

Retail Therapy: How Did We Get Here? Planning for the 21st Century

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Introduction

This paper will consider how the traditional retail industry has developed, has shaped our towns and cities and the challenges now arising as a consequence of the digital revolution.

The views expressed in this article are my own, and I hope will stimulate a vital debate as communities across the country grapple with the challenges of vacant shops, and declining fortunes for traditional retail uses.

By way of personal background, I have over 35 years of experience in commercial property, having graduated from Reading University with a degree in Land Management in 1982, and qualified as a Chartered Surveyor in 1986. My first role was in economic regeneration at Wirral MBC, which provided an invaluable insight into the working of local authorities. I then worked for about 20 years in private property companies, with retail specialist Bredero, regeneration and mixed-use development with Grosvenor Square Properties/Associated British Ports, retail with MEPC, and then Lend Lease where I led the Touchwood Shopping Centre development in Solihull and latterly the UK Development Programme. I then switched to the occupier side, and spent 15 years at John Lewis, first as Head of Retail Development and then as Property Director, leading the doubling of the department store portfolio to 51 stores, and managing the £1.5bn property portfolio. In that time, I learnt a great deal about the retail industry at a time of dramatic and rapid change with the advent and evolution of online shopping. I am now Property Director at Fenwick department stores, and a Non-Executive Director of Town Centre Securities Plc, the Leeds-based mixed use development and property company.

The inexorable post-war growth of traditional retail

The UK, in keeping with much of the western world, has enjoyed a remarkable period since the 1960s of sustained economic growth, resulting corresponding growth in disposable income. Relatively strong exchange rates throughout the period, has meant importing products has been relatively cheap for retail businesses, generating high margins. The combination of strong growth in consumer demand, and strong margins, have provided a near perfect growth scenario. With retailers also providing the principal source of information to customers, it was relatively benign environment in which to manage and grow businesses.

Drive for economies of scale and market share: The space race

As the more successful and ambitious businesses grew, retailers sought to gain greater market share and exploit economies of scale. Chain stores emerged, which began to dominate High Streets up and down the country, be they supermarkets, fashion brands, electrical goods or general merchandise. The local family businesses were either squeezed out or acquired. Retailers improved profitability through economies of scale, leading to the advent of larger stores, offering a broader range of goods in more depth. To sustain growth, retailers also strived for greater market share, expanding the number of stores they operated, both in new and existing catchments. The major supermarkets were particularly successful in pursuit of these strategies, and the model was adopted by many fashion, home and electrical retailers.

Destinations becoming single purpose

As retail business models became more sophisticated, and demanded more space, so the locations where they located and clustered have tended to become more single use focussed in purpose. Supermarkets, for example, grew by combining product lines historically bought in the local town centre from independent specialist shops (e.g. butcher, baker, greengrocer etc) and offering customers a share of the efficiencies of scale through lower retail prices. The first impact for towns was the amalgamation of neighbouring properties to create larger shops. Then the advent of edge of centre large stores with surface parking, and ultimately, the advent of out of town superstores. Other retail sectors have progressively followed this model, through in-town shopping precincts, and the evolution to more sophisticated shopping centres. The continuing demand from retailers for larger, low cost premises, and the growth in car ownership and corresponding traffic congestion led to the development of cheaper land at out of town locations, first for stand-alone superstores, then retail parks and ultimately “out of town” Regional Shopping Centres.

All of these new developments delivered from the 1960s onwards, be they in town centres, or out of town, were predominantly for retail use. Customers loved them. From Brent Cross to Bluewater, and Aberdeen to Truro, retail was seen as a major driver of economic growth, and central planning policy was, by and large, willing to support growth, regardless of any impact on existing centres, and regardless of any local opposition.

Simply a retail phenomenon?

The pressures of economies of scale, ease of vehicular access and the availability of large tracts of cheaper land outwith town and city centres has also had a significant influence on other sectors. Scale and specialisation have become ever more important, as occupier businesses have sort larger, more efficient buildings, at relatively low costs of occupation.

This is evident in the offices sector. The traditional office building had multiple cellular offices, and perhaps a central space for typing or administrative functions. A combination of technology and the relentless drive for efficiencies, led to growing demand for open plan space, with businesses demanding open-plan, larger floorplates to enable more colleagues to be located together. Ease of access to an increasingly car-borne workforce, combined with the availability of relatively cheap land, led to the establishment of out-of-centre business parks. In many towns and cities, the proportion of floorspace out of town is now greater than the accommodation available in traditional town and city centre locations.

This trend also became clearly established in the industrial and distribution sectors, with the emergence of out of town industrial estates, and the major distribution complexes, such as Magna Park on the M1 motorway outside Milton Keynes.

Interestingly, most other commercial activities followed the trend, including leisure uses such as cinemas, bowling alleys, and some restaurants.

