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Building Blocks

The role of commercial space in Local Industrial Strategies

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About the authors

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01.

Executive summary

New buildings frequently capture the imagination of those tasked with economic development across the country. This is understandable – unlike upskilling a workforce, a new building has a visible and immediate impact. But despite this property focus, not enough is known about the supply of commercial space within and across UK cities and what this means for policies that aim to increase productivity and employment.

Property is an important factor in attracting and retaining high-performing businesses, alongside other considerations such as skills, transport connections, and a network of similar firms. Any strategy designed to improve the economic performance of a city should consider the supply and quality of commercial space available in their area, what type it is and crucially in which parts of the city this property is located.

In successful city centres, offices make up almost two-thirds of the commercial space and the average quality of this office space is better than in other cities. This has important implications for the types of jobs these cities attract, with high-skilled service jobs increasingly looking for a city centre location. The jobs in offices in the centres of cities such as Bristol and Manchester also play a vital role for the high street, by generating footfall for retailers. The result is that the high streets in these city centres are thriving.

Poorly performing city centres, on the other hand, have too many shops. In city centres such as Blackpool and Newport, over half of all commercial space is in retail, more than double the amount of space given over to offices. This limits footfall in these centres, and the result is that they have some of the highest proportions of empty shops of all city centres in England and Wales. Given the ongoing changes in retail, this situation is likely to worsen further.

Commercial space in suburbs unsurprisingly looks very different to city centres. While over half of suburban commercial floor space is given over to industrial activities, the fall in demand for industrial space in recent decades has created vacant sites in need of expensive remediation. On the other hand, ongoing changes in consumption are likely to increase demand for logistics space in the future and sufficient space will need to be provided, especially on the outskirts of key logistics cities such as Northampton, but also within cities themselves to get deliveries from the depot to the door.

The provision of office space in suburbs also tells an interesting story of policy priorities in recent years. In cities with weak city centre economies, the quality of office space in suburbs is usually better than that of the city centre. Previous policies such as enterprise zones have preferenced new office provision in out of town locations while ignoring the challenges of the city centre. And this has had implications for the ability for cities to attract the higher skilled services jobs that are looking for a city centre location, and has limited the footfall available for high street retailers, restaurants and cafés.

As cities pull together their Local Industrial Strategies, the barriers preventing businesses from locating in city centres need attention. When property is one of the problems facing a city, this will require improving the quality of city centre office space. Importantly, in some cities this may mean reducing the overall supply of commercial space, especially retail and poor quality office space, within their city centres.

New buildings alone cannot change the economic performance of a city, particularly in areas where a lack of skills is the main barrier to business. The aim of this report is to better inform the decisions about property that local and national bodies take as part of wider economic development strategies.

To ensure commercial property contributes to raising productivity levels, cities and government should implement the following policy recommendations:

- In cities where the private sector is not leading on office development, cities should consider intervening to supply small amounts of new office space to meet demand from productivity-driving firms.

- Cities with relatively high numbers of shops in their city centres should convert some of these into office and residential uses where appropriate. In cities with very low demand for commercial and residential property, some demolition may be necessary to enable the land to be used to improve the public realm.

- Cities must release sufficient land in suburban locations for logistics so that supply is able to meet growing demand.

- Government should reform business rates to enable annual revaluations and allow for pooling across city regions, and use the Shared Prosperity Fund to finance interventions into commercial space at the city centre level for weaker economies.

02.

Introduction

Property has a special place in plans designed to boost the economies of cities across the country. Most economic strategies in recent decades have had some focus on property, be that the creation of a science park, the building of new office space or the restoration of a historic building, all with the aim of creating jobs in an economy.

Property will remain important in the current round of economic development plans - called Local Industrial Strategies – that Combined Authorities and Local Enterprise Partnerships have been tasked by the Government to produce. These plans are intended to address poor levels of productivity across the country, which are leading to very different wage levels and job opportunities between cities.

The challenge is that, despite the central focus that property development and redevelopment often takes, the composition of commercial space in cities across the country is poorly understood. This has limited the impact of the many public sector backed schemes that have taken place in recent years.

The report is split into three sections. Firstly, it looks at the supply of commercial space across city centres and suburbs. Secondly, it looks at what interventions cities have made in the commercial property market in order to improve their offer. Finally, it makes a series of policy recommendations for those writing Local Industrial Strategies, suggesting interventions which will ensure there is sufficient supply and quality of space, as cities look to attract, retain, and grow the types of businesses that will improve productivity, wages, and jobs in their areas.

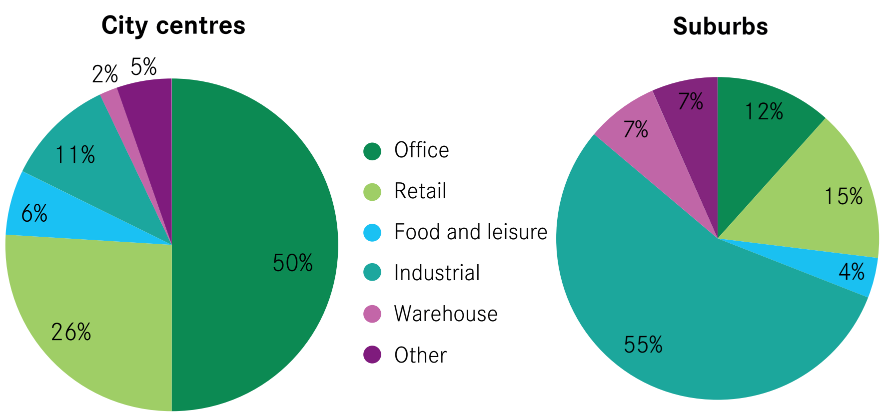
03.

How does the supply of commercial property vary across cities?

Office space dominates commercial space in city centres, accounting for half of all space, as shown in Figure 1. Retail also takes up a large share, accounting for a further quarter of all space, while food and drink accounts for 6 per cent.

In the suburbs, industrial space dominates, accounting for 55 per cent of the total floorspace. This is followed by retail (15 per cent), office (12 per cent) and warehouse (7 per cent).

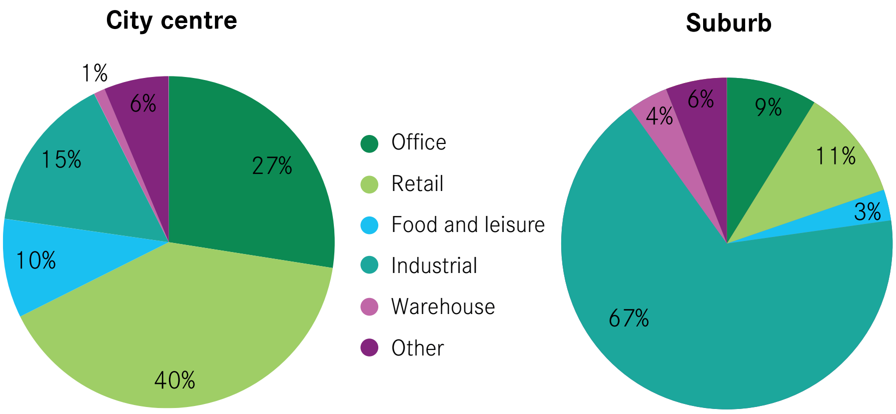
Figure 1: Composition of commercial floor space in city centres and suburbs, 2017



Source: Valuation Office Agency (2018)

This split plays out at the individual city level too. While the exact share of each type of property varies across cities, in most cases there is still a clear shift from office and retail in the city centre to industrial in the suburbs. In Leicester, for example, the city centre has more retail than the average, and more industrial than average in its suburbs. But the variation between the two parts of the city is similar to the pattern seen in Figure 1.

Figure 2: Composition of commercial floorspace in Leicester, 2017



Source: Valuation Office Agency (2018)

The property offers of city centres and suburbs are determined by their exporting base

The main explanatory factor behind these patterns is the different business investment city centres and suburbs receive. The occupiers of office and industrial space are predominantly exporting firms – those which sell to regional, national and international markets – who in theory could locate anywhere as they are not tied to any particular market. But in practice, different exporters have different location preferences.

High-skilled services exporters, in particular, show a clear preference for city centres – 25 per cent of England and Wales' high-skilled service exporter jobs were based in city centres in 2011, despite these locations accounting for just 0.1 per cent of land.[1] This is because of the benefits that successful city centres offer, namely access to lots of high-skilled workers and a network of highly-skilled businesses. City centres tend to be more expensive places to locate but these companies are willing to pay a premium to access these qualities.[2] As a result, city centres are dominated by office space.

A city centre location is not ideal for most manufacturing and logistics operations. Instead, access to lots of land and good transport links has a heavier

1 Swinney P (2018), *The Wrong Tail* London: Centre for Cities

2 City centres are defined based on all the postcodes that fall within a circle from the pre- defined city centre point. The radius of the circle depends on the size of the residential population of a city and its size is as follows: London – radius of 2 miles, large cities – radius of 0.8 miles, medium and small cities – radius of 0.5 miles

weighting in their location decisions. This means they tend to set up in either the suburbs of cities or the hinterlands around them where land is cheaper and they can still access a large number of workers without the costs of a city centre location. This is why industrial space is much more dominant in the suburbs.

But there is a great deal of variation in the property composition across cities - no two city centres or suburbs look quite the same. Previous Centre for Cities research has shown that the ability of city centres and suburbs to attract high-skilled exporters varies across the country, as shown in Figure 3. The stock of commercial property in each city centre, and suburb varies depending on this ability.

Box 1: A typology of city centres and suburbs

Previous Centre for Cities analysis has categorised city centres and suburbs according to their ability to attract high-skilled exporters. Figure 3 plots the share of exporters against the proportion of these exporters that are high-skilled for all city centres and suburbs. It also splits cities into quadrants depending on whether they are above or below the national average.

Figure 3: The size and make-up of the exporting base in city centres and suburbs

City centres

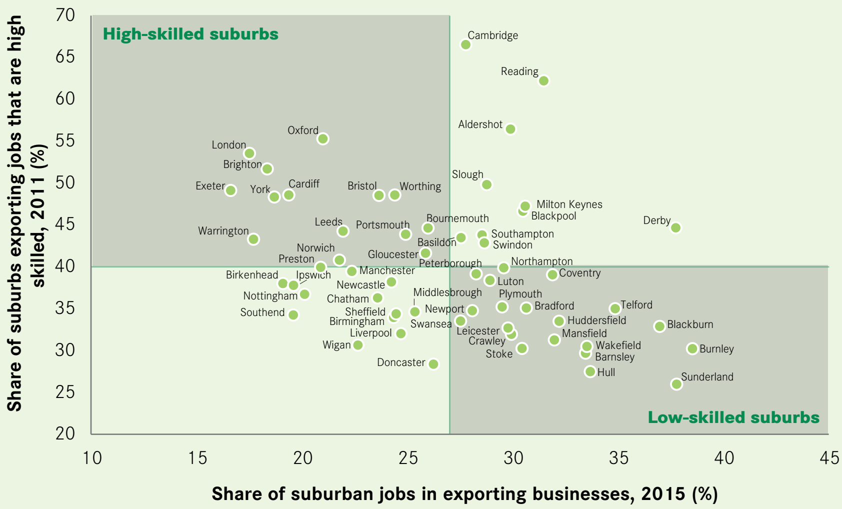
Data covers cities in England and Wales
Source: ONS (2017), Business Structure Database, Census (2011)

For the purposes of this report, we present our analysis for two of these four quadrants – strong and weak city centres – as this allows us to illustrate how trends play out in city centres at opposite ends of the scale. These two groups, based on how successful each city centre is at attracting exporters and skilled workers, are:

1. **Strong city centres** have a higher than average share of jobs in exporting firms, and a higher than average share of these exporting jobs are high-skilled.
2. **Weak city centres** have a lower than average share of jobs in exporting firms, and a lower than average share of these are high-skilled.

There are a few city centres which have different business investment patterns and do not fit these two groups. 'Moderately strong' city centres have a lower than average share of jobs in exporting firms, but a higher than average share of these being high-skilled. 'Moderately weak' city centres have a higher than average share of jobs in exporting firms, but a lower than average share of these being high-skilled.

Suburbs



Data covers cities in England and Wales

Source: ONS (2017), Business Structure Database, Census (2011)

The same analysis can be done for the suburbs. However, because exports and skills push in opposite directions for suburbs, they are instead referred to as high and low-skilled:

1. **High-skilled suburbs** have a lower than average share of jobs in exporting firms, but a higher than average share of these jobs are high-skilled.

2. **Low-skilled suburbs** have a higher than average share of jobs in exporting firms, but a lower than average share of these jobs are high-skilled.

   Again, some suburbs do not fit the wider suburban pattern. Those in the top right quadrant have a higher than average share of jobs in exporting firms, and a higher than average share of these exporting jobs are high-skilled. Those in the bottom left quadrant have a lower than average share of jobs in exporting firms, and a lower than average share of these are high-skilled.

   It is important to note that a city's centre and suburbs are often in different quadrants. For instance, Birmingham has a strong city centre but low-skilled suburbs, while Blackpool has a weak city centre but high-skilled suburbs. See Appendix 1 for a detailed list of these groups.

The ability of a city to attract exporting businesses – particularly highly-skilled ones – matters because it is these firms which lead productivity growth. The varying concentration of high-skilled exporting businesses in cities is leading to the very different levels of productivity. For cities to successfully raise productivity, they need to focus on attracting more high-skilled exporters.

Deindustrialisation and the growth of jobs in the services sector have increased the importance of city centres in the national economy. As the specialisation towards high-skilled activity continues, their economic role will strengthen further. **Possessing the right qualities to attract high-skilled exporters into city centres is becoming an ever greater priority for driving local and national economic growth.**

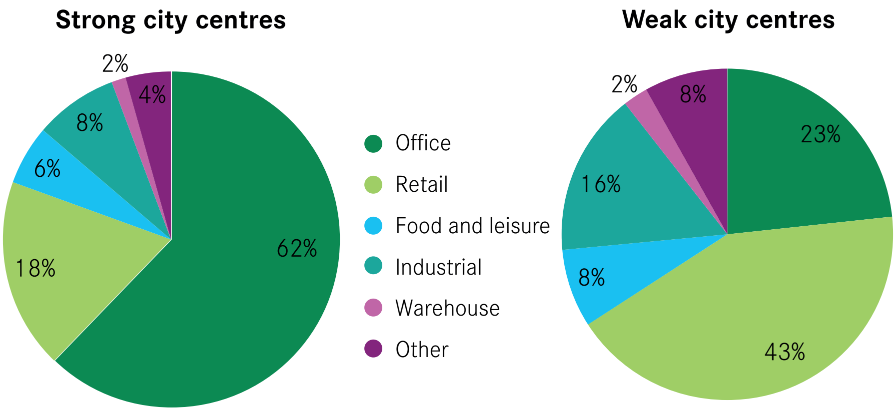
The question for cities is: are differences in patterns of commercial space use associated with economic performance, and if so, what does this mean for local industrial strategies as they aim to improve productivity in their areas?

Successful city centres are dominated by office space

The vast majority of exporting activities in city centres are office based. Given this, to attract such exporting businesses, city centres need to offer appropriate office space alongside the other qualities, such as skills and transport, these businesses look for.

In strong city centres, 62 per cent of all commercial space is occupied by offices, as Figure 4 shows. This is almost three times as much as the share of space given over to offices in weak city centres.

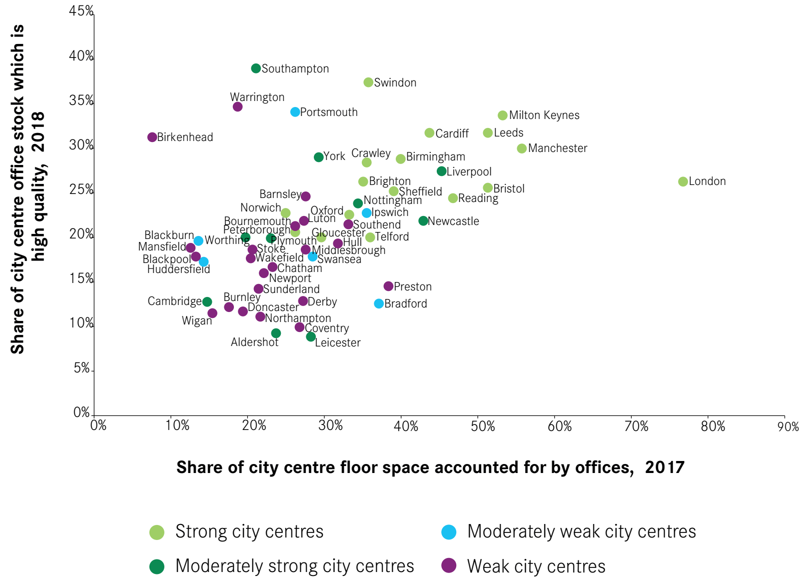
Figure 4: Composition of commercial floorspace in different types of city centre, 2017



Source: VOA (2018)

Not only do strong city centres have a larger share of office space, the quality of this space is also higher. Using the energy efficiency of offices as a proxy for quality (see Appendix 2 for details), 27 per cent of the offices in the most successful city centres can be shown to be of high quality, as in Figure 5, while in weaker city centres only 18 per cent of offices are of high quality. In combination with the lower share of city centres that is office space, this suggests there is a large gap between strong and weak city centres for high-quality office space.

Figure 5: Office stock quality and quantity by city centre, 2017



Source: VOA (2018), Non-Domestic Energy Performance Register (2018)

The low share and quality of office space in weak city centres is due to the lack of private investment in the office market over recent decades. Private sector-led investment in these cities has been rare because of a lack of demand for office space. This is because these cities have a shortage of the characteristics which city centre exporting firms value, such as skills, agglomeration economies, and knowledge spillovers.

