need this idea of a more holistic community organisation that gets people together and finds out what they do want and what the market needs to provide. As I said before, however, there is change afoot and there are some great projects going on right now. We are engaging with quite a few of the universities in studies on how we can change them and how we can make a difference: the University of Greenwich, the University of Leeds and the University of Leicester. They are all working with us now to develop some processes to facilitate a better offer to all age groups within the community.

Q120 **Helen Hayes:** What would be the most effective things that Government could do to support markets in our town centres and high streets?

Joe Harrison: Basically, this is around encouraging reinvestment into markets. Markets are probably the least reinvested in as far as their business model is concerned. In terms of landlords, many of them will be local authorities, who are strapped for cash. It is about Government putting some slack on local authorities so they can reinvest funds to provide a very useful, vibrant market that would in turn help develop a vibrant town centre.

Chair: Thank you all very much for coming to give evidence to us this afternoon. That was very much appreciated.