Equally of note, some civic uses and services, such as sports centres and swimming pools tended to follow suit, with many local authorities building new facilities in large, multi-function complexes, in locations out of centre. Many Councils have also built new, larger office complexes away from the traditional central locations. Even new health centres and doctors’ surgeries are increasingly built to a larger scale, and seek lower cost land on the edge of centres.

Whilst planning policy belatedly responded with a presumption of “town centre first”, in particular in respect of retail-led development, there was a lack of consistent political will to restrict out of town development. Often there was a belief that any new development would be positive for a town or city, with a consequence of significant expansion of competing space in central locations and out of town locations. Examples can be seen across the UK, and one would be Cardiff, where the expansion of the St

David's Shopping Centre in the city centre in 2009 was competing with the development of four major retail parks outside the city centre.

The role of planning

Planning policy has changed over time, reflecting the priorities of successive governments. In the 1970s, whilst there was a lot of political turmoil and many changes of government, policy statements remained pretty consistent, stressing the need to locate new retail developments in existing retail centres. However, by the mid-1980s, in response to political ambition for rapid economic growth following the early 80s downturn, a laissez faire approach was adopted, reflecting the view that it was not the role of the planning system to inhibit commercial competition or to preserve existing interests. The major recession of the early 1990's resulted in further policy relaxation; allowing more out of centre and out of town development. Indeed, history dictates recessions tend to stimulate a pro-development stance and a cut in regulation to encourage development.

However, by 1993, guidance was introduced aimed at creating greater sustainability in development proposals. The UK is small but densely populated and intervention was deemed necessary to ensure that our scarce resource of land was used properly. There was also a concern to preserve town centres as focal points to ensure that retailing was located "sensibly" and that the population was served equitably: to sustain and enhance the vitality and viability of town centres by again focusing new retail development in such centres. This was the start of our current "town centres first" policy.

Heralding a transformative approach to the future location of new retail and other town centre uses, and a renaissance of our town and cities, PPG6 was released in 1996. Non-town centre proposals were required to demonstrate their "Need" and that a "town centre first" "Sequential Approach" had been adopted to demonstrate the location was as close as possible to the town centre. Proposed out of town developments had to show they could not be accommodated in town centres, then adjacent to town centres, before finally considering less central locations as a last resort. PPG6 also introduced an "Impact Test" to consider the extent of any negative consequences of non-central proposals on existing town centre occupiers and had several Government clarifications by then Planning Ministers, including Caborn (1999) and McNulty (2003). These were carried forward to PPS6 (2005) which also added "Scale" and "Accessibility" to the tests. What we witnessed was increased centralisation and Government intervention—call in Inquiries which would take months, sometimes years, to be processed through the Planning Inspectorate and Westminster. Whilst there may be some who benefitted directly from this bounty of Inquiry time, delay meant many schemes ended up being caught by the Great Financial Crisis of 2008, and shelved indefinitely.

The Barker Review in 2006 concluded that land-use planning should not be assessed on the basis of "need" as this undermined competition and impaired growth. In 2009, a new planning policy statement, PPS4, dropped the "Need Test", focussing instead on "Sequential" and "Impact" and these tests largely endure both through the NPPF (2012) and the new NPPF (2018) both seeking to encourage a more pro-development approach.

But how successful has the town centres first policy been? Evidence shows mixed success in directing new developments towards town centre locations. Retail warehouse parks initially declined, but then continued to be developed with appropriately worded conditions seeking to restrict the use to "bulky goods" to protect traditional town centre retail uses, many since successfully removed. Some grocery retailers adapted new formats to fit within town centres, but large out of town grocery developments still gained consent right up to saturation of the market in 2016. However, in terms of major shopping centres, the significance of in-town locations over out of town locations has been unequivocal with many major town centre schemes promoted in the last decade.

The consequences? Clone cities: A fair challenge?

Most of our towns and cities in the 60s were centres for trade and commerce of all varieties. There was typically a balanced mix of shops, offices, through to cinemas, restaurants and theatres. The retail offering in particular was dominated by local or regional independent businesses, usually trading from small premises by today's standards. For example, the department store would often be an independent, family-run business, spanning several generations.

As the retail sector grew, with the chains becoming stronger and driving scale, so the mix of uses and businesses started to consolidate, enabled by the proliferation of precincts, then shopping centres, and out of town parks and centres. Every Council was competing to have the best representation from the chain stores, department store groups, and food supermarkets.

Indeed, in many policy circles, retail was seen as a vital engine for economic growth. As recently as the 1990s, retail was being promoted as the primary use to drive economic regeneration in many of our towns and cities, either in town or out of town.