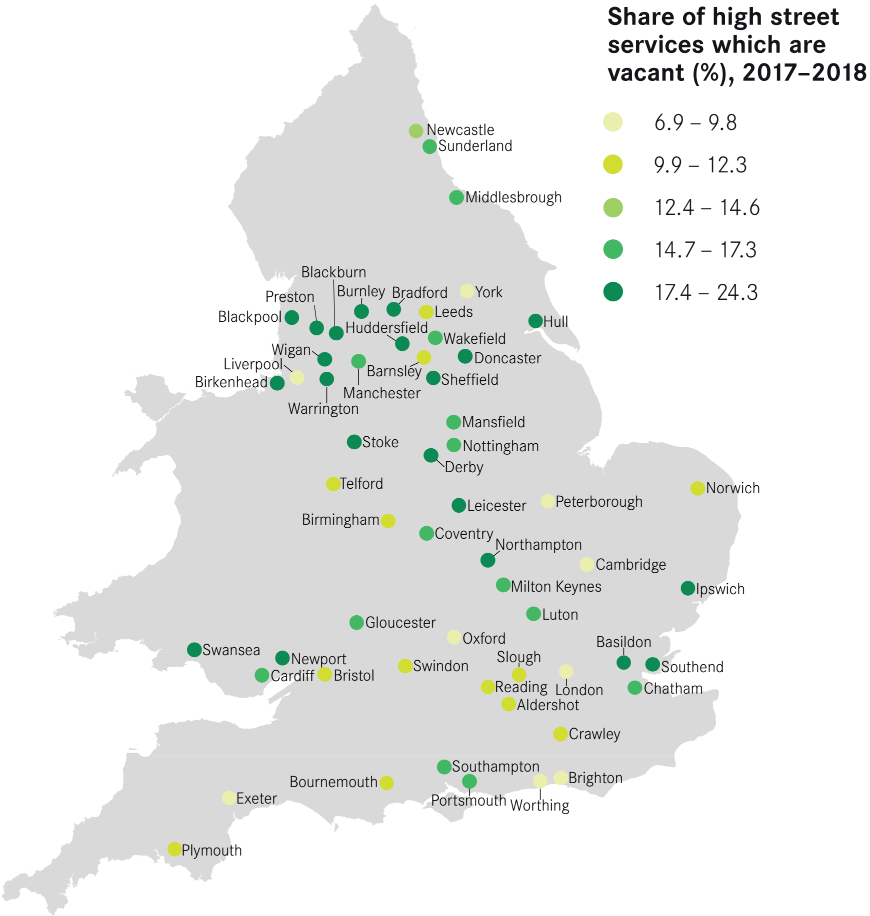
In some struggling city centres, improving economic performance may require the provision of more high quality office space alongside improvements to skills and transport.

Many weak city centres have too many shops

Retail space is much more dominant within weak city centres than strong ones, accounting for 43 per cent of floor space compared to 18 per cent, as shown in Figure 4. The ratio of office to retail space changes dramatically between these different city centres. For every square metre of retail space, there are 3.4 square metres of office space in city centres like London and Bristol. In weaker city centres like Doncaster and Sunderland, for every square metre of retail there is only 0.5 square metres of office space.

Weak city centres dominated by retail do not have enough demand to sustain all these shops which is why so many lie empty. Using data from the Local Data Company (LDC), Figure 6 shows the share of the high street services which are vacant in city centres across the country. For the purposes of this report, we group together retail, food and leisure properties to represent these high street services.

Figure 6: High street services vacancy rate for each city centre, 2017–2018



Source: Local Data Company (2017, 2018)

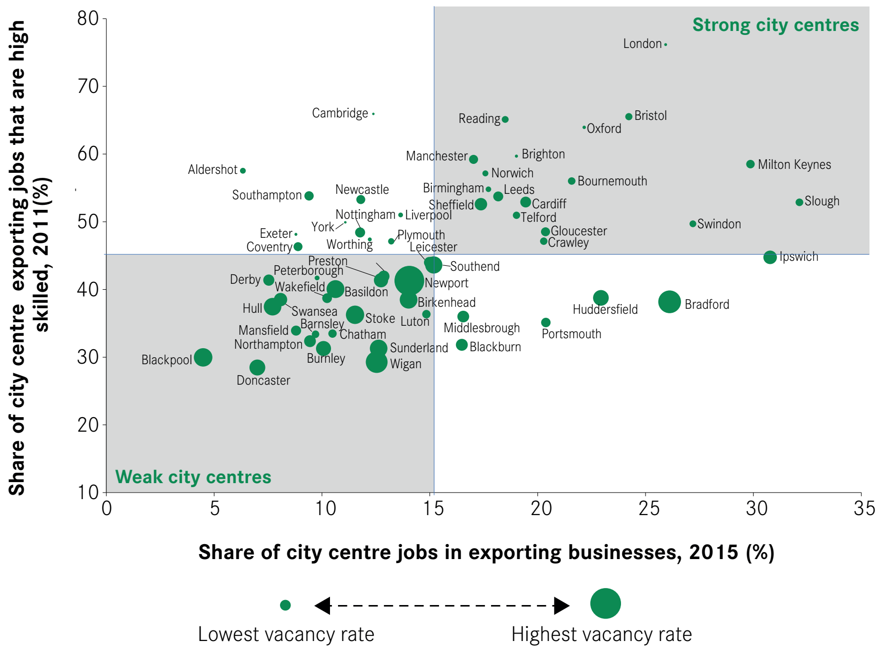
The share of high street services which are vacant ranges from 24 per cent in Newport to 7 per cent in Cambridge. City centres within the Greater South East – the most productive group of cities – on average have much lower vacancy rates than cities in other parts of the country. Cities in the East Midlands, Wales, and across the North tend to have higher vacancies. Retail vacancies drive this trend, accounting for 76 per cent of all vacancies but only 65 per cent of properties in the LDC data.

Previous Centre for Cities research has shown that in strong city centres, the dominance of office space provides greater footfall each day for their retailers and leisure businesses, such as restaurants and gyms. In contrast, city centres dominated by shops and with few exporting firms struggle to provide enough daily footfall to sustain the high street.[3]

3 Swinney P and Sivaev D (2013), Beyond the High Street: Why Our City Centres Really Matter, London: Centre for Cities

This is illustrated in Figure 7 which shows how a city centre's exporting base, as defined in Figure 3, determines its level of high street vacancies. The size of the bubbles represent the vacancy data in Figure 6. It can be seen that strong city centres in the top right have the lowest vacancies – 9 per cent on average – while weak ones in the bottom left struggle with the highest rates of empty properties – 16 per cent on average.

Figure 7: High street services vacancy rate, by type of city centre



Source: ONS (2017), Business Structure Database, Census (2011), Local Data Company (2017, 2018)
Bubble size: share of high street services that are vacant

This is particularly concerning given the ongoing struggles of a number of high street retailers. But the national story about retail's troubles ignores how some cities will be hit more than others. Weak cities are particularly exposed to these changes. Not only do current retail vacancies already show their city centres are struggling, but ongoing structural changes in retail leaves them vulnerable considering how much of their city centre is given over to shops.

Reducing the reliance on retail will require both attracting in more city centre exporters and removing excess retail space. Retail units will either experience pressure from the private sector to be converted or city intervention may be needed to repurpose them for uses in higher demand or for improvements in the public realm.

Of course, strong city centres are also exposed to these structural changes. But retailers faced with a choice of which stores to close are unlikely to pick those in the most profitable locations, so they are less likely to pull out of the most successful cities. House of Fraser recently closed 31 shops in cities including

Doncaster, Birkenhead, Middlesbrough, and Telford, but they kept them open in London, Reading, Edinburgh, Glasgow, and Bristol.

Strong city centres have more diverse high street services

Not only do strong city centres house more exporters, they also support more food and leisure activities. In these city centres, 24 per cent of high street services are food and leisure, as Figure 8 shows, and the corresponding low vacancy rates show there is sufficient customer demand to sustain them. In weaker city centres only 15 per cent are in food and leisure, on average, but vacancy rates are higher.

Figure 8: Supply of food and leisure space in city centres and vacancy rates of high street services, 2017 – 2018

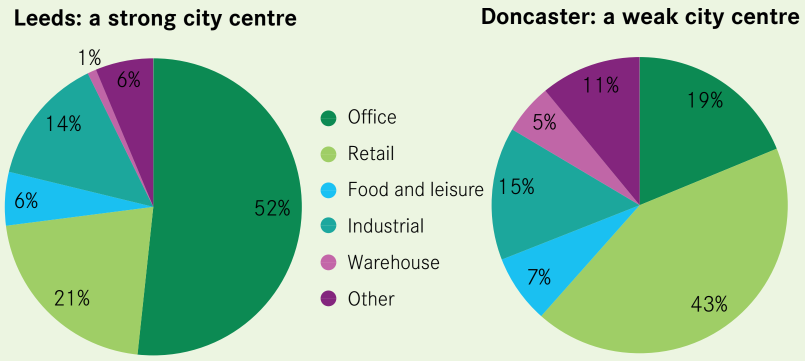
Type of city centre	Food and leisure as share of high street services (%)	Average high street services vacancy rate (%)
Strong city centres	24	9
Moderately strong city centres	17	11
Moderately weak city centres	12	17
Weak city centres	15	16

Source: VOA (2018), Local Data Company (2017, 2018)

While the nature of shopping will continue to evolve, other high street services such as restaurants and yoga classes are arguably less vulnerable to these structural changes. Strong city centres are better placed to respond to these challenges because the large exporting base from their office jobs is already consuming and supporting more diverse high street services that are less exposed to structural change.

Box 2: Commercial property in the city centres of Leeds and Doncaster

Figure 9: Composition of commercial floorspace in the city centres of Leeds and Doncaster, 2017



Source: VOA (2018)

Leeds and Doncaster are in opposite city centre groups and these economic differences in their industrial structure can clearly be seen in their commercial property. **While over half of Leeds city centre's commercial space is taken up by offices,** less than a fifth is in Doncaster. Doncaster's city centre has twice as many shops as offices, while Leeds has two and a half times as many offices as shops. The quality of Doncaster's offices is poorer – 12 per cent are high quality compared with 32 per cent in Leeds. Doncaster also has more industrial and warehouse space in the city centre than Leeds and food and leisure account for a greater share of Leeds' high street services than Doncaster's.

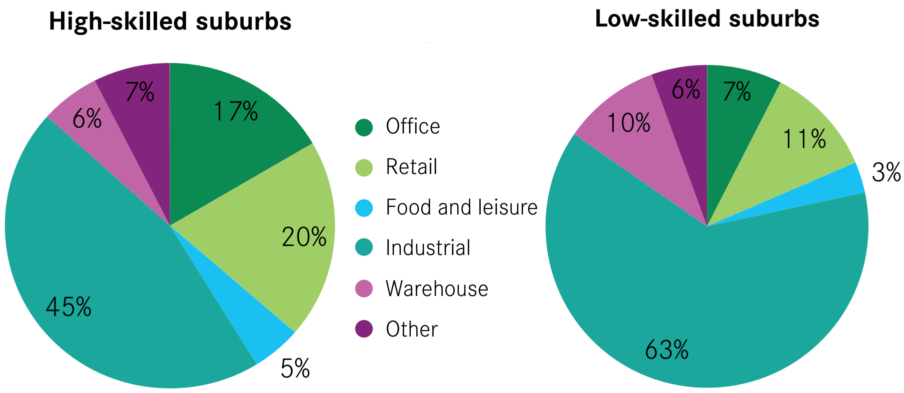
As a result, Doncaster city centre's dominant retail market is supported by a much smaller exporting base than Leeds. This contributes to Doncaster's high street vacancy rate of 18 per cent . A retail intervention such as building a new high-quality shopping centre would not change these underlying fundamentals, and at best will just move shops around the city. Improving the performance of Doncaster's city centre means getting more exporters into the city centre, to both improve headline productivity and better sustain high street services.

There is less variation in the make-up of suburban commercial space

Both high-skilled and low-skilled suburbs have much more industrial and logistics land than city centres.

Nevertheless, high-skilled and low-skilled suburbs are distinct, as shown in Figure 10. High-skilled suburbs have much more office space (17 per cent) than low-skilled suburbs (7 per cent), and less industrial space (45 per cent compared with 63 per cent in low-skilled suburbs). Low-skilled suburbs also have over twice as much warehouse space (10 per cent) than high-skilled suburbs (6 per cent).

Figure 10: Composition of commercial floor space in different types of suburb, 2017



Source: VOA (2018)

Suburbs tend to find that as they increase their exports, the skill level of their exports decreases. This results in suburbs tending to diverge between those with a high-skilled but small exporting base and those with a low-skilled but large exporting base, unlike city centres.

This trade-off between skills and exports in the suburban quadrants introduces a tension into the Local Industrial Strategy that was not present for city centres. As exports and skills pull in different directions, cities will find it challenging to increase the productivity and employment of suburbs at the same time.

Office quality is better in suburbs than in city centres, even though high-skilled firms preferring suburban office space are rare

Office space is much less common in suburbs than in city centres. But some offices are located in suburbs both as a result of some occupiers' preference for out-of-town locations, and policy interventions by cities to build business parks outside of urban areas.

As a result, **the quality of the offices of weaker city centres is worse than in their suburbs.** Looking across city centres, in strong city centres about 27 per cent of offices are high quality in both the centres and the suburbs of those centres. But in weak city centres, only 18 per cent of offices are high quality compared to 26 per cent of offices in their suburbs.

Figure 11: Office quality in city centres and suburbs, by type of city centre, 2018

Source: Non-Domestic Energy Performance Register (2018)

This will in part be a legacy effect of decisions made by some local authorities to permit out of town office parks rather than provide new office space in the centre. In practice, the record of such decisions has been disappointing for cities which have not been able to attract high-skilled firms which need suburban locations. Previous Centre for Cities research has highlighted that subsidised business parks in weak suburbs such as Newburn Riverside in Newcastle have tended either to be filled with firms engaged in low knowledge activity such as call centres or subsidised again through public sector occupancy.[4]

But some suburbs do have productive firms, and these high knowledge suburbs have more office floorspace as Figure 10 shows. This implies that not all work

4 Webber C, Larkin K (2010) Grand Designs London: Centre for Cities

that takes place in offices in suburbs is low value-added activity such as call centres, but that some are relatively high-skilled.

But **high knowledge firms that prefer suburbs are rare, and they appear to be distinct from other kinds of high knowledge employers** as Box 3 indicates. In cities like Cambridge and Warrington with strong suburbs, the commercial space they need is present, but it is unclear whether building offices in weak suburbs is enough to attract new high-skilled firms of this type, especially if they also require specialised skills.

Box 3: Why is some high knowledge work in the suburbs?

Previous research from Centre for Cities has shown that high knowledge firms in suburbs tend to need either a large amount of land and/or more control over their spillovers than other kinds of high knowledge firms. As an example, "technical" high knowledge jobs prefer to locate outside of Crawley city centre. This would include industries that are security conscious and land intensive, such as nuclear and forensics in Warrington and pharma and life sciences in Cambridge.

Spillovers do happen in business parks between these types of firms. Firms in the nuclear supply chain at Birchwood Park in Warrington have indicated that they all need to be within 5-10 minutes' walk from each other as they often do business with each and draw from the same skills in the labour market.

Another factor that emerged from interviews was that these location decisions may arise from demographic factors underpinning amenity preferences. While younger workers prefer city centre locations to enjoy available amenities, high knowledge industries with an older workforce such as nuclear may prefer more suburban amenities such as green space.

57 per cent of people in high-skilled occupations in city centres are aged between 35 and 75, compared to 67 per cent in suburbs. High-skilled occupation workers in city centres are younger than those in suburbs in every city in England and Wales except Crawley. If these are deliberate preferences by older workers, high-skill industries with disproportionately older workforces might prefer suburban locations as a result.

The average quality of offices in weak city centres is, therefore, lower than in their suburbs, and high knowledge firms that can drive growth in suburbs are rare. Improving productivity through interventions in the suburban office market is, therefore, more challenging than in city centres. The typical suburban office market has less need for new stock, and attracting high knowledge firms to suburban offices will be more difficult than in city centres due to their rarity.

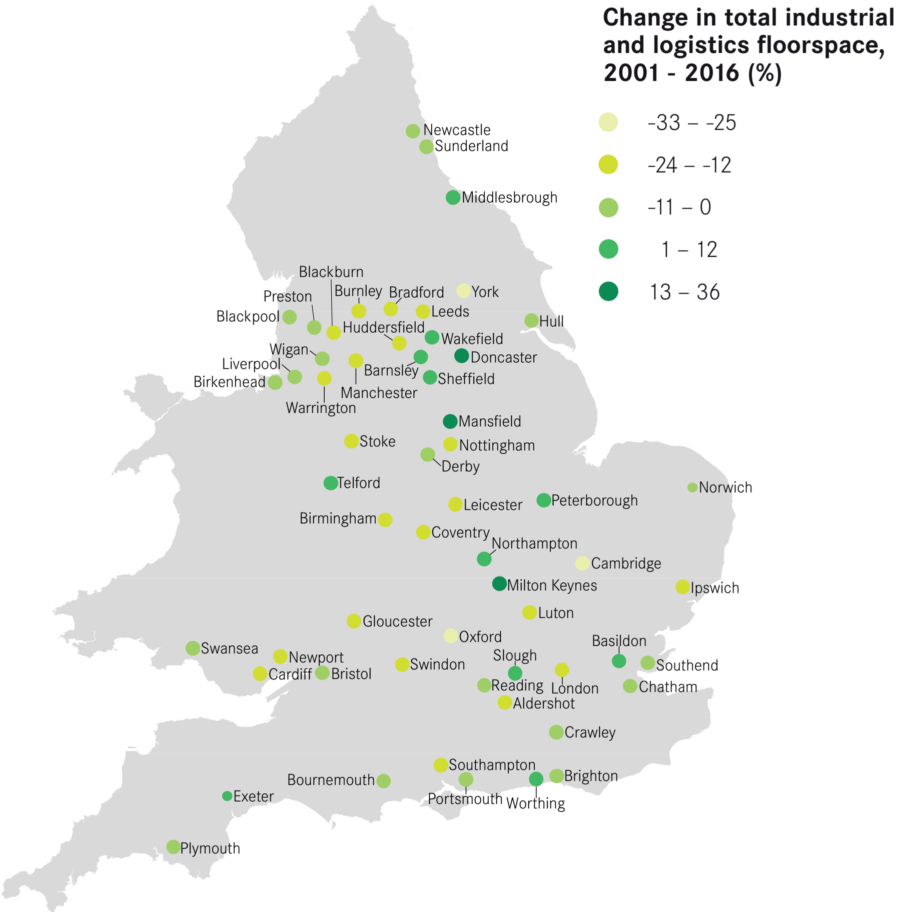
As city centres are likely to grow in economic importance in the future due to agglomeration economies and the continued shift towards high-skilled service jobs, the office challenge for most cities will be how to improve the appeal of their city centres.

Industrial space is in decline but logistics is becoming more important

In contrast to retail, the logistics market has strengthened, as the trend towards online commerce drives growth for logistics space. This is in contrast to long-term trends in falling amounts of industrial space due to deindustrialisation.

In cities, total industrial and logistics floorspace has fallen by almost 12 per cent since 2001. In contrast, the total amount of industrial and logistics floorspace fell by 4 per cent in non-cities, according to the Valuation Office Agency data on uses in commercial property shown in Figure 12.

Figure 12: Change in total industrial and logistics floorspace, by city, 2001 - 2016



Source: Valuation Office Agency (2018)

In cities such as York and Oxford almost a third of industrial and logistics space has been lost. Large cities such as London, Leeds, Birmingham, and Manchester have also each lost just under 20 per cent of their industrial and logistics floorspace. Manufacturing employment has fallen, and much industrial land in stronger economies will have been reallocated to uses in higher demand, including residential.

Cities which have seen much smaller falls such as in the North West or the Sheffield City Region may though not be experiencing enough growth to encourage landowners to take on the risk of changing these plots to more productive uses. In these cities, **interventions to remediate brownfield land may be necessary, especially in or near city centres.** However, there are a few cities where the total amount of industrial and logistics land has increased. Doncaster, Milton Keynes and Northampton have seen an increase since 2001 in their total industrial and logistics floorspace, but also now have some of the greatest amounts of warehouse space in their suburbs of all cities.

This suggests that the growth in demand for logistics floorspace has been especially strong in a few cities. These tend to offer excellent transport connectivity, for instance, the famous 'Golden Triangle' for logistics in the Midlands including Northampton and Milton Keynes has strong motorway links and can reach over 90 per cent of the UK's population in four hours. 'Big sheds' are placed in the suburbs of these cities to serve the national market.

Every city will need logistics space, if only for 'last mile' deliveries which account for nearly 30 per cent of total logistics market costs. While the big sheds in the Midlands serve the UK market, serving individual city markets requires logistics space in each city. The largest costs facing firms for last mile logistics is that of land – particularly in larger cities with big populations and a complex delivery market.

Although logistics space is in high demand and appears likely to remain a source of modest jobs growth in the near future, automation has the potential to change its employment potential over the longer term.

Cities Outlook 2018 noted how elementary storage occupations represent 7 per cent of all the jobs in cities that are likely to be automated through to 2030, with Northampton and Wakefield seeing 12 and 18 per cent respectively of their workforce in this sector at risk.[5]

As a glimpse of what this would look like, Ocado's highly automated warehouses are receiving increased attention and experiments with drone deliveries are continuing with mixed success.[6] For now, progress is slow, but these types of innovations will likely reduce the logistics industry's ability to provide future employment growth.

5 Centre for Cities (2018) Cities Outlook 2018 London: Centre for Cities

6 Vincent, J (2018) Welcome to the automated warehouse of the future London: The Verge https://www.theverge.com/2018/5/8/17331250/automated-warehouses-jobs-ocado-andover-amazon?mc_cid=b177ec2979&mc_eid=c37b96585d Accessed 14/06/2018; (2018) The Russian Postal Service's first drone delivery crashes almost immediately Riga: Meduza https://meduza.io/en/shapito/2018/04/02/the-russian-postal-service-s-first-drone-delivery-crashes-almost-immediately Accessed 14/06/2018

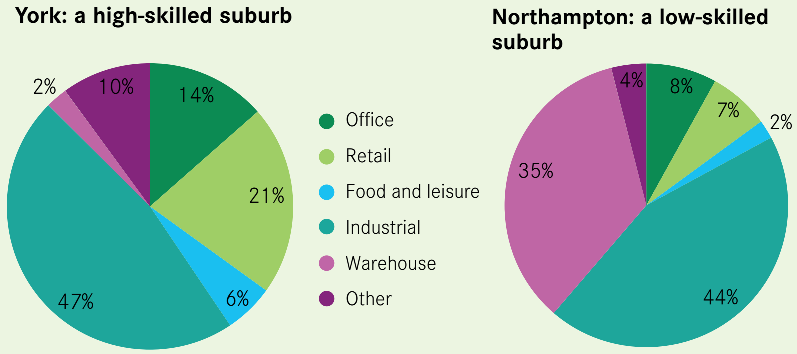
For cities that are overly reliant on logistics for jobs growth, this context of high logistics demand combined with forthcoming structural change has specific implications.

A few cities will remain dominated by logistics because of their physical advantages from infrastructure and access to the national market, but demand for smaller sites and uses will continue to grow in most cities.

As part of the Local Industrial Strategy, releasing more land in suburbs for large sheds will be appropriate for cities with the physical advantages and the demand that logistics need. Over the longer term, delivering prosperity in cities will require supplying commercial space to meet every kind of demand.

Box 4: Commercial property in the suburbs of York and Northampton

Figure 13: Composition of commercial floorspace in the suburbs of York and Northampton, 2017



Source: VOA (2018)

York and Northampton are in the opposite suburban quadrants, and these differences are reflected in their commercial property offerings. Like most suburbs, both have almost half of their suburban commercial space in industrial land, and offices are less common than in the city centre. But the rest of the commercial space is allocated quite differently. York as a high-skilled suburb has more office (14 per cent) and retail and food and leisure (21 per cent and 6 per cent) while Northampton, as a low-skilled suburb, has much less in each of these categories (8 per cent, 7 per cent, and 2 per cent respectively), and has 35 per cent of all suburban commercial space as warehouse, compared to York on 2 per cent.

This indicates the particular strengths and weaknesses of each city. While York is relatively high-skilled, it has also lost the second most absolute amount of industrial and logistics land of any city – a 30 per cent decrease. While it may have been successful at recycling brownfield land in the centre, a combination of a tight green belt and low logistics space suggests that York may be beginning to experience pressure for releasing some green belt land for logistics uses. In contrast, while Northampton has clear strengths in logistics, a weaker skills base remains a challenge. The city should make the most of its advantages in logistics, but recognise that continuing to drive economic growth will require some additional attention to the city centre.

Summary of findings

- Strong city centres have more and higher quality office space than weak city centres.
- Weak city centres are frequently over-reliant on retail and do not have enough exporting activity to support their high street services.
- Suburbs tend to be dominated by industrial space. Earlier attempts to drive economic growth in the suburbs of weaker cities through business parks have achieved success in only a few cities which possess high knowledge suburban firms.
- A reallocation of land away from industrial and logistics uses has occurred in almost all cities, especially those with stronger economies.
- Logistics is increasingly important in those suburbs with good infrastructure links, but a sufficient supply will be needed in small amounts in all cities to serve the local logistics market.

What does this mean for cities looking to increase productivity through the industrial strategy?

- If weak city centres are to attract the high-skilled exporters who drive productivity they need to be able to offer more high-quality offices.
- Alongside this, they need to reduce their reliance on retail because they have more shops than they need for their level of customer demand, especially when it is space that could be providing offices or other uses.
- Suburbs are not the priority for interventions in office space in most cities.
- Cities with weak economies may need to intervene to accelerate the conversion of low-demand industrial land to other uses, while stronger cities may need to protect industrial and logistics land where it is scarce.
- But cities need to be aware that employment in logistics activity is at risk of automation in the longer term, meaning they should not rely on this space for future jobs growth.

04.

What are cities currently doing?

Many cities are taking active steps to improve their office stock

Where city centre space is in high demand, some cities are using planning to allocate office employment in city centres both to respond to demand for city centre locations and to support high street services. The MK Futures 2050 plan for Milton Keynes incorporates the specific recommendations of the CMK Alliance Plan 2026 for Milton Keynes' centre including planning for 180,000 m^2 gross floor area for offices and 5,000 new homes, partly to strengthen Milton Keynes' retail offer.[7]

In cities with weaker city centres, the city has had to step in. The absence of private-sector led office development combined with the poor quality of existing office space in weak city centres is prompting cities to either directly deliver new office space or work together with local partners to do so.

Case Study 1: Firms choosing to move back into Bradford city centre

Bradford is one example of where an intervention was needed to provide quality office space. But rather than the city council stepping in, it was Business & Enterprise Finance, a subsidiary of West & North Yorkshire Chamber of Commerce who did this. In 2013 they opened Bradford City Hub, a high-quality office set within a refurbished warehouse in Little Germany.

Their motivation came from the lack of high-quality offices in the city centre. Low office rents (£5-8 per square foot) prevented the private sector from delivering space directly. It was often more profitable to convert properties into residential buy-to-lets, and the use of Permitted Development Rights meant the council could not restrict these changes of use despite a stronger need for offices.

7 Milton Keynes Futures 2050 Commission (2016) *Making a Great City Greater*

Despite the apparently weak market, the Chamber believed there was sufficient occupier demand to make a success of a speculative office development. A combination of European Regional Development Funds (ERDF), Bradford Council and equity funds made the scheme possible.

The success of the Hub suggests they were right. The 7,000 sq. ft. Grade A space contains 19 offices and 5 meeting rooms, and occupancy rates have been consistently high since opening. The high quality means they are able to collect higher rents (£16-17 per square foot). The original target occupiers were start-ups and young companies but a number of more established firms have now been attracted in, highlighting the wider appeal of city centre space.

Interestingly, several professional services firms have since moved from the city's business park into the Hub, citing the city centre's rail links, amenity offer and the Hub's co-location opportunities as particular attractions. On the flip side, several firms have relocated from the Hub to the business park. These were less knowledge-based and so did not benefit from the spillovers on offer in the city centre.

The Chamber considers Bradford's next challenge to be the lack of grow-on space for those who have expanded beyond the City Hub's scale. Currently, firms are forced to migrate to business parks, but many would prefer larger, flexible city centre premises so they can continue to reap the benefits of a central location. As a result, Business & Enterprise Finance is now considering City Hub 2 to meet this demand.

Cities are keeping up with changing demand for office space

Qualitatively the preferences for city centre exporting space are also changing with the arrival and expansion of collaborative space such as with WeWork across London and Manchester. This kind of space is not just flexible but also aims to facilitate knowledge spillovers within office buildings. If high-skilled exporters increasingly want innovations in commercial space such as flexible offices like WeWork, then weaker city centres will struggle to attract the high value exporters that they need to increase productivity unless this space is available in their city centres.

For example, Bristol's Engine Shed houses SMEs, start-ups and researchers within 30,000 square foot, including both co-working and more conventional office space. The project was a collaboration between Bristol City Council, the University of Bristol and the West of England Local Enterprise Partnership aimed at improving the city's offering of quality, flexible business premises which enables partners to work together easily in a central location.

It is just one part of the Temple Quarter Enterprise Zone, a large mixed-use city centre development which will provide the city with several new commercial properties such as Grade A offices, a new university campus and studio space for creative firms.

Cities are using lots of small interventions to ensure there is a variety of city centre office space available

Many cities regard the lack of 'grow-on' space for expanding start-ups as a barrier for economic growth. For instance, Derby Council has heard from firms in the city's strong suburbs such as in Pride Park that they would prefer city centre locations. In response, they have established seven office sites for start-ups in the city centre as part of the Connect Derby network, and are looking to add more, larger space.

A series of small interventions aim to reduce the risk of oversupplying offices relative to local demand and give cities the flexibility to alter their proposals as circumstances change.

Case study 2: Flexible occupier criteria key to office success in Huddersfield

The Media Centre in Huddersfield was set up 23 years ago to stimulate knowledge-intensive creative and digital industries in the city. The initial office building was fully occupied straight away, and this success led them to develop two more properties next door, part-funded by the ERDF. Combined, the Centre's three offices provide 62,000 square foot of space.

While the first and second building found plenty of creative industry demand, it was more difficult to find tenants for the third. A decision was made to open the space to businesses in complementary and supportive sectors who also prized a city centre location. This both improved occupancy and benefited the creative and digital industries already present, as co-location across industries created knowledge spillover benefits.

The space is also used by start-ups who have out-grown Huddersfield University's innovation centre. Three firms a year, on average, migrate into The Media Centre from the innovation centre.

Some cities have partnered with city institutions to deliver more high quality office space

Cities are increasingly working with institutions such as Chambers of Commerce and universities both to unlock sites for development and to understand what needs to change about the city's commercial property offer.

Universities in particular are beginning to play a role in commercial property in city economies. Universities frequently own large estates in cities and improving city economies and amenities is an important part of attracting students to attend universities at the start of their adult life and of their careers. Increasing the returns on university assets and improving the appeal of city centres are motivating universities to work together with city councils in order to provide new city centre office space.

Case study 3: Using the University of Liverpool's estate to deliver research space

The University of Liverpool owns 93 acres freehold, amounting to 130 buildings, in the centre of Liverpool. In addition, they own the veterinary school on the Wirral, botanical gardens and the university's London campus.

They have used these assets to contribute to the city's Knowledge Quarter development in Liverpool Paddington, where 30 acres will provide 1.8m square foot space for the University and science, technology, education and health sectors.

In conjunction with the Mayoral Devolution Fund, the University aims to spend £800 million over the next 15 years on its estate. The long-term goal of this direct involvement in city property development is to create a cluster of high knowledge businesses in Liverpool city centre, in order to attract both academics and students to work in the city and collaborate with the University.

The Royal College of Physicians has agreed to pre-let 70,000 square foot of the new development. Liverpool International College will use 35,000 square foot to accommodate 250 students and the Rutherford Cancer Centre North West will house a proton beam cancer treatment hospital on the site.

Less is being done by cities to reduce reliance on retail

In stronger city centres, demand is high enough to repurpose vacant retail units into new uses. While outside city centres, large housing schemes are being planned on former retail parks in Uxbridge and on Old Kent Road in London.

In contrast, **there does not seem to be much evidence yet of cities intervening to reduce or repurpose retail in city centres in response to structural problems of oversupply.** The choices for retail in weaker city centres are starker because there may not be the market interest in order to facilitate conversions, and instead retail will sit vacant in the absence of an intervention. Instead, retail's problems are still often understood as arising from the quality of existing space, but even in strong city centres attempts to address these factors have not been as successful as hoped.

Case study 4: Retail scheme success difficult even in Oxford's strong city economy

Oxford's Westgate Centre opened 800,000 square foot of retail, food and drink space in 2017, having been in development since 2010. The city was identified as having a weak retail offer for a city of its economic standing, so the council was keen to pursue new development.

Oxford was unusual in having pent-up demand for high street services, but despite this, the effect of the new Centre on the city's retail market has been mixed. Some new businesses have been attracted into Oxford due to the new Centre, such as John Lewis and Uniqlo and restaurants Shoryu and Breakfast Club, but most have relocated from elsewhere in the city. As a result, these other retail areas are considered to have declined in quality as Westgate has become more attractive.

Despite footfall exceeding expectations of 15 million a year, the scheme's development yield has been disappointing. This highlights how sensitive the retail market is at present even for such a strong scheme. Westgate serves as a caution to cities which lack Oxford's combination of a strong economy and weak existing retail offer, where it would be difficult for a scheme of the same scale to attract in new high street businesses.

Cities are supporting their high-skilled suburbs and strengthening their city centres

Where high knowledge firms currently exist in suburbs, cities are supporting their needs for suburban commercial space. But due to the distinct needs of suburban and city centre high-skilled firms, cities which have high-skilled suburban firms can strengthen the office market of their city centre without weakening their suburbs.

Case study 5: **Warrington's high-skilled suburban business park**

Warrington is an example of a city whose economic strengths lie in its suburbs, which are home to many high-skilled firms.

The city was chosen by the government to house the civilian nuclear industry in the 1950s, and continuous experiments have been running in the suburban research park from then until the present day. Today the occupancy of the now-named Birchwood Park is more diverse, with nuclear accounting for a third of occupants along with the forensics, engineering and logistics industries. Over 6,000 people are employed on the site.

Currently, the Park's 1 million square foot of commercial space (60 per cent of which is office, 40 per cent is industrial) is 98 per cent occupied and includes the highest grade offices in Warrington. In response to changes in occupier demand, the Park is including co-working elements in new developments. Warrington Council bought Birchwood Park in 2017 for £200 million to achieve a £10 million rent through the council's development arm Warrington & Co.

To ensure the city centre's property offering can complement that of the suburbs, the council is also involved in office development in more central areas. It has developed 50,000 square foot of incubator space, named The Base, which received £7 million from the council and £1.5 million from the ERDF and opened in 2016. Currently, it is 51 per cent occupied and on track to meet the target of 75 per cent by the end of next year. An additional 60,000 square foot of grow-on office space (made up of 11 to 12,000 square foot units) is soon to be developed. This will provide firms with a choice of location, with those favouring city centre amenities and spillovers able to access this while those who benefit most from larger suburban premises able to remain in the business park.

New office space in city centres allows firms currently in suburbs to relocate if they wish to. For example, in addition to the Bradford and Derby examples earlier, Microsoft Research moved away from the West Cambridge business park where they located in 1997 towards a much more central location in 2013 close to the train station. Likewise, the Francis Crick Institute – a large life sciences research centre – relocated from Mill Hill in suburban north London to Kings Cross in 2016.

Brownfield land is being remediated

Some cities are intervening to clean up brownfield land and make it suitable for private sector use. For instance, Newcastle City Council is partnering with Newcastle University in a 50-50 joint venture to develop 500,000 square foot of commercial space as a science centre on land it owns on the edge of the city centre that was previously a brewery and before that a colliery.[8] These aim to reduce the risk for the private sector from taking on the unknown costs of remediation, which discourage investment even if there is demand in the private sector for property development.

Cities are allocating land in suburbs for logistics space

Demand for logistics land is strong, and land has been released on the outskirts of cities for big sheds recently including the Omega development in Warrington and Harworth Estates Logistics North in Bolton, Greater Manchester. Partly this is because the devolution and current structure of business rates incentivise cities to allocate commercial space to large floorplate activity like warehouses, factories, and retail parks over higher value but smaller uses such as offices.[9]

Urban logistics problems resulting from a shortage of land appear to be at their sharpest in London, where the total amount of industrial and logistics space has fallen by 16.5 per cent since 2001. The Draft London Plan has recently proposed protecting industrial space in Strategic Industrial Locations.