However, by the turn of the 21st century some were beginning to question the wisdom of this approach. There was a major outcry from many quarters when the New Economics Foundation published its controversial "Clone cities" report in 2004. How dare it be suggested that all of our towns and cities were becoming homogenous! Sadly, I believe it was a very fair criticism, albeit a sweeping generalisation. The effects of sameness had become evident, as many towns and cities had become dominated by major businesses with multiple outlets. The modern retail shops were typically larger in scale than the traditional fabric of the towns could accommodate, so the new stores were often accommodated in undifferentiated shopping centres which, by the nature of their scale, dominated the neighbouring traditional "High Street".

Perfect storm?

The rise of the internet: Enabler or great disruptor?

It is unquestionable that the invention of the internet, and the remarkable technologies which have resulted, has transformed our lives. It has also had a remarkable impact on businesses, not least of which is the retail sector. Let's consider the seismic change in the balance of power between retailers and their customers in the past 25 years.

Historically, information about products, services, and prices was largely in the control of retailers. The advent of the internet changed that balance. The rise of search engines such as Google started to provide more and more information about products and prices. Websites emerged to promote and advertise products and services. Technology companies transformed computing, enabling low cost, high powered equipment at affordable prices to become a family facility, not just essential corporate infrastructure. Today, we carry around more computing power in the palm of our hand in our mobile phone, than the first main frame computers. We have access to almost perfect information, with increasingly sophisticated search engines which allow us to compare prices, specifications, services and availability. Peer reviews of products, services and retailers have become more powerful than advertising. In many instances, we probably know more about a product than the shop assistant serving us.

In economics, perfect markets require perfect knowledge. Essentially, the balance of power in the retail sector has shifted from the retailer to the consumer as a consequence of the internet and technology. Those organisations which are heavily invested in online capability are amassing phenomenal quantities of data about customer behaviour and shopping patterns, which is enabling them to compete for exceptional market share.

As a result, consumers have the ability to become more discerning, as they have more choice and better knowledge. At the same time, technology has enabled new businesses to develop which seek to offer a

different service, and disrupt the traditional business model. The ultimate example is Amazon. This company, perhaps more than any other, has redefined convenience in the retail industry. Convenience was originally provided by the local corner shop, or by home delivery from major stores, but in either case the proposition was based upon the customer visiting the store in the first instance, wherever that was located. Catalogue services then emerged, with an analogue offer, either delivered to home or for collection in store. Amazon have taken convenience service to a new level, harnessing technology and logistics to provide the most remarkable range of products, supported by depth of availability, delivered anywhere within 24 hours, at astonishingly competitive prices. And the whole transaction, from initial research to order and purchase can be executed wherever is most convenient to the customer at any time of day, or night, 365 days of the year. Unsurprisingly, customers have been incredibly receptive.

The exponential rise of competition online

So, the ultimate question is whether the traditional “bricks based” retail sector can survive and re-invent itself to remain competitive? The online model is being exploited by all the major tech’ companies, and specialist new businesses in most sub-sectors of the retail landscape. The traditional retailers’ competitors are no longer really their peer group, the likes of John Lewis, M&S, Next, etc. Instead, the challenge is to find opportunities for sustainable market share amidst the competition from Amazon, Google, Facebook and Apple. Along the way, pure play companies like Net à Porter, Boohoo, and Matches in fashion, through to the likes of Wiggle in specialist sports equipment, are establishing themselves at different price points as successful businesses, taking growing market share in their specialist sectors.

These companies enjoy a different business model. Capital intensive, low margins, high volumes, relatively low staff numbers. Amazon generates extremely low profits from phenomenal volumes of sales (2017: full-year revenue \$177.9bn, profit \$3bn), yet continues to deliver year on year growth in the value of its shares, which in turn allows it to continue to attract new capital, generate cashflow, and reinvest in its technology and systems at a remarkable scale. It is not burdened by a dated portfolio of shops, by large hikes in rates bills, or in significant corporation tax bills. The online sector is a new business model, which has yet to be significantly regulated in any way.

The perfect storm for traditional retail businesses?

Not only is the traditional UK retail sector facing this unprecedented level of disruption and competition, it is facing huge external economic pressures in its model. Consumer consumption has softened in the past few years. Since the Great Financial Crisis in 2008, consumers have become more cautious, and become more price conscious. The retailers lured customers back with heavy discounting in Christmas 2008, and since then the model has become unrelenting. Christmas was traditionally a simple model, with full price sales building to a peak on 24 December, followed by a sustained period of strong volumes at discounted prices through the end of season sales. In the past decade, events such as Black Friday have been introduced during the season as discounting events pre-Christmas, creating three peaks, the largest of which is often Black Friday itself.