Some cities are directly intervening to provide industrial and logistics space. Measures such as Knowsley Borough Council's £4 million subsidy of speculative warehouse space or Middlesbrough Borough Council's £12.5 million grant to provide speculative industrial space aim to remediate brownfield land and provide new employment and growth.[10] While intervening to remediate brownfield land addresses a market failure, new suburban speculative logistics and industrial land does not possess the same public good elements. Even if successful, there are two major differences from intervening in city centre offices. Logistics and manufacturing activity experiences weaker agglomeration economies as it experiences fewer knowledge spillovers. Furthermore, new jobs

8 Jeffrey, S (2017) *Delivering Change: How City Partnerships Make the Most of Public Assets* London: Centre for Cities

9 Louise McGough and Hugo Bessis, "Beyond Business Rates: Incentivising Cities to Grow," 2015, http://www.centreforcities.org/wp-content/uploads/2015/12/15-12-14-Beyond-Business-Rates.pdf.

10 Speculative Knowsley scheme secures £9.4m funding: Manchester, Place North West https://www.placenorthwest.co.uk/news/speculative-knowsley-scheme-secures-9-4m-funding Accessed 14/06/2018; White S, Gilmore S, Wright I, (2017) Tees Advanced Manufacturing Park – Delivery and Investment Enablement Executive Report Middlesbrough: Middlesbrough Borough Council created by this public investment risk replicating low-skilled patterns of work which left cities vulnerable to economic change and automation in the past.

Logistics and industrial land is being used in innovative ways

Cities with stronger economies and competition for space between logistics and other uses are seeing more creative uses of land. For instance, Gazeley in Silvertown in London has proposed the UK's first three-storey warehouse – not mezzanine flooring, but three storeys of warehouse space that lorries and vans can drive up to access. This is a solution to restricted land supply issues common in East Asia where Gazeley's owners GLP operate. Another example is the Port of Salford which is the first tri-modal inland port in the UK allowing freight transfers between road, rail, and sea.

A combination of a scarcity of employment land and changing consumer preferences also appears to be encouraging specialisation of industrial space. For example, Costa Coffee opened the biggest coffee roasting plant in Europe for £38 million in Basildon last year, and in 2015 Premier Foods opened Europe's largest cake factory in Barnsley.[11,12] More complex and specialised outfits are, in part, a way to achieve more efficient uses of increasingly expensive land.

Former retail parks have been identified as a promising source of land to accommodate the growth in demand for logistics.[13] Combining these through mixed-use residential and light logistics 'beds and sheds' is still largely unknown in the UK, but alongside a prominent example of student accommodation block atop a Travis Perkins distribution centre at Kings Cross, others include a BDM Kesslers warehouse adjacent to apartments in the Royal Albert Basin, and a council depot below housing in Kensington and Chelsea.[14]

Minimising the congestion caused by logistics' growth

Managing the congestion caused by increases in logistics transport is also a growing concern in many cities. Congestion is a brake on economic activity, and white van traffic, as the fastest growing segment of transport, has increased by 71 per cent since 1996.[15] In response, the Greater London Authority (GLA) has proposed a ban on deliveries to offices, and is attempting to consolidate deliveries into fewer journeys. Working with warehouses and recipients to reduce deliveries to a smaller number of journeys to retailers has been achieved on Regents' Street by the Crown Estate in conjunction with Clipper Logistics.

11 Hough, K (2017) *Inside Costa Coffee's £38m roastery plant which finally fires up today*: Basildon: Essex Echo *Accessed 14/06/2018*

12 Fritz, V (2015) *Europe's longest cake production line in action* London: BBC *Accessed 14/06/2018*

13 Naumann, M (2017) *European Urban Logistics: When, Where and How* Cologne: Deutsche Bank

14 Norman, P (2017) *The Savills/CoStar logistics debate - Beds and Sheds and the need for Industrial led mixed use*: London: CoStar; Muir F, Kerimol L (2017) *Industrial Intensification Primer* London: Greater London Authority

15 Linton C,Fuller R, Bray J (2018) *White Van Cities - Questions, Challenges, and Options on the Growth of Urban Van Traffic* London: Urban Transport Group

05.

What role should the public sector play in delivering this commercial space?

Where market failures are currently limiting economic growth, interventions by the public sector are justified to ensure quality commercial space is provided in cities. But the supply of new commercial property alone will not raise productivity. These interventions should be viewed as one tool within the broader Local Industrial Strategies.

This implies roles for local government in city centres and suburbs, and national government on the policy level, as part of a wider industrial strategy encompassing skills, transport, and housing.

Policy recommendations for national government

The Government should acknowledge that within the Local Industrial Strategy, there is a limited role for the public sector in improving city centres' commercial property offer.

1. Use the Shared Prosperity Fund (SPF) to assist the redevelopment of city centres

The ERDF has played a prominent role in supporting new commercial space in UK cities. When this is no longer available, the SPF should be used to provide similar support. Cities themselves are asking for this – the Greater Manchester Combined Authority has stressed the importance of the ERDF for the supply of recent new commercial space in Manchester including Citylabs, MediaCityUK, Logistics North and the Cotton Building.[16]

The SPF's role will be particularly important in weak city centres due to the market failure which limits office development despite their lack of supply and the poor quality of existing office space. The SPF's commercial property objectives

16 Gordon A (2018) *Funding for Strategic Projects Post-2020* Manchester: Greater Manchester Combined Authority

should be to ensure that every city has a sufficient supply of high quality office space in the city centre to better meet demand, and to assist in the conversion of excess retail to other uses.

2. Prioritise commercial space in city centres and offering exemptions for permitted development rights

The Government should put more emphasis on and better protections for city centre office space.[17] Permitted Development Rights (PDR) have increased the supply of housing in unaffordable cities, but partly through an unsustainable loss of central office space. A combination of prioritising planning in city centres around office space and reducing restrictions to more and denser housing in suburbs would alleviate these pressures.

3. Business Rates should be reformed to help cities develop city centre offices

Government should implement business rates reforms called for in previous Centre for Cities research to encourage cities to allocate more space in city centres to offices.[18] These include more frequent revaluations of commercial property to increase certainty for business and make the property supply more responsive to market demand; removing the cap on total yield generated to allow local authorities to capture land value growth; and pooling of business rates across city regions to allow the benefits of strong city centres to be felt across the wider economic area that they rely on. Combined, these changes would encourage cities to drive economic development in their city centres and meet the demand for office space in them.

Policy recommendations for city centres

Supporting high-skilled exporters should be the purpose of any Local Industrial Strategy intervention in city centres' commercial property. Exporters not only drive increases to city-wide productivity, they also support high street services such as retail in city centres. Barriers to city centre exporters such as skills,transport, and commercial property should be identified and addressed by cities and local partners.

1. Weak city centres should be remodelling their city centres to become more attractive to productivity-driving exporters

City centres in weaker economies tend to have fewer, and poorer quality offices than strong city centres of the high quality space that high-skilled firms need is the immediate constraint on growth. The private sector is not delivering the higher quality offices required by productivity-driving firms in these city centres because the market is not proven, and office rents are too low to make private sector-led development viable. Interventions should start small and improve

17 McDonald R, Bessis H (2018) *City Space Race* London: Centre for Cities

18 Bessis H (2017) *Business Rates: Maximising the Growth Incentive across the Country* London: Centre for Cities office space step-by-step in order to keep pace with demand and avoid oversupply.

One option is for cities to develop offices themselves, such as Warrington's intervention in The Base. This gives the city control over design, construction and tenants, but also involves significant risks. Cities should avoid large schemes in order to minimise this risk. Barnsley's 96,000 square feet Gateway Plaza building opened in the city centre in the immediate aftermath of the financial crisis, and the council ended up having to occupy 78,000 square feet of the building.[19] This results in a double subsidy for office development from the public sector – once for construction, and again for occupancy – and fails to attract in the high knowledge firms needed to increase productivity which would be the purpose of any such intervention.

Cities should partner with universities, Chambers of Commerce and other local institutions to deliver new commercial space. As Liverpool and Newcastle have shown, they are also an important way cities can take a leadership role of their city and its growth in the LIS.[20]

Applications should be made to the Shared Prosperity Fund to finance future commercial property schemes in city centres. The European Regional Development Fund has played an important role in supporting cities engaged in city centre office interventions. The Transforming Cities Fund and other sources of funding such as the Strength in Places Fund may also be appropriate for specific schemes. The metro mayors can help unlock this funding for the cities that have them.

Cities with lots of low quality, vacant office should intervene to reduce this space. Occupiers are becoming more discerning about the quality of office space, and increasingly expecting features such as co-working and flexibility. Low quality office in city centres with weak demand will not be able to drive the growth in exporters that these cities need – instead they drag down rents and cities' amenity offer. Permitted Development Rights have flipped some of this poor quality office to residential in some cities,[21] but if the private sector is not refurbishing or converting this space, then the city should step in.

Weak city centres should reduce their reliance on retail. In the long term, the retail solution for these city centres is the same as the office solution – attracting more high knowledge exporters in the city centre will produce more customers for the shops. But if they have too much retail space, achieving this may require some cities to intervene to repurpose their high streets.

In some circumstances, the replacement of buildings with new structures to fit new uses will be needed. Some retail units are easier to convert than others, as for example Victorian promenades are easier to convert

19 Webber C, Larkin K (2010) *Grand Designs* London: Centre for Cities

20 Jeffrey, S (2017) *Delivering Change: How City Partnerships Make the Most of Public Assets* London: Centre for Cities

21 McDonald R, Bessis H (2018) *City Space Race* London: Centre for Cities into flats and office space than steel sheds or modern retail units which would need to first be knocked down.[22] In the suburbs of some of these cities, this may include switching retail parks to uses like residential and logistics, or mixed uses for these high demand spaces.

But in the weakest city centres, repurposing vacant or poor quality retail for improved public realm such as playgrounds and parkland may be the best option. Where demand for uses other than retail is also low it may not be plausible to convert all retail into new uses and risks swapping vacant shops for merely other kinds of vacancies.

2. Stronger city centres should respond flexibly to changing occupier demand

Stronger city centres are much more likely to have an office offer which suits productivity-driving firms and where improvements are needed the private sector is often incentivised to deliver these. As a result the role for the public sector in property development in these cities is to shape city centres rather than delivering new space.

Previous Centre for Cities research has shown that competition for space is squeezing commercial property in many of these city centres, as demand for housing grows. **These city centres should ensure they balance high quality offices with residential space,** given the commercial importance of these central areas.[23]

Stronger cities should facilitate the shift of city centres away from retail and towards food, drink and leisure uses through local plans and reallocating space. A structural shift in high street services away from shops and towards services appears to be taking place. The most successful city centres are already well placed to adapt to and benefit from this, but can only do so if they respond to changing demand on the high street services rather than attempting to sustain an oversupply of retail.

Policy recommendations for suburbs

1. Cities should ensure there is sufficient space for logistics and distribution to match demand

In many cities, the demand for logistics is growing. Supporting this growth and allowing these developments to benefit cities requires a leadership role from cities.

Stronger cities need to allocate and reserve land to logistics uses in their local plan. Large depots will also be needed on the outskirts of cities, including on green belt land next to key infrastructure. But larger cities are

22 Federation of Master Builders (2017) *Homes on Our High Streets*

23 McDonald R, Bessis H (2018) *City Space Race* London: Centre for Cities experiencing increasingly tight competition for space for logistics inside urban areas, and it is important that sufficient land is provided for last-mile delivery activities. Measures such as the GLA's protection of strategic industrial space may not currently be necessary outside of London, but larger cities should carefully watch London's experience with this policy and compare it to their own.

Cities should experiment with innovative uses of logistic space. Multi-storey logistics and mixed-uses between residential and other innovations as in Silvertown and Kings' Cross can ensure land is used as efficiently as possible.

Cities should not subsidise the supply of logistics sector property. Demand for logistics space is high and it drives private sector activity in this market. In weaker cities, the private sector will look for prime plots of land with exceptional transport links to meet a broader demand for logistics from the UK economy as a whole. Direct subsidy to entice logistics space will rarely be able to change these characteristics.

Weaker cities should be cautious about relying on logistics as a strategy to increase productivity. While logistics firms will bring jobs and investment, and automation may eventually raise the productivity of a small number of those jobs, weaker cities relying heavily on logistics space risk replicating low-skilled patterns of work. If automation becomes more prevalent, then it could replace many newly created logistics jobs if cities are unable to improve their skills base in the meantime.

2. Cities need to manage the de-industrialisation of land

Some cities will need to take the lead in remediating brownfield land. In many cities industrial floorspace has fallen over the past 20 years in response to a decline in manufacturing employment. However, some cities, especially those with weaker economies, have seen much lower falls. In these cities in particular, private developers are reluctant to decontaminate old brownfield land as the returns on development are too low. Land remediation led by local government is especially appropriate in order to correct for blight and unlock new land in city centres that is appropriate for dense office spaces, as in Newcastle. The new Brownfield Research and Innovation Centre in the West Midlands will be an important source of expertise for cities, and national funds such as the Home Builders' Fund are intended to support development of residential property on brownfield land.

Appendix 1: A detailed typology of city centres and suburbs

City Centres

1. Strong city centres - top right quadrant of Figure 3.

   This group includes the following city centres: Reading, Slough, Milton Keynes, Swindon, London, Oxford, Brighton, Cardiff, Leeds, Bournemouth, Norwich, Gloucester, Crawley, Telford, Manchester, Birmingham and Sheffield.

2. Weak city centres - bottom left quadrant of Figure 3

   This group includes the following city centres: Blackpool, Derby, Basildon, Warrington, Peterborough, Northampton, Luton, Newport, Leicester, Swansea, Mansfield, Wakefield, Stoke, Burnley, Barnsley, Hull, Sunderland, Preston, Birkenhead, Chatham, Southend, Wigan and Doncaster.

3. City centres in the top left quadrant of Figure 3 – 'moderately strong'

   This group includes: Cambridge, Aldershot, Southampton, Exeter, York, Worthing, Coventry, Plymouth, Newcastle, Nottingham and Liverpool.

4. City centres in the bottom right quadrant of Figure 3 – 'moderately weak'

   This group includes: Portsmouth, Bradford, Huddersfield, Blackburn, Ipswich and Middlesbrough.

Suburbs

1. High-skilled suburbs – top left quadrant of Figure 3

   This group includes: London, Oxford, Brighton, Bristol, Cardiff, Leeds, Bournemouth, Norwich, Gloucester, Exeter, York, Worthing, Portsmouth and Warrington.

2. Low-skilled suburbs – bottom right quadrant of Figure 3

   This group includes: Crawley, Telford, Coventry, Plymouth, Bradford, Huddersfield, Blackburn, Peterborough, Northampton, Luton, Newport, Leicester, Swansea, Mansfield, Wakefield, Stoke, Burnley, Barnsley, Hull and Sunderland.

3. Suburbs in the top right quadrant of Figure 3

   This group includes: Reading, Slough, Milton Keynes, Swindon, Cambridge, Aldershot, Southampton, Blackpool, Derby and Basildon.

4. Suburbs in the bottom left quadrant of Figure 3

   This group includes: Manchester, Birmingham, Sheffield, Newcastle, Nottingham, Liverpool, Ipswich, Middlesbrough, Preston, Birkenhead, Chatham, Southend, Wigan and Doncaster.

Appendix 2: Notes on data sources

Valuation Office Agency (VOA) data

The VOA collects data on commercial property as part of its activities in valuing properties so that business rates can be levied on them. This data captures around 80 per cent of all properties in England and Wales. The floorspace of some categories of commercial property are not included. This includes:

2. Pubs and clubs that are primarily taxed through licensing rather than floorspace

3. Hospitals, schools, and other buildings which pay business rates and have been valued by the VOA, but these valuations are not provided in the dataset because they have not received a Summary Valuation from the VOA

Energy Performance Certificate Data

Energy Performance Certificates (EPCs) grade commercial property on their energy efficiency, and these grades can be used as a proxy for buildings that have been built or refurbished recently. Using the Non-Domestic Energy Performance Register, the number of offices that are high quality in city centres can be estimated from looking at all of those with EPCs A, B and C. These are the most energy efficient buildings in the B1 building class, and are presumably the newest and therefore highest quality office space.

Unfortunately, the EPCs grade the entire building (so for example the entire floorspace of Wakefield One, the council headquarters, library, and museum, is counted as an office building when only a small amount of the floorspace is actually let out for commercial use) and the B1 building class combines office buildings with workshops, which tend to have larger floorplates and do not exist in the same market as conventional office space. As a result, the office quality data in Figure 6 looks at units rather than floorplates as a whole, unlike the rest of the report.

About Centre for Cities

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We are a charity that works with cities, business and Whitehall to develop and implement policy that supports the performance of urban economies. We do this through impartial research and knowledge exchange.

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June 2018

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Ministry of Housing,
Communities &
Local Government

Future High Streets Fund

Call for proposals

December 2018
Ministry of Housing, Communities and Local Government

This document/publication is also available on our website at www.gov.uk/mhclg

If you have any enquiries regarding this document/publication, complete the form at http://forms.communities.gov.uk/ or write to us at:

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Contents

Foreword

For centuries, our high streets have been where commerce and community meet. They have been the hubs of enterprise, where small businesses grow and local jobs are created, and they are the barometers of our prosperity and the heartbeats of the places we call home.

Today, as consumer patterns change and spending increasingly moves online, our expectations of high streets are changing too. A renewed emphasis on 'experience' brings convenience, valuable services and a powerful sense of the community to the fore – that intrinsic desire for something that cannot be replicated online. Where this has been achieved successfully, it can transform a community. It’s something we’ve seen showcased brilliantly at our Great British High Street Awards.

This government is committed to helping more high streets adapt and meet these changing expectations; not just to survive, but to thrive. This is why we launched Our Plan for the High Street in autumn with a fund of £675m. Our Plan for the High Street includes a cut in business rates by up to a third for a wide range of retail properties for two years, a consultation on planning reform to make it simpler to create more homes, jobs and choice in our town centres, and the creation of a High Streets Task Force.

The Future High Streets Fund is an essential part of Our Plan for the High Street, providing co-funding towards capital projects that bring transformative change. We want to see the regeneration of our town centres through innovative proposals around transport, housing delivery and our public services.

Because no two high streets are the same, we are looking to work with visionary local leaders who understand what their local communities will need in the years to come. I’m looking forward to reading your Expressions of Interest and seeing your positive visions for our future high streets – places that can flourish for years to come.

The Rt Hon James Brokenshire MP, Secretary of State for Housing, Communities and Local Government

Jake Berry MP, Minister for the Northern Powerhouse and Local Growth

Introduction

High streets and town centres lie at the heart of our communities and local economies, creating jobs, nurturing small businesses and injecting billions of pounds into our economy. But the way we shop and the way that communities use their high streets and town centres is changing: we are shopping more online, making fewer big shopping trips and shopping ‘little and more often’. This changes the nature of what makes a high street successful.

The government is committed to helping local high streets evolve and adapt to these changes. We want to see thriving places created where the community feels engaged, and vibrant town centres where people live, shop, use services, and spend their leisure time.

At the Budget, we set out Our Plan for the High Street, including:

- cutting business rates by a third for up to 90% of retail properties for two years, to provide upfront support for high streets;
- supporting the transformation of the high street, by creating a £675 million Future High Streets Fund to help local areas make their high streets and town centres fit for the future;
- consulting on planning reform to make it simpler to create more homes, jobs and choice in town centres, and trialling a register of empty shops;
- setting up a High Streets Task Force which will support local leadership with expert advice on helping local high streets to adapt and thrive; and
- strengthening community assets, including the restoration of the historic buildings that make our high streets special, supporting community groups to use empty properties and providing business rates relief for public toilets and local newspapers.

The Future High Streets Fund forms a central part of this Plan. It will support places by co-funding transformative, structural changes to overcome challenges in their area. And it will support wider economic growth within local areas, delivering investment and growth across regions in England to deliver our modern Industrial Strategy.

This document sets out how the Fund will operate as a two-round fund with two stages to the application process. This first stage of the application process, Phase 1, calls for places to come forward with Expressions of Interest by 22 March 2019 setting out their challenges and strategic approach to regenerating town centres. We will assess these Expressions of Interest against criteria set out within this document and make an announcement on which places will move forward to Phase 2, development of full business cases.

During this second phase, shortlisted places will receive some revenue funding to support the development of their high street strategies which shall include specific project plans and associated business cases setting out how they shall regenerate these places. These business cases will be assessed in accordance with departmental and HM Treasury Green Book appraisal methodologies and criteria to be published in due course.

£55m of the Fund has been allocated to the Department for Digital, Culture, Media and Sport to support the regeneration of heritage high streets. This has two elements: helping to restore historic high street properties through Historic England, and equipping communities with their own resources to put historic buildings back into economic use – for example as residential buildings, new work spaces or cultural venues, supported by the Architectural Heritage Fund. Further detail will be announced in due course.

Background: structural changes on high streets

Change on high streets is not a new phenomenon. Shop numbers have been steadily declining since at least the 1920s and over many years the ways in which people interact with their high streets and town centres have constantly evolved. Technological advances, new products, competition and changing consumer preferences have seen many high street retailers and industries rise to prominence or disappear. The rise in out-of-town shopping, for example, had a significant impact on the way that people engaged with high streets, in the same way that rising car ownership has transformed town centres.[1]

In the past, high streets have shown themselves to be resilient to change, constantly needing to adapt to meet changing demands. They have continued to play a key role at the heart of many communities.

However, the speed of these changes has increased dramatically in recent decades. The unprecedented growth of online shopping in particular has had a big effect on high streets. Between 2007 and 2018 online sales increased six-fold while the growth of in-store sales lagged behind. In 2000 online retailing accounted for less than 1% of total retail sales while in October 2018 almost a fifth of all retail sales took place online.[2]

Technological advances, including the fast growth in personal computer use, smartphone use and improvements to broadband have facilitated this rapid rise in online retailing. We are starting to see online retailing replacing traditional "bricks-and-mortar" retailing seen on the high street as retailers are often able to offer competitive prices, more choice and greater convenience by moving their business online.

This has left a number of vacant or under-used spaces in town centres, with a proportion of the existing stock of retail stores on high streets becoming under-used. There is currently a mismatch between the supply of existing space and the demand for different types of space in town centres.[3]

The speed of this change has meant that high streets and local areas have not had sufficient time to adapt to meet these challenges. While there are examples of successful regeneration of town centres, many places across the country are struggling to transform in response to these structural changes.

Evidence shows that high streets with a wide choice of retail services alongside well-designed and planned residential and office space are more resilient to these changes and are adapting more successfully. In contrast, high streets that rely heavily on traditional retail without sufficient office space and housing surrounding the high street have found it harder to adapt to these changes and tend to be the ones that are struggling.[4,5]

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[1] Centre for Retail Research (2013), Retail Futures 2018: Shop Numbers, Online and The High Street
[2] Office for National Statistics (2018), Retail Sales, Great Britain: October 2018
[3] British Property Federation (2016), Town Centre Investment Zones: Getting Investment Back Into the High Street
[4] Public Health England (2018), Healthy High Streets
[5] British Property Federation (2016), Town Centre Investment Zones: Getting investment back into the high street

People want local high streets to provide convenience, a sense of community and to add value through services not offered online. High streets can and should continue to play an important role in the life of communities – they are the locus for some of the highest levels of social interaction in places and can be important drivers of growth in local economies.[6]

Experience has shown that local areas need support, investment and guidance to help them meet these structural changes. To date many places have not been able to keep up with the speed of change to the detriment of town centres. We know that a scattergun approach of light touch interventions is not the solution for town centres facing large structural issues. Instead effective strategic thinking and masterplanning is needed, with local areas able to work across public and private sector organisations including local businesses, driven by strong local leadership.

[6] Parker, C., N. Ntounis, S. Quinn and S. Millington (2017), Identifying factors that influence vitality and viability

Scope of the fund

Objectives

Given the above challenges, the objective of the Fund is to **renew and reshape town centres and high streets in a way that improves experience, drives growth and ensures future sustainability**.

In this first phase of the programme we want local authorities to define the specific challenges faced by their high streets, to set out their overarching strategic ambition for what the high street or town centre should become and what needs to be done to make this possible.

We would expect any identified need for investment to fall under the following themes:

- Investment in physical infrastructure
- Acquisition and assembly of land including to support new housing, workspaces and public realm
- Improvements to transport access, traffic flow and circulation in the area
- Supporting change of use including (where appropriate) housing delivery and densification
- Supporting adaptation of the high street in response to changing technology

How the Fund will work

- There will be two rounds of the Fund, both with a two-phase application process
- Phase 1 of application process: this is an Expression of Interest stage where we will assess places on the need for funding, nature of the challenge and the vision for the future of the town centre
- Phase 2 of application process: for those who pass to Phase 2, there will be an amount of revenue funding available to work up project proposals. Funding decisions will be based on project plans and business cases
- In the first round of the Fund, projects which are ‘shovel ready’ may be fast-tracked for funding
- We will make an announcement on the second round of the Fund in due course

There will be two rounds of the Future High Streets Fund; we will therefore open applications to the Fund twice. The first-round application phase will open with the publication of this prospectus and aims to co-fund projects and places that have already started to formulate a vision for the future of their town centres. We will confirm the date of the second round and publish assessment criteria in due course, but it will not open before 2020.

The Fund will operate via a full competition over two phases, with the first acting as a light-touch process in order to reduce the burden on places and minimise wasted resource. This prospectus acts as the launch of Phase 1 and invites places to come forward with Expressions of Interest setting out their challenges and strategic approach.

As the first phase concerns identifying places to work with, we will not have regard to specific schemes included in submitted proposals when assessing bids.

We will assess these Expressions of Interest against criteria set out within this document and the application form. We expect to be able to make an announcement in summer 2019 on which places will move forward to Phase 2, where they will develop full business cases.

During Phase 2 shortlisted places will receive some revenue funding from government to support the development of their high street strategies and the business cases for their proposed projects. The High Streets Task Force, once established, will provide support to places in developing their cases. Places will also receive some support from within the Ministry of Housing, Communities and Local Government.

We expect the full business case development phase to take 6 to 12 months, with some places taking less time and receiving decisions on capital funding at an earlier stage. At the end of each places' business case development phase we expect them to submit specific project plans and associated business cases which will be assessed against departmental and HM Treasury Green Book appraisal methodologies. We will then make decisions on which places will receive capital funding and any further revenue funding as well as the level of this funding.

- December 2018: Phase 1 opens and Expressions of Interest invited
- 22 March 2019: deadline for Expressions of Interest
- Summer 2019: announcement on places moving to Phase 2
- Late 2019: first round of final business cases to be submitted
- Spring 2020: all remaining final business cases to be submitted
- Not before 2020: Second round of applications opens

Funding decisions

Phase 1

Places shortlisted to move forward to Phase 2 will be granted some revenue funding in 2019/20 to support the development of their project plans and associated business cases.

We expect places to give in their Expressions of Interest an indication of the level of revenue funding they would need to deliver this; however, places are not guaranteed the full amount they propose as the amount of revenue funding is limited.

Phase 2

There is no guarantee of further investment funding to shortlisted places if the proposals put forward at the end of Phase 2 are not sufficiently developed or fail to demonstrate adequate value for money or deliverability. From the outset, places should consider how schemes could be flexed to reflect the options available and consider the best intervention to make a significant and transformative difference within their areas.

Final decisions on the amount of capital funding (and any further revenue funding needed to support the delivery of this) for a shortlisted place will be made considering the quality of the proposals put forward at the end of Phase 2. When we make individual capital funding awards following the submission of business cases, we will announce the full funding amount for the scheme. We will also give an annual profile, which will need to be spent in the year allocated.

Given the scale of investment proposed, any bids taken through to Phase 2 and shortlisted for capital funding will need to produce fully worked up business cases. **We expect projects to be co-funded** by public and private sector additions and this will be taken into consideration as part of the assessment of projects. We will expect an element of co-funding, either on a project basis or to delivery a local area's wider strategy for the high street. This co-funding could either be public (e.g. from local areas' own budgets) or private finance (e.g. co-financing housing infrastructure).

The Fund will contribute up to a **maximum of £25 million** to each successful place. However, we expect to see a range of project sizes coming forward, many of which are in the region of £5-10 million per town centre. As such we do not expect to allocate that full amount to each area. When making funding decisions, we will consider the funding available in each financial year.

The size of agreed funding packages, once approved, will be fixed. Should cost increases occur the Department will not provide additional funding, and this will need to be accounted for within local budgets or from private investment.

Eligibility

Eligible places

Given their control over the strategic levers that will be necessary to bring forward the types of projects that will meet the objectives of the Fund, we recognise that local authorities are best-placed to bid for the funding and develop and deliver proposals.

We therefore invite bids from unitary authorities, metropolitan districts, London boroughs and, where there is a two-tier system, from district councils, in England.

We will not accept bids covering town centre areas that are not facing significant challenges. We expect places to come forward with proposals that cover high streets or town centres as defined as areas that exhibit high levels of social and economic activity, that contain a variety of uses and functions and that act as important service centres for extensive catchment populations.

Small parades of shops of purely neighbourhood significance are not regarded as high streets or town centres for purposes of this fund. Additionally, the Fund is not directed at central business districts of major city centres. Proposals that cover entire city regions, rather than a single high street or town centre, will not be eligible for funding.

Local and stakeholder support

While we feel local authorities are best-placed to bid for funding, projects will likely be stronger and more successful if they tie into a broader economic market. We would like to see places link to the delivery of emerging Local Industrial Strategies and any wider strategic vision for the area at various levels.

We therefore would expect to see Expressions of Interest come forward with proof of engagement with, and support from, a number of stakeholders including the following (where applicable):

- Mayoral and non-Mayoral Combined Authorities
- Local Enterprise Partnerships
- Other tiers of local government in the area
- Business Improvement Districts
- Private sector
- Community groups

Type and size of projects

We expect bidding local authorities to put forward a single, transformative submission covering one high street or town centre in their area. This may comprise of more than one intervention, but that will need to be subject to a strong business case. For example, a local authority may wish to consolidate its town centre offer across a number of high streets to provide additional residential or commercial space. In that case we would consider applications which saw interventions across the network of high streets assuming there was a sufficiently robust strategic business case.

We would expect any identified need for investment to fall under the following themes:

- Investment in physical infrastructure
- Acquisition and assembly of land including making improvements to the public realm
- Improvements to transport access, traffic flow and circulation in the area
- Supporting change of use including (where appropriate) housing delivery and densification
- Supporting adaptation of the high street in response to changing technology

Funding will not be provided for surface-level projects that only make a difference to the appearance, rather than the use, of the area or those that would not have a long-term impact.

Assessment process

The competition will take place over two phases.

Phase 1 is this light-touch process calling for Expressions of Interest by 22 March 2019. We will assess the definitions of places and need in these Expressions of Interest as well as the level of strategic ambition before making a decision on places we will take forward.

During Phase 2 we will provide some support to these shortlisted places to develop their strategic vision and full business cases which will be assessed in accordance with the HM Treasury Green Book, MHCLG appraisal guidance and other departmental guidance where necessary. Places successful in moving to Phase 2 will receive capacity funding to support this. Based on the strength and merits of the final business cases, we will make a decision on which projects will receive capital funding and any further revenue funding.

Phase 1: shortlisting places

Places need to complete the application form in the annex. This is based around three themes against which places will be selected:

1. **Defining the place**
    a. The geography of the high street/town centre
    b. The centre's catchment and link to wider economic areas
2. **Setting out the challenges**
    a. Clear description of the issues and challenges facing this area
    b. Why central government funding is needed to meet these challenges
    c. Evidence to support this
3. **Strategic ambition**
    a. Set out a high-level vision for improving their area and how this links with need expressed in Section 2
    b. Cover how investment from government will support the area and help overcome these challenges
    c. Demonstrate engagement with and support from local stakeholders including other tiers of local government, if applicable, and the private sector
    d. Demonstrate how this ambition will align with other funding streams (public or private)
    e. Show how this will link to wider strategic plans e.g. around housing and local growth
    f. Detail of capacity arrangements to ensure robust governance and delivery

Applications will be sifted on the basis of the responses to these key themes. We will publish further guidance on the scoring criteria and weighting for Expressions of Interest before the end of January 2019.

We will decide on the relative merits of each bid and shortlist places for the next phase of the competition.

We are not asking for specific scheme proposals at this stage, as we will make a decision on which places to take forward based on the challenges and ambition set out in the application form.

However, if as part of their strategic vision places would like to identify specific schemes they feel are "shovel-ready" and would be in a position to receive capital funding in the near future, we invite them to make this clear here and provide further supporting evidence if available. If this place moves forward to Phase 2 we would examine the proposed projects at an early stage of co-development.

The use of qualitative and quantitative evidence from government bodies and well-respected independent sources is encouraged. The suitability and validity of this will be scrutinised as part of the bid.

Where the Fund is oversubscribed we will take into account factors such as the available profile of the Fund, ensuring a geographical spread of impact, and wider economic considerations. The Secretary of State for the Ministry of Housing, Communities and Local Government will make the final decision on funding.

Phase 2: Business case development

Shortlisted places will be invited to develop their strategic vision and business cases for specific projects. They will receive capacity funding at this stage to be spent on revenue needs and will be expected to seek additional private and local investment. They will also receive some support from the Department.

Local authorities will then be asked to submit their final full business cases for specific projects. These business cases will then be assessed according to appraisal methodologies across the five cases as outlined in the HM Treasury Green Book, MHCLG guidance and other departmental guidance as necessary.

More detail on appraisal and assessment at Phase 2 will be announced in early 2019.

We expect to undertake business case development to allow those ready to move quickly to do so and avoid moving at the pace of the slowest. The Ministry will then take a final funding decision for each place who will then deliver the projects funded.

It is expected that evaluation processes will be developed in tandem with the development of business cases. All funded places will be expected to complete an evaluation of interventions after the completion of the Fund proportionate to the level of investment agreed.

Successful bids will be announced on a rolling basis.

Application process

Application form

Places will be expected to apply via the application form attached as an annex to this document.

Applications to the Fund will be assessed against the criteria set out in the annex. Further information on the scoring criteria and their weighting will be published by the department before the end of January 2019.

A panel will moderate the final score of each bid to ensure consistency. The places taken forward to Phase 2 will be agreed by the Secretary of State after the proposals have been fully scrutinised.

All applicants should evaluate whether their project will comply with the rules on State Aid under European Union law.

Submission of bids

All bids should be submitted electronically to highstreetsfund@communities.gov.uk no later than 23.59 on Friday 22 March 2019.

We may wish to discuss the content of bids with local authorities to seek clarity on any aspects following the deadline.

When authorities submit a bid for funding, as part of the Government's commitment to greater openness in the public sector under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004, we encourage them to also publish a version or summary excluding any commercially sensitive information on their own website after submitting the final bid to the Ministry.

As well as increasing transparency, publishing bids will also help create a network of places engaged in the process and support those places looking to bid for the second round of funding.

Enquiries

Enquiries about the Fund may be directed to highstreetsfund@communities.gov.uk.

Transparency and privacy

Local authorities will be expected to spend funds in an open and transparent way. We would expect plans relating to the projects to be publicly available. In addition, we will expect details of the projects and progress to be made available to local authorities and MHCLG over the duration of the project including taking part in monitoring and evaluation.

Any personal data provided through the application will be processed in line with data protection legislation. The following is to explain your rights and give you the information you are entitled to under the Data Protection Act 2018.
The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at

dataprotection@communities.gov.uk. Data protection legislation sets out when we are lawfully allowed to process your data. The lawful basis that applies to this processing is 6(1)(e) of the GDPR: the processing of personal data is necessary for the performance of a task carried out in the public interest or in the exercise of official authority.

Your personal data is being collected to identify places to receive support from the Future High Streets Fund. We are processing your data as part of Phase 1 of the application phase deciding which places will move forward to Phase 2. We may also use it to contact you about further opportunities to apply for this project if we expand the Fund in future.

We may share the information with external assessors as we assess the applications. Your personal data will only be shared with the assessor for that purpose and will only be retained by them for the duration of the assessment process. Your personal data will be held for the duration of the Fund, including monitoring and evaluation.