Alongside the decline in consumer confidence, and a growing reliance on discounting, unforeseen political interventions, such as the EU Referendum, have increased costs, undermined margins, and decimated profits. A consequence of the referendum has been the devaluation of Sterling, increasing import costs by approximately 10%. The revaluation of commercial properties for business rates purposes has increased the costs for most traditional retailers by approximately 12%. Add to this the rises in the National Living Wage, and the introduction of the Apprenticeship Levy. Whilst both initiatives could be considered very worthy, the effect has also been to increase operating costs materially.

All of these external factors have come to bear at a time when traditional businesses need to be considering significant new investment to improve their competitiveness.

Unsurprisingly, many businesses are finding the combination of factors simply too great and are being forced into CVAs, administration, or closure. If interest rates start to rise significantly in the near future, then in all likelihood more traditional businesses will face closure.

So, where might this end?

The UK retail sector in totality remains a very substantial market. Statistics from Retail Economics showed that in 2017 the total value of all retail sales in the UK was approximately £366bn, of which 84% was sold through physical stores. Online sales accounted for approximately 16% of total sales and, critically, grew at an average annual rate of 16%.

One of the big questions is where will the balance between shop sales and online sales end? At 0%, 30%, 50%? Some traditional retailers which were early adopters of online, such as John Lewis, are experiencing online sales of approximately 40% of total sales, although the rate of growth is starting to decelerate quite rapidly.

However, there remains a very sizeable market to serve through traditional channels. Those businesses which survive this extraordinary period of disruption will be those which are most agile, most creative, best financially structured, can operate with integrity and to maintain or establish loyalty and trust amongst customers. In short, this is a classic challenge for the survival of the fittest.

And this is not just a challenge for retail businesses, it is a challenge for all organisations, public and private, for their advisors and for communities, to re-establish the worth and purpose of places to be relevant in the modern digital era.

I believe digital technologies are disrupting our businesses and industries, but that ultimately, we are experiencing an evolution, in which we will resolve how to harness technology to improve lives rather than dominate them. As the new status quo is established, the overarching force will be our humanity. Fundamentally, we are social creatures. We like to meet other people, we like to buy from other people, we like to see, touch, smell products, and we gain most satisfaction from the purchase in the moment of a surprising item or gift which we find by chance in a shop. Retail businesses need to work out how to harness technology to engage customers, source or develop product ranges unique to their business, offer better standards of service, and create more compelling environments to attract and delight customers. It was ever thus.

Traditional retail businesses will need to embrace technology, online retailing, and the complex and intensive fulfilment operations which are required to provide a convenient service to customers. John Lewis was an early adopter of online retailing, and in the space of 15 years grew online sales from roughly £20m in 2002 to approximately £2bn last year. Online sales now account for approximately 40% of total sales. The business has evolved from running stores, open five and a half days per week (yes, John Lewis department stores used to close at lunchtime on Saturdays as recently as the '90s), to a retail business which is open to customers online 24/7, 365 days per year. Teams go into Head Office on Christmas day to support the online platform. In addition to the 52 stores, the company operates an automated distribution centre at Magna Park, Milton Keynes, occupying approximately 2m ft² of floorspace, receiving goods, picking, packing and distributing products to the stores, and to customers on a real time, on demand basis. Customers can now either purchase products in-store, online, or by phone. They can collect purchase from John Lewis stores, have them delivered to home or another nominated address, or collect from a click & collect point, either in-store or at one of the Partnership's Waitrose supermarkets.

Other retailers are pursuing similar models. Some of the online retailers such as Amazon have been utilising lockers for collection points at shopping centres, and major hubs such as railway stations. In the future, the likes of Amazon and Google may run their own shops, showrooms or collection centres in our

towns and cities, as they strive to build an emotional relationship with their customers, and not simply a transactional relationship.

The ultimate challenge for all retailers, traditional or online pure-plays, will be the sheer cost and relative inefficiency of the current modes of fulfilment. I suspect we will see the advent of shared facilities, such as consolidation centres, as retailers start to recognise the cost of independent fulfilment services are neither financially sustainable nor environmentally sustainable. The congestion generated in our towns and cities by half-empty white vans delivering parcels will, I suspect, become increasingly politically unacceptable, and either the retail industry will need to establish more efficient means of fulfilment or face growing cost penalties such as congestion charging, or periods of the day during which delivery vehicles are not allowed access.

I contend there is a future for physical retail representation. Retail businesses need to work unbelievably hard and creatively to reinvent the model and customer proposition to be competitive. Those retail businesses which can create or source innovative and unique product, provide outstanding service, and engaging environment will be successful. Take Apple as the example. Their store on Regent Street which opened a few years ago took the sector by surprise. On the face of it simply a showroom, displaying the company's unique product in a very spacious, generous, and inspiring environment, with a remarkable legion of knowledgeable and engaging staff, and even a dedicated area where customers could go to learn more about the use of their products or have items fixed or upgraded. The end result is the new generation of Apple stores are achieving astonishing sales densities, far greater than previous stores, and building ever stronger brand loyalty along the way.