The data we are collecting is your personal data, and you have rights that affect what happens to it. You have the right to:

- know that we are using your personal data
- see what data we have about you
- ask to have your data corrected, and to ask how we check the information we hold is accurate
- ask to have your data deleted
- complain to the ICO (see below)

In some circumstances you may also have the right to have all data about you deleted, or to object to particularly types of use of your data. We will tell you when these rights apply. Your personal data will not be sent overseas.

We will not use your data for any automated decision making. Your personal data will be stored in a secure government IT system.

When we ask you for information, we will keep to the law, including the Data Protection Act 2018 and General Data Protection Regulation.

If you are unhappy with the way the department has acted, you can make a complaint.
If you are not happy with how we are using your personal data, you should first contact dataprotection@communities.gov.uk.

If you are still not happy, or for independent advice about data protection, privacy and data sharing, you can contact:
The Information Commissioner's Office:
Wycliffe House
Water Lane
Wilmslow
Cheshire SK9 5AF
Telephone: 0303 123 1113 or 01625 545 745
https://ico.org.uk/

Press release

Levelling up at heart of Budget

Budget measures announced by the Chancellor are set to put powers and money in the hands of communities most in need.

From: **Department for Levelling Up, Housing and Communities (/government/organisations/department-for-levelling-up-housing-and-communities)** and **The Rt Hon Michael Gove MP (/government/people/michael-gove)**

Published 15 March 2023

Budget measures announced by the Chancellor are set to put powers and money in the hands of communities most in need, to help achieve the Prime Minister's objective to grow the economy and level up across the UK. These measures will deliver more jobs, better services and more opportunities for local people.

A ground breaking devolution package and funding for community projects in the Budget will help further our ambitions to spread opportunity more equally.

The measures build on our place-based approach, as set out in the Government's Levelling Up White Paper, to ensure targeted measures which best suit the unique economy, geography and expertise of each area.

The Government will be working closely with local leaders in key areas to help attract investment and unleash economic potential. These initiatives include:

Trailblazer devolution deals

- Two new trailblazer devolution deals will see money and powers handed directly to the Mayors of the West Midlands (https://www.gov.uk/government/publications/west-midlands-combined-authority-trailblazer-deeper-devolution-deal) and Greater Manchester (https://www.gov.uk/government/publications/greater-manchester-combined-authority-trailblazer-deeper-devolution-deal), including a direct funding settlement, devolution of post-19 skills funding and functions and greater control of the affordable homes programme.
- A new framework (https://www.gov.uk/government/publications/english-devolution-accountability-framework) will ensure that decision-makers in areas with devolution deals are accountable to their residents and deliver value for money.
- These agreements are designed to pave the way for future deals in other Mayoral regions.

Investment Zones

- 12 Investment Zones (https://www.gov.uk/government/publications/investme nt-zones) across the UK to drive business investment and levelling up, each backed with £80 million over five years including generous tax incentives. Investment Zones will be based around research institutions such as universities and will be focused on driving growth in one of the UK's key sectors.

- Eight places in England have been shortlisted to develop proposals in collaboration with the UK Government including the East Midlands; Greater Manchester; Liverpool; the North East; South Yorkshire; the Tees Valley; the West Midlands; and West Yorkshire.
- We are also working closely with the devolved administrations to establish how Investment Zones in Scotland, Wales and Northern Ireland will be delivered.

Levelling Up Partnerships

- The rolling out of Levelling Up Partnerships to provide bespoke place-based regeneration in an initial twenty of England's areas most in need of levelling up over 2023-24 and 2024-25.
- Areas will be invited to form partnerships include the City of Kingston upon Hull, Sandwell, Mansfield, Middlesbrough, Blackburn with Darwen, Hastings, Torbay, Tendring, Stoke-on-Trent, Boston, Redcar and Cleveland, Wakefield, Oldham, Rother, Torridge, Walsall, Doncaster, South Tyneside, Rochdale, and Bassetlaw.
- This will build on the success of deep dives in Grimsby, which saw cross-government working to help avoid the effective closure of the town's fish processing sector, and in Blackpool, which unlocked a £100 million regeneration plan.
- Partnership locations have been selected (https://www.gov.uk/government/publications/levelling-up-partnerships-methodology-note) based on the analysis in the Levelling Up White Paper which considered places in England against four key metrics: the percentage of adults with Level 3+ qualifications; Gross Value Added (GVA) per hour worked; median gross weekly pay; and healthy life expectancy.

- The Government will consult with the Devolved Administrations and local government to explore potential options in Scotland, Wales, and Northern Ireland.

Through the Budget the government is also providing money for levelling up projects which will deliver benefits to communities, including through:

- Grants for 16 regeneration projects across England, worth a combined £211 million, in Blackburn with Darwen, Blackpool, East Suffolk, Kirklees, London Borough of Waltham Forest, North East Lincolnshire, Northumberland, Redcar and Cleveland, Rotherham, Salford, Sandwell, Tameside, Telford and Wrekin, Tendring, Wigan and Wolverhampton. These are regeneration projects that can start to spend and deliver quickly, including funding to revitalise town centres and transform derelict buildings for use by communities. These projects, including regeneration of Tipton town centre and a new skills and education campus in Blackburn, will help encourage investment, deliver high quality jobs and level up opportunities. Since the conclusion of the Levelling Up Fund round two, the department has identified further funding to support shortlisted (https://www.gov.uk/government/publications/dluhc-accounting-officer-assessments/capital-regeneration-projects-accounting-officer-assessment) regeneration and town centre bids that were originally made into the Fund.
- £161 million directly to Mayoral Combined Authorities for 32 regeneration projects (https://www.gov.uk/government/publications/english-city-region-capital-regeneration-funding) in city regions across England, including business premises and food science facilities in Tees Valley, and major transport upgrades in the West Midlands. This funding is designed to give Mayors the resources they need to level up their areas and strengthen devolution
- Levelling up projects in the North West worth around £58 million in total, including transport connectivity improvements in Rossendale. Following the second round of the Levelling Up Fund, in which the full £2.1 billion allocation was

awarded, the department is using unallocated departmental budgets to fund three further bids (https://www.gov.uk/government/publications/dluhc-accounting-officer-assessments/capital-levelling-up-bids-accounting-officer-assessment) which narrowly missed out.

- 30 projects across the UK which will receive a total of £7.73 million from the Community Ownership Fund (https://www.gov.uk/guidance/community-ownership-fund-first-round-successful-bidders), bringing valued neighbourhood assets back to the community, including Tollesby playing fields in Middlesbrough and Inveraray pier in Argyll & Bute.

The Spring Budget 2023 takes DLUHC's overall Levelling Up funding - including our flagship funds and grants - to more than £11 billion. This does not include the billions of pounds of investment from across Government into schools, transport and other services.

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Education, training and skills (/education)

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Regional and local government (/regional-and-local-government)

Business and industry (/business-and-industry)

HM Government

Department for Levelling Up, Housing & Communities

OUR LONG-TERM PLAN FOR TOWNS

OCTOBER 2023

This document/publication is also available on our website at www.gov.uk/dluhc

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October 2023

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Foreword by the Prime Minister

Whenever I visit one of Britain's many great towns, I am inspired by the passion with which local people talk about the places they call home. But I also share their anger and frustration at high streets lined with empty shops and neighbourhoods scarred by crime and anti-social behaviour.

It has made me more determined than ever to change the direction of this country.

In part, this is about priorities. Towns are the place most of us call home and where most of us go to work. But politicians have focused on cities and always taken towns for granted. Businesses have not had the incentives to invest. Generations of young people have grown up thinking that the only way to get on, is to get out. As a result, since the financial crisis, jobs growth in towns has been half of that in cities, and a quarter of that in London.

But the change we need is deeper and more profound. On the occasions over the years when governments have tried to help towns, the story has always been the same. Short-term funding pots, often put in the control of councils that are already failing, with little or no consultation with the people that really matter – local people. It's time to invest directly in the places that need it most, not politicians that squander the most.

So today we are not just investing £1.1 billion into 55 of our great towns – we are fundamentally changing the way politics works to support them. Each town will have a Long-Term Plan drawn up by a new Towns Board, made up of local community leaders and employers – putting local people, not politicians, in charge of their own town's future. And each town will have a £20 million endowment-style fund to invest over the next decade, empowering them to develop a plan for the long-term, not a plan to the end of the financial year.

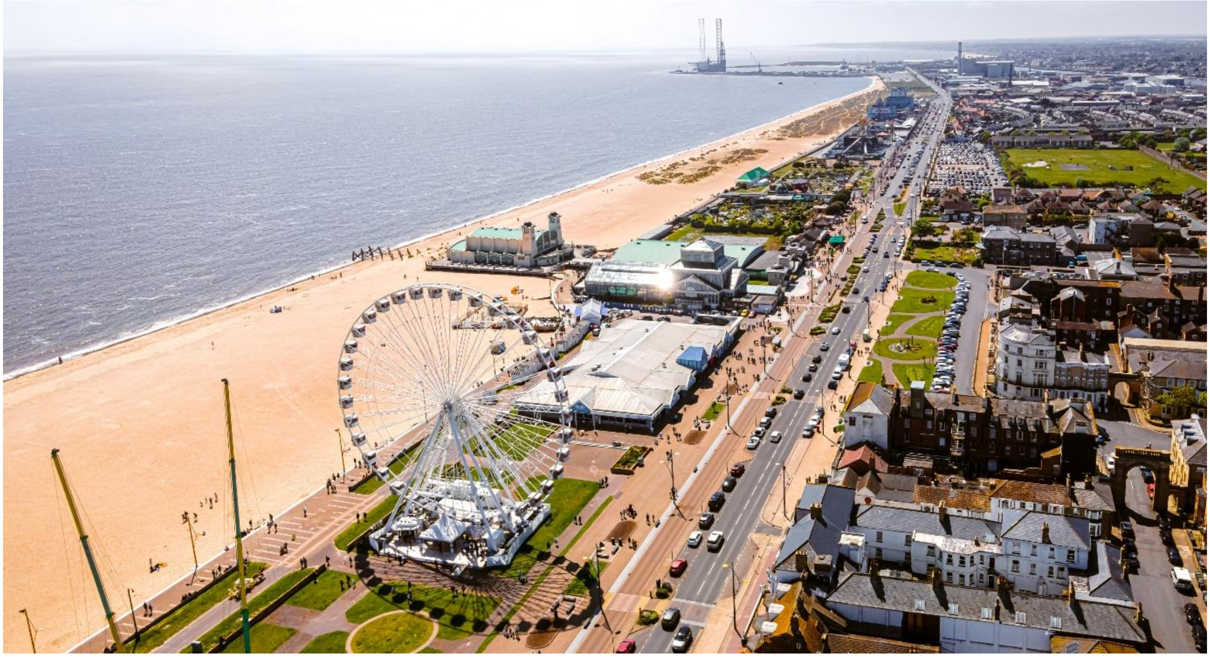
I am also establishing a new Towns Taskforce, reporting directly to me, which will support towns on their Long-Term Plans and help them unlock investment and public support. As part of this, we will also make it easier for towns to repurpose empty high street shops by reforming licensing rules and supporting more housing in town centres.

Change will not happen overnight. The problems facing our towns are long-term and our approach must be too. But by changing the way we do politics and focusing on what matters to communities, not to Westminster, we will actually achieve our goal of levelling up.

That is the right thing for our towns, and the right thing for our country.

Rishi Sunak

Introduction



Towns matter. Their streets expose our shared history, from Roman ruins and dominating castles to the smoke-blackened bricks of the industrial revolution and the piers and ballrooms of the more recent past. They are engines of our economy, exporting goods to all corners of the world. And town halls and neighbourhoods are fundamental to our politics – the heart of our communities.

We are proud of our towns. But in the last thirty years, too often the focus has been on growing cities without setting out how towns can grow and flourish alongside. This narrow focus has often failed, or simply led to short-term policies that fail to address the headwinds that towns face. It has left too many behind in an economy characterised by deep economic imbalances.

The result is visible in towns across the United Kingdom – diminished high streets, run-down town centres, anti-social behaviour, and a lack of good jobs. Unsurprisingly, many people living in towns can feel like they are forgotten by Westminster, sometimes businesses do not want to invest, and young people grow up feeling that they have to leave their hometown to get on in life.

The Government has taken a series of actions in recent years to support towns, but we also recognise that there is more to be done. We need a new plan for towns to level up and deliver growth, as part of our wider ambitions to change the economic geography of the UK.

The Government has developed bold interventions to grow our cities: devolving greater funding and empowering strong local leadership; investing in science and enterprise; creating virtuous cycles of investment and development through new transport infrastructure and funding for brownfield and affordable housing. Now, to change the economic geography of the UK we need to apply the same ambition to towns.

This prospectus sets out a new plan to put local people at the centre of their town's success and give them the long-term funding to change its future. We have identified 55 towns to benefit from Long-Term Plans, backed by £1.1 billion overall, to drive ambitious plans to regenerate local towns across the UK over the next decade. Each town will:

- Develop a Long-Term Plan to invest in and regenerate their town, based on the priorities of local people, and put to local people for consultation.
- Receive £20 million in endowment-style funding and support over ten years to support the Town Plan, to be spent on issues that matter to local people, including regenerating high streets and securing public safety. This plan will be put to local people.
- Establish a Town Board to bring together community leaders, employers, local authorities, and the local MP to oversee and deliver the Long-Term Plan.
- Use a toolkit of powers, from tackling anti-social behaviour to auctioning empty high street shops, reforming licensing rules on shops and restaurants and supporting more housing in town centres.

To ensure towns achieve their potential, we are establishing a Towns Taskforce, reporting directly to the Prime Minister and Levelling Up Secretary. Working with the Levelling Up Inter-Ministerial Group, the Taskforce will help Town Boards to develop their Town Plans, and advise them on how best to take advantage of government policies, unlock private and philanthropic investment and engage their communities.

Why towns matter

Towns are home to 56% of our people[1] and 52% of our jobs,[2] making a sizeable contribution to economic and civic life. Towns contain 65% of high-technology manufacturing and keep up with cities in producing knowledge intensive market services (46% compared to 44% for cities),[3] showing the contribution towns are making to driving growth in high-tech sectors.

In Barrow-on-Furness, for example, BAE systems is building the next generation of submarines for the Royal Navy, rejuvenating manufacturing, and creating an additional 6,000 jobs in the town,[4] while over £100 million of philanthropic investment in Bishop Auckland by Jonathan Ruffer has supported new attractions and facilities, complementing public sector investment in the town.[5]

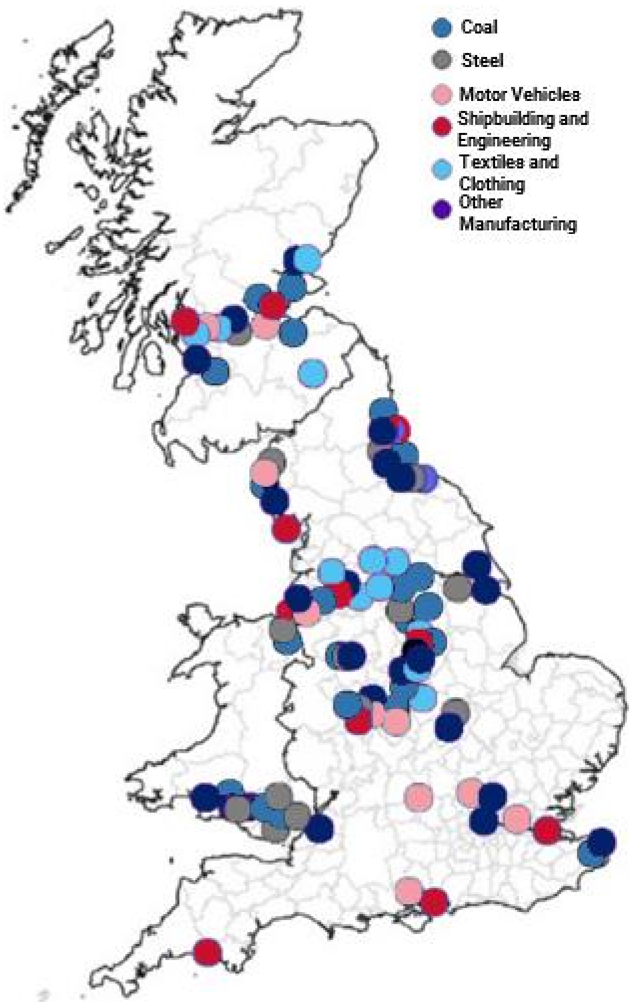
Towns are part of the tapestry of our lives, and people across the country are rightly proud of the towns to which they belong, heavily influenced by the economic prosperity and cultural vibrancy of their past. There are often strong levels of pride in the heritage of a place and specifically 'industrial heritage'. For example, 29% of people in the North East named 'industrial heritage' as one of the top three things that helps foster pride in their local area compared to 13% nationwide.[6]

[1] ONS. Understanding towns in England and Wales: an introduction. 2019.
[2] ONS. Employment trends outside cities and towns, England and Wales: 2009 to 2021. 2023.
[3] ONS. Understanding towns: industry analysis.2021.
[4] Westmorland & Furness Council. Top civil servants in Barrow to discuss vision for town's transformation. 2023.
[5] The Times. Investing in Bishop Auckland. 2023.
[6] PublicFirst. Heritage and civic pride: voices from levelling up country. 2022.

We are proud of the successes of our towns, but we should be open eyed about their challenges too.

Since the 1970s, the UK has seen a fast and broad deindustrialisation compared to other developed countries, with a lasting impact in the North, Yorkshire and the Humber, and the Midlands in particular.[7] Globalisation has played a role in offshoring activities to other parts of the world, with evolving consumption patterns changing consumer demand for goods. And in coastal towns and others reliant on tourism, the fall in the cost of air travel and rises in living standards have led to an increase in consumers looking abroad for their next holiday destination.[8] Figure 1 illustrates the geography of industrial job loss, highlighting the most significant losses in places where major industries have been reduced to a fraction of their former size or disappeared entirely.