The books sector perhaps provides a further ray of hope to support this. A decade ago the book store sector had been written off. Sales were flocking to online services and digital devices. Books were expected to become extinct with the advent of the Kindle and other devices. Many stores closed. Others fought back, introducing coffee shops in store, spaces to relax and read, events, even online reviews and purchasing. Fundamentally, the retailers offered a more compelling experience and enticed customers back. In parallel, many customers, of all ages, found that they preferred the tactile experience of reading books. That ownership of a book was often more personally satisfying than simply reading it on a device. And let's face it, it's pretty hard to read a child a bedtime story on a Kindle. The sector is finding a balance between physical stores and online sales, and new bookstores are being opened through the likes of Waterstones and Foyles.

I believe the same can be achieved in the department store sector. Not all of the current UK businesses will survive, but there is sufficient evidence from the success of the likes of Selfridges and Harrods that major department stores, with sufficient scale and the ability to offer experience as well as products are capable of continuing to trade very competitively and successfully. That said, not all retail-led destinations will need a department store to be successful, as I will explore later in the paper.

New urban economy: How do our towns and cities respond to the current challenges?

Fundamentally, our towns and cities need to reconsider their purpose, and seek to articulate and then establish a fresh, vibrant identity to inspire their communities. A broader mix of uses, recognising the importance not only of variety, but the essential need to create economic activity and new wealth. At policy level, the Government should strive to define a balance between the Industrial Strategy and the relentless drive for new housing.

Before we explore the range of uses, which could be considered, and the role of the planning system, and property industry, we should first consider the essential ingredients required to sustain a successful community.

Civic leadership

Perhaps the most vital ingredient! The strongest towns and cities have historically had the consistently strongest leadership. Over time, some local authorities have tended to focus on the administrative side of their responsibilities, or have been challenged by frequent changes of political leadership. Those authorities which have enjoyed both visionary leadership and political and administrative stability have tended to be more productive. The shift in national politics to the devolvement of greater powers to local authorities and regions, for example through the election of Metropolitan Mayors, reinforces the need and opportunity for strong local leadership. Take a contemporary example, Manchester. The city has transformed itself over the past 30 years to become a leading city, not just in the UK, but in many ways on the international stage. It has not happened by accident. Rather it has been the result of the tireless work of a very stable political and administrative team at the City Council, led by the Council Leader Sir Richard Lees, and the now retired Chief Executive, Sir Howard Bernstein. Both local people, both politically aligned, both clear that the future of Manchester lay in re-establishing the local economy to generate the wealth and jobs which would then enable stronger social services to be delivered. Plans were established, roles and responsibilities clearly defined, and programmes implemented. Initiatives across the city centre from the refurbished and extended Arndale shopping centre, through the offices quarters at Spinningfields and NOMA, to the Commonwealth Games where the main stadium is now home to Manchester City FC and an emerging sports science centre of excellence. The Council has been an active participant in the development of Manchester Airport, as well as the consolidation of the city's universities to create one extremely powerful and compelling centre of excellence. Beyond its policies across the City, Sir Richard and Sir Howard fostered the creation of a formal collaboration of all of the Councils across Greater Manchester. The Combined Authority has since been formalised, and Andy Burnham elected Mayor.

Sense of community

The challenge for any leadership is to create a vision which will inspire the community it is seeking to serve. Identifying and then understanding the community or communities is essential. The matter of engagement and communication becomes critical. Consultation is essential, but is often under resourced and poorly managed. Is it most effective to start with a plan for people to comment upon, or is it better to start with an idea or belief and build a dialogue with the community, so they can help to shape the plan from the outset, rather than react to a plan expressing what they do not like? The planning system currently assumes the start is a draft plan, be it statutory or for a development project, and then seek to manage the objections. I would contend a better place to start is with a clean sheet of paper and ask people how they would like the place to be. By all means encourage them with an idea or ambition for the place or site, but don't start with a set of drawings or tomb of documents, as that suggests a pre-determined outcome. Such an approach requires significant resources at the beginning to hold the meetings and 1:1 discussions needed for effective engagement, and can appear dauntingly time consuming. In my experience, it more often leads to a quicker resolution and agreement, a better informed plan, and the full support of the community.

Perhaps the most remarkable example I have witnessed was achieved in Liverpool in early 2000s, as part of the City's European Capital of Culture programme. The City Council collaborated with Professor Phil Redman of Liverpool University and the two Bishops of Liverpool to create a city-wide community engagement programme. The programme set out to engage all elements of the community to redefine the future vision for the city. They explored what made people proud of their city. The findings helped to shape the direction of many major projects, including Liverpool One shopping development and the creation of Chavasse Park, which created a visual connection between the city centre and the historic

waterfront for the first time in many decades. The results have been palpable, restoring a sense of pride in the City, and care of the public realm.

Sense of place

Environment and place-making are essential to establishing or developing the identity of a community. Most, if not all, places have a hierarchy of spaces from large open public spaces through squares to more intimate public and private spaces. How those spaces are managed, maintained, and curated varies enormously. The extent to which those spaces are regarded as essential to the success and vitality of a place and its community is extremely variable. I would contend the most successful towns and cities have a strong emphasis on quality and distinctive character of the public realm. Some places have historic architectural gifts, such as Oxford and Cambridge. Others have created, or recreated great spaces. Perhaps the most contemporary example is King's Cross in London, where Argent has transformed a "no go" area around the station into one of the most sought-after destinations in London. The most successful places in the future will be those communities which can harness both public spaces and distinctive architecture to create a real sense of identity and place, reflecting the culture, attitude and character of the community.

Infrastructure

From utilities, including high speed broadband, to transportation and parking, offering ease of access is essential. Programmes of continuous improvement are essential to ensure places remain competitive, and the facilities remain relevant to changing needs. As traffic congestion has increased, so there has been a growing demand, for offices in particular to be located in established urban areas with good public transport and major rail access.

Skilled workforce

Understanding the availability of labour in a community, or wider region, and the primary skills of the workforce, or those emerging from education is essential. All too often, granular information of the workforce in the local area or region is limited. Working with employers and education establishments to create a clear understanding of the strengths of the local economy, be it Knowledge, Health & Well-being, Advanced Manufacturing, Digital & Technology, Financial & Professional Services, provides a foundation from which to encourage clustering and the development of specialisms. There are many Government-sponsored bodies which provide high level support and guidance, from Tech Nation to LEPs. Powerful examples are emerging: the clustering of digital/tech businesses in Shoreditch, the Advanced Manufacturing Park at Sheffield, the automotive centre of excellence in the West Midlands.

It is also important to understand the impact of the inexorable growth of urbanisation, and the demand for "city living", in particular amongst Millennials, and empty nesters. Increasingly, digital technology and social media is enabling people to be very mobile. This is particularly true for Millennials, for whom employers are increasingly keen to compete as the foundation of future workforces. There is clear evidence of a preference for urban environments, for convenience and lifestyle. A growing desire to be able to work, live, and play in close proximity, is starting to drive the development of new communities in more central locations, and the regeneration of previously fringe districts. Perhaps one of the outstanding examples can be found at King's Cross, London, where the mix of development has included leading further education and research establishments, attracting young people to learn, live, work, and play, in turn attracting some of the world's fastest growing companies such as Google and Facebook to establish major office complexes, all supported by a wide and varied mix of shops, cafes, restaurants, and food stores.

Establishing programmes and initiatives to encourage the development and nurturing of new and emerging businesses is also critical. The nature of the workforce is also changing rapidly, with inexorable growth of the self-employed, and small businesses. Government research showed that SMEs accounted for 99.3% of all private sector businesses at the start of 2017. Those SMEs had a combined turnover of £1.9 trillion, accounting for 51% of all private sector turnover in the UK. These nascent businesses need low cost, flexible accommodation, ranging from incubator hubs, through informal office or workshop space, to more traditional accommodation.

Hygiene factors

Safety and security, cleanliness, maintenance, and lighting. These factors are often overlooked, or delegated to third parties, with consequential diminution in standards. Safe, well-maintained locations are always more desirable, so cutting back on maintenance budgets is often a false economy.

A balance of uses

If variety is the spice of life, so our towns and cities face the challenge of rebalancing the range of uses. Many town and city centres have become dominated by single uses, such as a shopping centre. We have seen in the past few months the perfect storm in the retail sector, which has been threatening to break for some time. The collapse of House of Fraser has epitomised the turmoil in the sector. It is estimated there will be several million square feet of retail space vacated this year. The challenge is to deconstruct these dominant uses, repurpose much of the vacated space, and introduce a more dynamic, organic mix of uses. Creating reasons for people to visit a place is essential, and preferably for a variety of reasons. Therefore, a mix of offices, and flexible workspaces, residential, education, health, leisure and cultural uses create reasons to visit. In turn that will sustain an amount of retail, restaurants and catering, and hotels to serve those visitors. If planned well, and encouraged to provide a range of independent as well as larger chains, then a distinctive identity can be created, with the retail and catering providing the glue which helps to bind the place together. Within this mix, the balance between retail, leisure, and catering will continue to evolve. When the major shopping centres like Bluewater were developed at the turn of the century, leisure and catering accounted for approximately 5% of the floorspace. Westfield Stratford opened in 2011 with 30% of space dedicated to leisure and catering. With demand for leisure and catering continuing to grow this mix could become as much as 50% of the space occupied.

However, I do believe shops will continue to have a real and vital role to play in our towns and cities, as the sector strives to redefine its offer and the balance between product, services, and experience.