Figure 1: Major industrial job losses[9] across Britain since the early 1980s.[10]



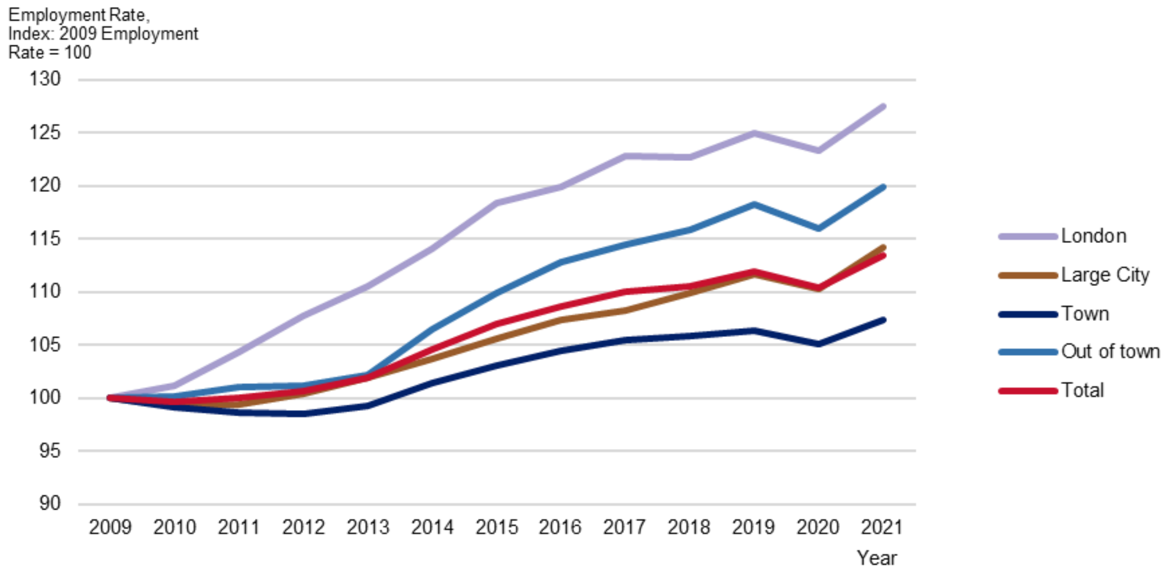
Source: Sheffield Hallam University

[7] Stansbury, A., Turner, D. and Balls, E.. Tackling the UK's regional economic inequality: Binding constraints and avenues for policy intervention. 2023.
[8] HM Government. Levelling Up the United Kingdom. 2022.
[9] Figure 1 illustrates the geography of job losses. It flags the biggest or most significant job losses, where major companies or industries have shrunk to a fraction of their former scale or disappeared entirely.
[10] Beatty, C. and Fothergill, S.. The impact on welfare and public finances of job loss in industrial Britain. 2017.

These changes have had a profound effect on many towns, leading some to stagnate and fall behind more prosperous places.

Since the 2008 Financial Crisis, employment growth in towns has been much slower than elsewhere. Between 2009 and 2021, employment in towns grew by 7%, half the rate of cities outside of London (14%) and around a third of that of out-of-town areas (20%) (Figure 2).[11] While most industries grew slower than the England and Wales average, employment declined most notably in manufacturing, retail and the arts and entertainment industries.[12]

Figure 2: Employment growth has been lower in towns than other area types[13]
Employment growth rate, area types, England and Wales, 2009 = 100



Source: ONS

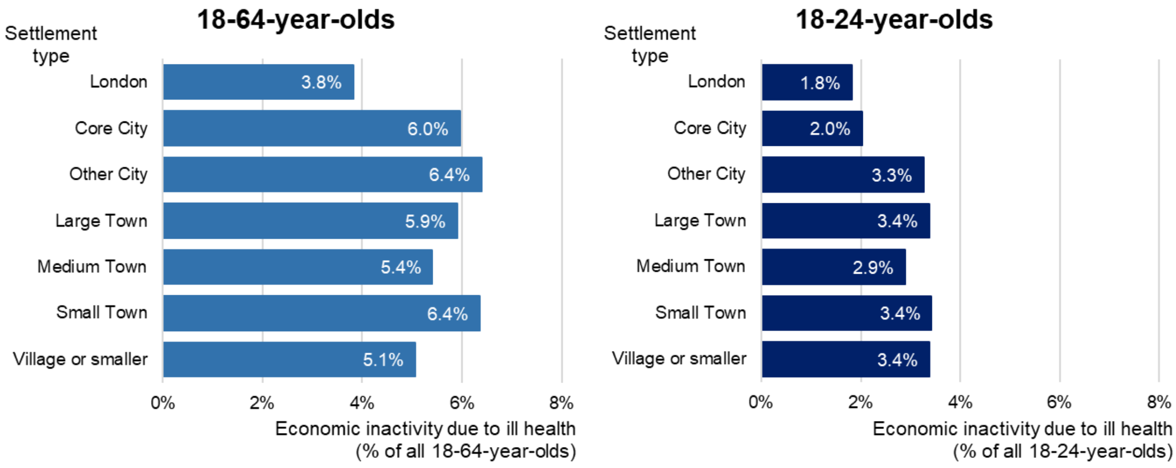
This has led to a reduction in the economic opportunities in our towns, with the economic impact amplified depending on how well connected a town is to other economic centres like nearby cities.

And as Figure 3 shows, younger people in small towns or villages are also more likely to be workless because they are unwell (3.4%), compared to younger workers in core cities such as Cardiff, Glasgow, or Liverpool (2%).[14] Towns also tend to be less attractive prospects to many graduates, who made up 26% of young people in core cities in 2020-2022, compared to less than one-in-six (15%) young people in small towns and villages.[15]

[11] ONS. Employment trends outside cities and towns, England and Wales: 2009 to 2021. 2023.
[12] ONS. Employment trends outside cities and towns, England and Wales: 2009 to 2021. 2023.
[13] ONS. Employment trends outside cities and towns, England and Wales: 2009 to 2021. 2023.
[14] Murphy, L., Resolution Foundation. Left behind. 2023.
[15] Murphy, L., Resolution Foundation. Left behind. 2023.

Figure 3: Small and large towns tend to have a higher proportion of young people who are economically inactive due to ill health.[16]

Proportion of 18-64-year-olds (left-hand panel) and 18-24-year-olds (right-hand panel) who are economically inactive due to ill health, by settlement type, GB, 2020-2022.



Source: Resolution Foundation

In terms of connectivity, smaller towns are less likely to be well connected to denser population centres,[17] preventing towns from contributing to larger economic centres and receiving agglomeration benefits.[18] The opportunity for new local businesses or thriving existing businesses to locate within towns is often more limited,[19] either due to a smaller pool of workers who have the necessary skills and incomes to sustain business supply and demand,[20] respectively, or because of limited transport links to wider economic centres.[21] Poor local connectivity can make towns feel cut off, and can make it harder to get into, and around the town centre.[22]

These economic factors are compounded by wider social problems that, whilst affecting all places, are disproportionately felt in towns.

High street vacancy tends to be much higher in towns than cities: in Rotherham, nearly a third of shops are empty. In Bolton, Grimsby and Stoke, more than one in seven has been empty for three years.[23] Meanwhile, coastal towns typically suffer disproportionately from crime – which is 12% higher on the coast[24] – and public health challenges.[25]

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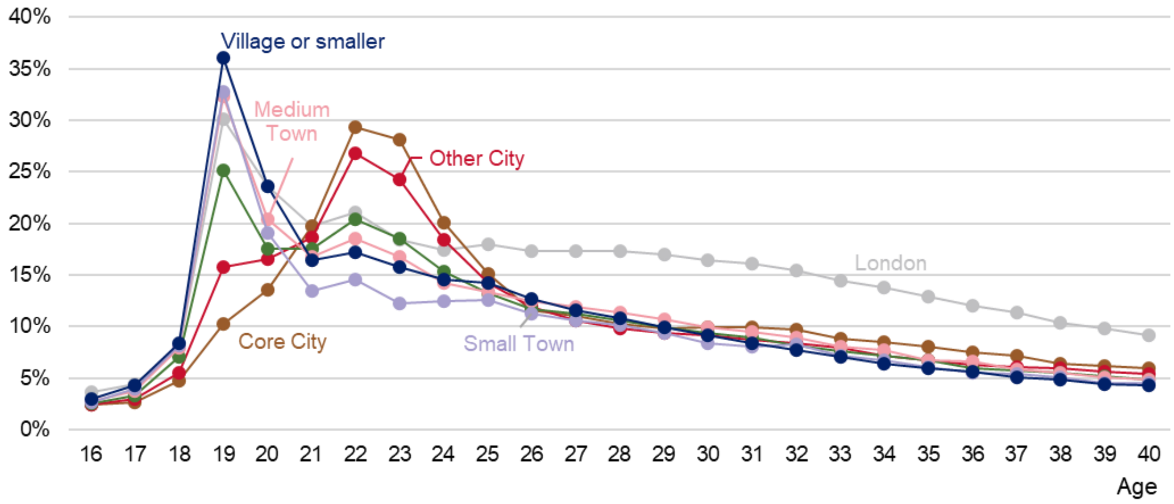
[16] Murphy, L., Resolution Foundation. Left behind. 2023.
[17] NIC. Transport Connectivity Discussion Paper. 2019.
[18] Centre for Cities. Does 'trickle out' work? 2023.
[19] Centre for Cities. At the frontier: The geography of the UK's new economy. 2022
[20] Swinney, P. Centre for Cities. Talk of the Town. 2018
[21] Centre for Cities. Does 'trickle out' work? 2023.
[22] Left Behind Neighbourhoods APPG. Connecting communities: improving transport to get 'left behind' neighbourhoods back on track. 2021
[23] Onward. Street Bids. 2022.
[24] Onward. Troubled waters: tackling the crisis on England's coast. 2023.
[25] DHSC. Chief Medical Officer's annual report 2021: health in coastal communities. 2021.

The result is a widening economic and social gap between towns and the rest of the country, particularly cities. According to the Institute for Fiscal Studies, average wages in London in 2019 were 60% higher than those in Scarborough and Grimsby – with the top 10% of earners in London earning nearly twice as much per hour. Half of working-age adults in London and Brighton have university degrees compared with less than a fifth in places such as Doncaster or Mansfield.[26]

While smaller towns and villages have better educational outcomes than those achieved in larger towns and cities (excluding London), this diminishes for older students,[27] as access to higher and further education becomes more challenging in smaller towns. The dearth of local higher and further education opportunities encourages those aged 18-20 to migrate to larger towns and cities,[28] with Figure 4 showing an outward migration rate of over 30% for 19-year-olds from small and medium sized towns.[29] There are also worse health outcomes in more deprived towns, regardless of the location or wider geography of the town.[30]

Figure 4: Young people from towns and villages are most likely to move place, with similar migration rates from settlement types outside London for those aged 26-40.[31]

Average outward migration rate from local authorities, by settlement type and single year of age, England, 2019



Source: Resolution Foundation

But we do not believe that these challenges are immutable. In recent decades, we have seen various towns around the UK transform their fortunes through a long-term plan and locally-driven change. Prominent examples include Salford Quays, beginning in the 1980s with the Manchester Metrolink and continuing to Media City today, and Stevenage, whose 20-year regeneration plan leverages public funding to draw in private investment to transform the town centre. In the last few years, the Government has taken a series of actions to support towns, but we also recognise that more must

[26] Overman, G. and Xu, X.. IFS. Spatial disparities across labour markets. 2022.
[27] ONS. Why do children and young people in smaller towns do better academically than those in larger towns?. 2023.
[28] Swinney, P, and Williams, M. Centre for Cities. 2016.
[29] Resolution Foundation. Left behind. 2023.
[30] Bennett Institute for Public Policy. Townscapes 4. England's health inequalities. 2020.
[31] Resolution Foundation. Left behind. 2023.

be done. We need a Long-Term Plan for towns to level up growth and support our wider mission of changing the economic geography of the UK.

What we have done so far

The UK Government has supported towns in England, Scotland, Wales and Northern Ireland through a series of targeted investments and taskforces over recent years:

- The **£3.2 billion Towns Fund** supported 101 English towns to drive economic and productivity growth. £1 billion of this funding went to the Future High Streets Fund, supporting 72 places to create thriving high streets in the future.

- The **Levelling Up Fund** has allocated £3.8 billion during two rounds to support over 200 places across the UK, many of them towns, with their regeneration, town centre improvements, transport, and culture projects. Funding has been provided across the UK for a range of projects including a new transport hub in Porth and the creation of new cultural and creative destinations in Wakefield.

- The **UK Shared Prosperity Fund** has delivered **£2.6 billion** between local authorities across the UK, with funding to increase pay and productivity, skills and feelings of community, pride and empowerment.

- **Levelling Up Partnerships** are targeting **£400 million** at towns and places most in need of coordinated government and local support in England. This builds on deep dives in Blackpool, Grimsby and Blyth – with targeted investments such as £18 million to repurpose run-down and empty homes in Blyth to boost a regeneration project for 40,000 residents.

- The **Community Ownership Fund** has invested **£150 million** to support community organisations to save local assets, at risk of closure, across the UK. This year, it has been expanded to allow Town Councils to apply and increased the cap to £2 million to allow more applications for community ownership of assets in towns and on high streets.

- Building on the Future High Streets Fund, the **High Streets Task Force** has so far visited over 130 local places in England, providing guidance, tools and skills to local authorities to help plug gaps in local capacity.

- Running from 2012-2022, the **Coastal Communities Fund** committed £188 million to projects targeted at creating jobs and wider economic regeneration in coastal areas in England.

- We have established eight **Freeports** in England, and this year announced a further two in Wales and two Green Freeports in Scotland. Freeports unlock much-needed investment into port towns and communities through a combination of tax reliefs on new economic activity, a special streamlined customs procedure, an ambitious programme of public investment, and wide-ranging support from the UK Government to help businesses trade, invest, and innovate.

Case Study: Lincoln Town Deal- Lincoln, England

Lincoln was awarded £19 million through the Towns Fund to deliver a range of skills, regeneration and connectivity projects.

Three of Lincoln’s 13 projects have already completed and are making a significant impact; including the HEAT Institute (Hospitality, Events, Arts and Tourism) which has seen the creation of a new ‘working restaurant’ facility at Lincoln’s Old Bakery, and a refurbished Sessions House at Lincoln college campus, both are being used for student training. In addition, the renovation and rebranding of the Drill Hall as a cultural event venue has allowed students to benefit through end of year performances and work experience, the first cohort of Performing Arts students based at the Drill are expected to start in September 2023.

Our Long-Term Plan for Towns

We will now go further to demonstrate an enduring commitment to our towns. Drawing from our experiences delivering the Levelling Up Fund, Towns Fund and Levelling Up Partnerships, and listening to the feedback from local authorities and delivery partners, we will put local people at the centre of their towns' development, with long-term, flexible funding to respond to the priorities of local people.

Our Long-Term Plan for Towns will bring together community leaders, businesspeople, and local bodies to forge their town's future together, alongside the funding needed to deliver for their communities in the long-term. We want towns with proud histories and rich heritage to have the tools and the funding to seize a brighter future for themselves, rather than have to wait for decisions made in Westminster. This aligns with the recommendation of the National Infrastructure Commission, who found that "infrastructure strategies and wider place-based town plans need to be developed locally, by people who understand the needs and strengths of the area and the individual towns. They should look to build on the existing strengths of towns, which will give them the best chance of supporting economic growth".[32]

Through our existing programmes and the experience of other countries, we have learnt what works well: longer-term funding certainty; building local partnerships; having a clear plan for delivery; joint working between central and local government; and involving people and communities from the outset. Successful towns cannot be built on government funding and intervention alone. We want to harness local communities and crowd-in investment of both time and money to support long-lasting change.

[32] NIC. Infrastructure, Towns and Regeneration. 2021.

Our Long-Term Plan for Towns, backed by £1.1 billion overall, will drive ambitious plans to regenerate 55 towns around the United Kingdom over the long-term through Town Plans.

Each town will receive a ten-year **endowment-style fund, with £20 million of funding and support** to give towns long term certainty to deliver projects over multiple years and the flexibility to invest in interventions based on evolving local needs and priorities. This will ensure a focus on long-term strategic transformation as well as shorter-term improvements. The funding will be focused on the issues that matter most to local people, including high streets, heritage and regeneration, and public safety and security.

A new Town Board will be established in each town in England, bringing together community leaders, employers, local authorities, and the local MP to develop a shared vision for their town and oversee the funding together. Working with local authorities, these boards will be encouraged to use the full suite of powers and flexibilities the Government has granted places to turn their high streets and towns around and be backed by the funding needed to do so. Learning from Town Deal Boards, to ensure that local people, not just politicians, drive change, we expect these boards to be chaired by a local business or community leader.

In exchange for long-term, flexible funding, each town in England will be required to develop a ten-year **Long-Term Plan for their town,** setting out the town's vision and priorities for investment and regeneration, aligned to themes of safety and security, high streets, heritage and regeneration, and transport and connectivity. Towns will be required to demonstrate how they have developed plans in consultation with local people. As part of this plan, areas will be expected to bring something to the table, whether that's the time and resource of key people, local match-funding or properties to include in regeneration projects.

Government will not only provide funding and powers to towns to develop the long-term plans, but also additional and much needed capacity support. This will be mirrored by a new high-powered **Towns Taskforce** at the heart of government, reporting directly to the Prime Minister and the Secretary of State for Levelling Up, and working closely with the Levelling Up Directorate and Inter-Ministerial Group, to ensure the voices of these towns will be heard loud and clear across Government.

In Scotland and Wales we will also work with local partners, including local authorities and the devolved administrations, to make sure funding and support aligns with other programmes to have the best possible impact. In Northern Ireland, we look forward to working with a restored Executive to determine the approach to providing support there.