Fundamentally, I contend the anchor uses in future will change from the traditional retail uses in many towns to sectors related to the growing knowledge economy, in particular the education, and health sectors.

A mix of tenures

As more retail space becomes vacant, and the pressure of holding costs such as empty rates impact property owners and investors, so I believe we will see a far more varied range of tenures being offered to occupiers. Short leases, and increasingly licences, will become the norm, especially as redundant retail space becomes repurposed. Income will become the primary factor. Management and curation of space will become more intensive and more dynamic. Eventually, more property will be valued on an income basis, rather than on the length of leases and quality of covenants. In turn, the types of capital and providers of capital will change. The traditional investors, REITs and Financial Institutions, will either need to adapt their models to accept a more management intensive operating model, similar to those developed by the outlet operators such as Value Retail and McArthur Glenn.

Curation

A delightful word perhaps already under threat of overuse by the property sector, but none the less essential to understand and implement skilfully. A range of events and activities, carefully conceived to support and promote the purpose of a place and the clusters of businesses and uses, can add tremendous benefits both to the business communities and to the resident communities. Councils, BiDs, businesses, and community groups all have a role to play. Clear and accountable leadership is critical, alongside dedicated management teams.

The response: The role of Local Authorities and the planning system

As already discussed, those towns and cities which can demonstrate or develop the attributes for success outlined above can continue to grow and re-invent themselves. Creating a sense of place, with a broad range and mix of uses, attractive to a variety of businesses from local, independents to major corporates will be essential.

Devolution of powers

The trend to devolve powers to local authorities can contribute very positively. Inspiring civic pride and leadership is essential. The challenge is to support local authorities to recruit the appropriate calibre of personnel, both in the political and administrative roles, with suitable remuneration and accountability. It will be interesting to see how the fortunes of those Cities and Regions with elected Metropolitan Mayors develop in establishing long-term sustainable growth. Of course, not all communities will be big enough to support the structure of a Metropolitan Combined Authority. In other areas, the relationship between County Councils and Local Boroughs will need to be resolved, to ensure the Borough Councils have the necessary ability to effect the changes needed to promote change, renewal, and growth.

Local “ownership”

Those local authorities empowered to think and act boldly will most likely prevail. Support will be needed to ensure they are sufficiently well organised and resourced to effect progressive programmes. The way in which Government and the Treasury manages future financial capabilities and support to Councils, and the timescale in which those Councils are required to become financially independent needs careful consideration. There has been a growing trend for direct investment by local authorities in property assets in their local towns. In many cases, the motivation has been to generate new income streams to replace the diminishing Rate Support Grant from Government, and to have direct influence over the change of local physical environments. At a time of growing instability in occupational markets, and underlying income and capital values, these investments needed to be finely judged and expertly managed.

Bespoke solutions

Recognition that there is no “silver bullet” or standard solution for all places will be critical to understand. Local authorities must be helped and encouraged to assume the leadership role. Developing a clear purpose and co-ordinated plan requires strong and effective partnerships with public and private sector organisations. Focus for partnerships should include key growth areas such as the Knowledge, Health, Digital/Tech, Advanced Manufacturing, and Financial/Professional Services sectors. Harnessing the research capabilities of local Universities, for example, with private sector capability to translate new ideas into commercial activity will be key to strengthening and/or developing existing and new businesses.

Strategic plans

Capturing the vision and goals to be pursued in a strategic plan, along with the various principal strategies, to provide co-ordination of partners/partnerships and the resources available, and to present a clear and crisp articulation to all.

Given the rapid acceleration in the rate of change, flexibility and regular review are essential.

Yet this concept is arguably the greatest challenge, if not fear, of most politicians and practitioners. Does flexibility really mean anarchy, the antithesis of the notion of a planned outcome? I contend the planning community, along with local authorities and perhaps Government, needs to reconsider its role. If strong leadership and a clear, compelling vision exists, then arguably it is easier to manage the outcomes in terms of architecture, design, delivery, and management. A well-defined vision could establish a set of crystal clear objectives, against which the local authority can create pro-active planning guidelines, designed to encourage change. Quality benchmarks and guiding principles could be established against which to judge the quality of any proposals. Local statutory plans should become “living documents” capable of frequent review and updating, rather than the longwinded process currently endured, with Local Plans often outdated before they have been adopted. The rate of change in all sectors demands a more agile process, which is far more frequently reviewed and updated. Local “Living” Plans could clearly articulate the vision and ambitions of the local authority and its communities, the role of the different settlements within the district and a clear set of goals and specific objectives ranging from the mix of uses, through to economic and social targets.

The role of the traditional Development Control planning function would need to adapt to be able to work with communities, landowners, and developers to proactively establish plans and projects to meet these targets. A wider range of strategic and analytical skills would be needed to understand how new proposed development could contribute to the achievement of the objectives of the Local Living Plan.

So, where does that leave the Use Classes Order, after all it is approximately 30 years old? I’m not sure I have an answer, but I am clear that flexibility to change and adapt quickly is critical for the future success of our towns and cities. The challenge is to ensure a sustainable balance of uses can be achieved to ensure a place can thrive. Arbitrary changes, such as the relaxation of permitted uses in favour of residential use over existing business space, has created more residential development, but at the expense of often lower cost business space. I suspect the long-term effect will be detrimental to the local economy of many areas where the cost of replacement business space is prohibitive. Jobs will be lost, and the consequential economic shifts will suppress rather than encourage sustainable economic growth. Rather than meddle with the UCO, why not consider the way in which the planning processes are established and managed by local authorities.

Could we be really bold and break with a legislative solution? Let’s consider the way in which Planning Departments within local authorities are organised and resourced. Should they be independent, siloed functions, or integrated with property, economic development, housing, and education functions, to provide multi-functional teams responsible for managing smaller areas within a district? I believe the key to success for any organisation is team work and collaboration, so why not adopt a similar approach within local authorities. A planning department integrated with housing, economic development etc, empowered and skilled to offer a proactive service to promote new development and the repurposing of existing space, measuring the quality of proposals against a clearly defined set of objectives tailored to the needs of the local place to deliver viable, sustainable, quality investment. Nirvana? Or a better way of leading and managing our towns, cities and communities? A real reference to the politics of devolution rather than attempting yet another swathe of central legislative change to the planning system, creating delay, uncertainty, and those dreaded unintended consequences.

New concepts or adapting of previous initiatives: to create an environment and governance which allows for rapid change and flexibility in existing statutory processes, might we learn lessons from past initiatives, and adapt them to current needs?

Taking town centres specifically, two alternatives come to mind. Development Corporations (“DC”), with the powers of planning, and compulsory land assembly, harnessed to public sector funding to stimulate new investment; or Enterprise Zones (“EZ”), with flexible planning rules to permit changes of use and grant planning consents, and tax incentives for new and emerging businesses to encourage innovative and inward investment. DCs tended to be effective at delivery, but tended to create tensions with local authorities, especially where the DC had direct planning powers. The concept cuts across the notion of local communities and Councils assuming responsibility for their future. In many ways, Councils have access to powers such as CPO if deemed necessary and effective to implement a development project. EZs might be adaptable to provide the necessary incentives to generate new investment, if the local authority remained responsible for planning, etc rather than seeking to wholesale overhaul the Planning process, a challenge which successive Governments have tried unsuccessfully to achieve, perhaps a more pragmatic local solution could be adopted to suit tightly defined locations, such as town centres.

Governance

Effective governance is of course essential. One of the primary tests which currently prevails when assessing investment decisions or land sales is the test of best price. Such a test tends to create a focus on relatively short-term views of value. In many instances, it leads to a predominance of a particular use, which currently tends to be residential use in many places. A means of judging the potential returns or longer-term growth potential of a place, or its economy, against the goals and objectives of a local strategic plan might be more appropriate. Perhaps a Cost:Benefit matrix could be established by which to judge the merits of proposals, considering short- and longer-term potential, to assess the long-term sustainability and suitability of the proposal to the overall vision and objectives.

Conclusions

The perfect storm currently gripping the retail sector will run its course. Our essential human need for social engagement will ensure our towns and cities can remain important places for people to meet, socialise, to learn, to live, to work, to trade. Thus, I believe physical retail space will remain a relevant and important feature of our towns and cities, albeit with less scale than has been experienced in past years, as a significant proportion of retail sales are conducted online, yet with renewed vitality and experience for customers. The mix of uses will become more varied, and capable of generating and sustaining future organic growth. Education and Health organisations may well become the new “anchor” uses, displacing the retail, and even department stores, as the drivers of future regeneration and new development.

Leadership from all quarters will be essential. There is a primary role for Councils here, ably supported by public sector and private sector organisations.

The greatest challenge is to ensure our towns, cities, and communities develop a clear sense of purpose, identity, and character, which can inspire the communities they are seeking to serve and encourage new growth and sustain existing businesses. Place-making will be critical, focussed on enabling local communities to establish and express the identity and character of their town. Our planning system, property and investment models, will need to adapt to enable existing space to be used more flexibly, to encourage a greater variety of uses, and to adapt with greater agility to the ever faster pace of change.

I have found the writing of this paper both daunting and stimulating in equal measure. I do not profess to have all of the answers, although I do hope to be part of a dynamic debate which might lead us to

develop and establish an approach and set of processes, to inform Government, local Councils, public and private sector organisations to work effectively together to ensure our towns, cities and their communities are inspired to achieve new and sustained growth in the future.

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