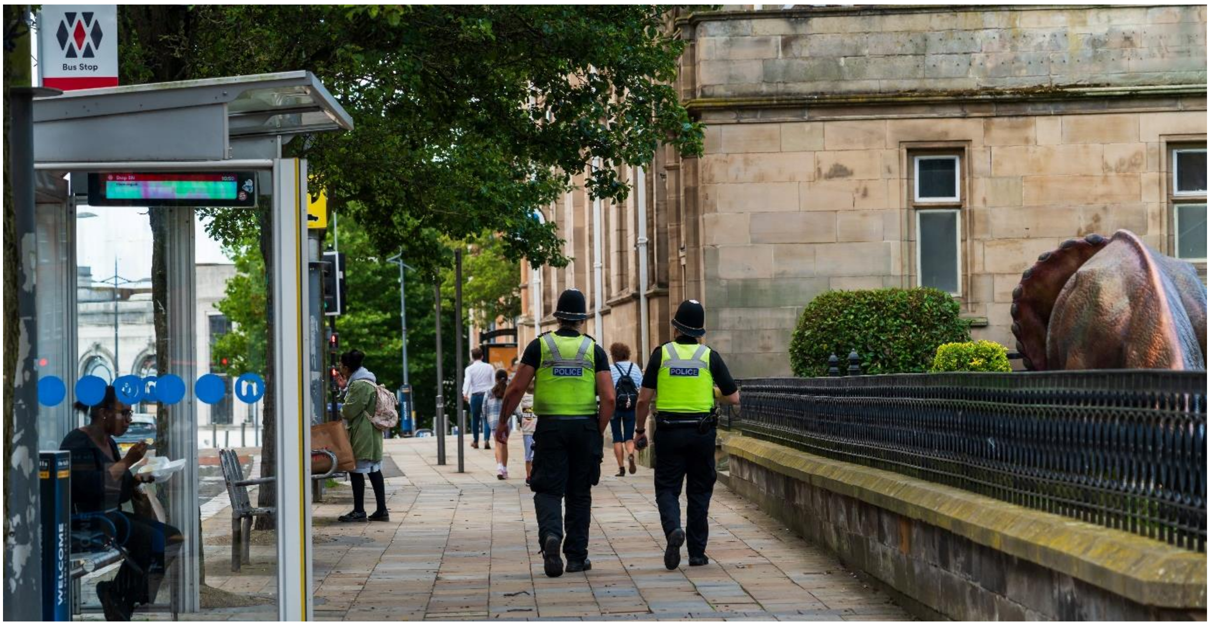
Alongside providing towns with the scope to deliver a range of interventions that reflect local priorities and ensure a long-term focus, this approach will facilitate improvements that will have a range of social and economic benefits, as well as boosting local people's pride in their town.

This new approach builds on our work levelling up the UK since 2019. By taking endowment principles to maximise the flexibility and impact of funding, and combining this with targeted support, we hope to help towns build on existing interventions from our most intensive Levelling Up Partnerships and the wider funding programmes available to towns, cities and rural areas across the UK. The ingenuity of local leaders has been critical to our successes so far, and through this plan a new, more flexible, approach to funding and powers can have an even greater impact when put in the hands of local people.

Our new Long-Term Plan for Towns forms part of an ambitious and much wider programme of reform and investment to level up the UK, which puts powers and funding in the hands of individuals in every corner of our isles. From announcing a new Community Wealth Fund – putting millions of pounds of dormant assets directly in the hands of neighbourhoods and small local communities – to agreeing new trailblazing devolution deals with some of our largest and most ambitious cities. And from investing in key sources of local growth and pride through the Levelling Up Fund and Community Ownership Fund, to granting funding and flexibilities to places themselves with Investment Zones in cities and Innovation Accelerators.

Our Long-Term Plan for Towns is one piece of this wider puzzle, but it is a vital step towards giving local people control of the place they call home and ensuring that towns no longer feel they are forgotten by Westminster.

Investing in what works



Our £1.1 billion Long-Term Plan for Towns will support 55 towns over the next ten years to provide longer-term certainty and scale to drive improvements based on local knowledge and the priorities of local people drawing on our lessons from the ongoing Levelling Up Partnerships programme.

We want to see towns make use of the additional powers they have been granted across a range of areas, including responding to anti-social behaviour and diversifying high streets, to facilitate real improvements in a short timeframe that will stand the test of time.

We also expect that through their Long-Term Plan, towns will be involved in identifying the measures that matter most to local people. We are providing significant flexibility to make a range of improvements under three broad investment themes, and are open to being driven by the needs and wishes of local communities. These themes are:

Safety and Security:

- It is impossible to level up a town if people don't feel safe to go into the town centre and businesses are unable to trade because of crime and anti-social behaviour. Towns that feel or are unsafe repel consumers, deter investors, and undermine the norms and behaviour that underpin a thriving society.
- The increase in shop vacancy rate[33] and decrease in high street footfall[34] has left high streets as prime locations for anti-social behaviour. Increases in anti-social behaviour make people feel unsafe[35] and drive reluctance to use local facilities, further decreasing footfall on local high streets and diminishing pride in place.[36]
- Following the launch of the Anti-Social Behaviour (ASB) Action Plan this year in England and Wales, towns will now be able to use this funding to reduce crime and improve safety in their local area.
- Interventions could include new and improved security infrastructure, such as CCTV and street lighting; providing additional hotspot policing and local authority wardens; as well as diversionary activity through ASB awareness courses and support for community outreach facilities.

Case Study: SMART Tottenham Project, Haringey, London – England £500,000 from Haringey's Future High Streets Fund award focuses on reducing crime and supporting retail on Tottenham High Road. Funding an increased level of CCTV in the high street, it aims to generate behavioural change and discourage antisocial behaviour, tackling crime and making the area safer.

High Streets, Heritage and Regeneration:

- High streets have been centred on retail since the 1960s.[37] As domestic and retail needs have increasingly been met online and in out-of-town retail centres, the challenge for high streets has been whether they are able to adapt.[38] It has been estimated that there is an oversupply of retail of up to 40%.[39] The slow decline in traditional high streets has led to a 17% decrease in employment between 2009 and 2021.[40]
- The hollowing out of high streets and town centres can affect the liveability of a place, making it less attractive for, and harder to retain, more highly skilled workers. The skilled workers of the future leave towns, which provide only limited education and employment opportunities, and do not return to the same towns in the same

[33] BRC. Britain loses 6,000 storefronts in five years. 2023.
[34] High Streets Task Force. Review of High Street Footfall in England. Jan-Dec 2022.
[35] YouGov. YouGov/DLUHC – Anti-Social Behaviour – 230113. 2023.
[36] Gov.UK. Anti-Social Behaviour Action Plan. 2023.
[37] Local Government Association. Creating resilient and revitalised high streets in the 'new normal'. 2022.
[38] Local Government Association. Creating resilient and revitalised high streets in the 'new normal'. 2022.
[39] Power to Change. Community Powered High Streets. 2023.
[40] ONS. Employment trends outside cities and towns, England and Wales: 2009 to 2021. 2023.

numbers.[41] This leaves towns and villages with an older population, living alongside a working-age population with fewer qualifications to provide an economic environment to meet individual and community needs.

- Towns would be able to use this funding to enhance their town centres, making them and their buildings more attractive and accessible to residents, businesses, and visitors in a post Covid environment.
- Interventions could include remediating and repurposing vacant department stores – including converting these to high quality housing; preserving and improving heritage sites in the town; creating and maintaining parks and green spaces; supporting high street cleaning projects; new markets/high street days; establishing Business Improvement Districts; running high street rental auctions; supporting skills and community development so local people can take up opportunities that emerge from business-led regeneration.

Case Study: Barrow-in-Furness Town Centre, England

This £16 million Levelling Up Fund project will be transformative for the town by fully revamping its market hall, making it a modern, desirable place to be with a great food and drink offering. The project will also boost connectivity including by improving walking links through the town and creating a pocket park, making the town centre a greener place where people want to spend time and visit local businesses.

Transport and Connectivity:

- The ease with which town residents can access high streets, jobs and local shopping centres is critical if towns are going to thrive into the future. This means offering sustainable transport options, linking different parts of the town with new infrastructure, safe ways in which people can walk or cycle into the centre, as well as ensuring public transport options are viable and attractive.
- Transport connectivity alone will not turn around the economic fortunes of a place. As the National Infrastructure Commission has noted: "there is no guarantee that more or better transport infrastructure will lead to improvements in economic growth and quality of life outcomes. Unless infrastructure constraints are demonstrably impacting these outcomes – for example, through substantial levels of congestion – it is unlikely to be the primary policy lever to turn around a town's fortunes."[44]
- Investment will need to be used alongside other themes, particularly safety and security, to ensure that transport options are seen as attractive and safe. But used well, this funding could make towns more connected - increasing footfall and viability – to high streets and local shopping centres, and accessibility to local employment opportunities. The National Infrastructure Commission, for example, has highlighted how Stevenage is planning a new pedestrian walkway to link the town centre and its business parks, while Grimsby's Town Deal built on the town's heritage to link the town and its historic waterfront.

[41] IFS. The impact of living costs on the returns to higher education. 2021.

- Interventions could include new infrastructure schemes; road improvements; new programmes to encourage cycling; and making the town centre more walkable and accessible.

Case Study: Porth Transport Hub- Rhondda, Wales

£3.5m from the Levelling Up Fund for the Porth Transport Hub in Rhondda has completed the main interchange building of the transport hub. This was opened earlier this year and is addressing transport inadequacies, providing seven operational bus bays, two lay over spaces, electric vehicle charging capabilities and new roads in and out. It is facilitating better connectivity into the town centre, and boosting footfall and local economic opportunities in the town.

A new approach

Our Long-Term Plan for Towns means a new approach to funding, with endowment-style funding over ten years designed to give flexibility to towns to invest in local priorities to a timeline that works for local people, not just for Westminster.

Towns will receive funding and support of £20 million (25% Resource, 75% Capital split) to provide a range of interventions across the investment themes and will have ten years to deliver these, providing long-term certainty to deliver significant improvements in their towns.

Towns will have freedom to develop plans that meet local priorities across the investment themes. They will not be subject to onerous reporting requirements; instead, the Towns Taskforce will engage towns to monitor progress and help address problems that arise. Towns will be able to roll over funding into future years if best to deliver priority interventions to a high standard and will remain responsible for ensuring good use of public funds.

The flexibility within this funding will mean towns are more able to capitalise on private and philanthropic investment, aligning timings with businesses and investors to maximise the benefits for local people. This could include working with Business Improvement Districts to join up investments, using existing local authority assets or land to make funding go further, and working with the Towns Taskforce to identify philanthropic investment opportunities.

Putting local people in the driving seat

Town Boards will drive the priorities for investment, convene powers and responsibilities for making change, and steer the long-term vision for their town hand-in-hand with local people.

The Boards will comprise a group of local organisations, including:

- Community partners. Such as community groups, faith groups and local charities, the neighbourhood forum, the local Council for Voluntary Service (CVS).
- Local businesses and social enterprises. Such as the chair or board members for the Business Improvement District (BID), key local employers or investors in the town.
- Key cultural, arts, heritage and sporting organisations.
- Public sector agencies such as representatives from schools or police subject to local priorities.
- The local MP, relevant local authorities, including the parish or town council, where one exists, and a representative of the Mayoral, Combined or Upper Tier Authority where relevant.

We will encourage Town Boards to be chaired by a businessperson or a local community leader, to ensure that the board fully reflects the priorities of the town. Where the town already has a Town Deal Board in place, they will be able to repurpose the Board. In doing so, they should use the opportunity to make sure that they have the right members round the table to drive forward their priorities, including community partners, public sector agencies and cultural organisations.

Once established Town Boards will be responsible for:

- Identifying the issues and priorities to focus on for the Long-Term Plan, including supporting a process of ongoing community engagement
- Working with the local authority to develop the Long-Term Plan for their town, setting out how local partners will use their knowledge, powers, assets and new funding to deliver for their communities
- Identifying opportunities for Board members to utilise specific powers, such as neighbourhood planning, to drive forward their Long-Term Plan
- Identifying opportunities to bring in additional philanthropic or private investment to support the Long-Term Plan for their town
- Overseeing the delivery of projects set out in their Long-Term Plan

Boards will make sure the priorities within the Plan are underpinned by a shared vision with local people. A process of meaningful engagement should help Boards define the key issues to tackle, identify strengths and resources within the community and test potential projects. This might include engaging local people through events, community workshops, online consultations, and surveys. Board members will draw on relationships with other community leaders and community groups to make sure the engagement is diverse and representative of the whole community.

Boards might choose to establish subcommittees to focus on particular investment strategies or projects, or to drive forward particular themes, such as community engagement.

Using new powers and flexibilities

Town Boards, through their constituent members, have access to a range of levers and flexibilities to drive improvement and unlock barriers to regeneration and development. We will expect Long-Term Plans to demonstrate that they are convening the full range of powers available to them to achieve the best possible outcomes for their places in line with their investment priorities.

We will develop a toolkit, building on the powers identified below, in partnership with local authorities, including identifying opportunities for extending and strengthening powers in the future and helping local authorities to make full use of new powers shortly coming into force. We will also look at where local authorities can be granted more flexibility over exercising these powers without requiring central government approvals.

We will publish a full toolkit, guiding towns through the range of powers and levers available to them, in due course, including specific information for Long-Term Plans for towns in Scotland and Wales. Investment plans will demonstrate that places have used the toolkit to identify the powers that will help them achieve their desired priorities. We will expect towns to consider the full range of levers at their disposal. In England, these powers will include:

- Auctioning empty high street shops using new powers from the Levelling Up and Regeneration Bill.
- Reforming licensing rules on shops and restaurants for example, enabling more high-street businesses to benefit from the al-fresco dining rules introduced in the pandemic.
- Making it easier for commercial buildings to quickly change use for example, allowing an empty shop to change into a café, nursery or gym without needing to fill out needless red tape.
- Supporting more housing in town centres by giving the automatic right for empty commercial buildings to be converted into homes for local people.
- On-the-spot fines of up to £1,000 for fly tipping offenders and £500 for litter and graffiti offenders.
- Enforcing against persistent anti-social behaviour in public spaces like local parks and high streets – and fining those who breach these rules up to £500.

To support this, through updated guidance we will make sure that Town Boards can contribute to neighbourhood plans and new Neighbourhood Priorities Statements, including helping to identify potential development locations and aligning priorities as part of their town's Long-Term Plan. And we will help towns to maximise the long-term opportunities for investment by encouraging Local Planning Authorities and Town Councils to work with them to define spending priorities for the Community Infrastructure Levy, and the Infrastructure Levy when this is implemented.

A new toolkit for towns in England

Town Boards, through the local authority, can use **Public Spaces Protection Orders** to make sure that people are able to enjoy their parks and socialise in their town centres free from anti-social behaviour (ASB). They could maximise the impact of ASB powers held by the council and the police by using funding for **additional wardens to work with communities to keep towns safe places to live and work.**

Community groups can nominate the buildings and spaces that really matter to them as **Assets of Community Value**, and local authorities can also create **local heritage lists**, helping to protect these treasured assets for generations to come.

Parish and town councils and neighbourhood forums can use **neighbourhood planning** to give communities a greater say on the future of the places where they live and work, producing plans that have real influence over where new homes shops and offices should be built and what these buildings should look like.

A **national permitted development right** provides for such uses to change to residential, bringing new residents into our town centres. Town Boards can encourage the use of this right, to support more diverse and viable high streets and town centres.

To bring forward quality residential development, Town Boards can work with the Local Planning Authority to deliver **Local Development Orders** and promote the potential for owners to use permitted development rights to promote the regeneration of commercial sites.

Town Boards can consult with local partners on exercising existing powers to **track, manage and improve dilapidated building stock** and areas with particular issues of deprivation or crime. Taking these steps can directly tackle some of the underlying causes of social problems and visibly improve the safety and aesthetic of streets that otherwise can become "no-go" areas within towns.

Town Boards can help curate vibrant and resilient town centres by helping to set up a **Business Improvement District** (or working with them where they are already established) to coordinate activity and funding to boost local entrepreneurship and drive footfall from local people and visitors alike. They can also improve the look and feel of high streets by encouraging businesses to set up alfresco dining through **pavement licences.**

Through the Levelling Up and Regeneration Bill we are introducing new **High Street Rental Auction** (HSRA) powers which will allow local authorities to auction a lease of a property that has been standing vacant. Town Boards will be able to work with local authorities to identify opportunities to use HSRAs and take action on vacant shops and buildings that blight the high street and bring down economic potential.

We are also introducing the **locally-led Urban Development Corporation** (LUDC) model, a localised form of the existing UDC model. The provisions allow local authorities to request to designate the urban development area and create an urban development corporation. Town Boards could work with local authorities to identify opportunities for creating an LUDC to drive forward their regeneration plans

We are clarifying **Compulsory Purchase Orders (CPOs) to give local authorities more confidence to acquire derelict buildings** that are holding back regeneration plans. New powers will also shortly be in force, which will enable Town Boards and other local authorities to provide more targeted support to **clean up and remove the blight of very poor quality supported housing** units, which are designed to help vulnerable people but have been shown to be exploited by criminal and rogue landlords.

With the full backing of government

Levelling Up Partnerships have shown the value of local and national government joining forces to tackle entrenched issues and seize transformative opportunities.

In Grimsby, when local concerns were raised about import tariffs on the town's fish processing sector, we coordinated a cross-government effort to agree the necessary tariff exemption. In Blackpool, when the location of the court was holding back regeneration in the city centre, we worked across government and with local partners to move it, and in doing so unlock £100 million of regeneration plans.

Now, learning from this experience, Long-Term Plans for Towns will ensure the full, collective weight of central government levers are brought to bear to support local priorities across these 55 towns into the future.

A new Towns Taskforce will therefore be established in the Department for Levelling Up, Housing and Communities, reporting directly to the Prime Minister and Secretary of State for Levelling Up. The Taskforce will ensure the issues and opportunities of these towns are heard and acted on within the UK Government.

Alongside working with towns to understand their unique challenges and opportunities, the Taskforce would look to attract private and philanthropic investment into the 55 towns, championing the investment opportunities to building on the endowment-style funding granted.

As part of this we will extend the current High Streets Task Force, to provide each selected town with bespoke, hands-on support from place-making experts. It will work flexibly and collaboratively with Town Boards, delivering tangible outputs and outcomes on their behalf. Town Boards will be able to draw on support across a variety of issues, which could include helping to develop a masterplan for their area or understanding how to best use the powers and flexibilities that are available to them and set out in the Toolkit.

Preparing for a Long-Term Plan for your town

This document sets out a Long-Term Plan for Towns, with long-term, flexible non-competitive funding put in the hands of local leaders to deliver lasting improvements. The UK Government has granted new powers in England and funding to places across the UK, and through this new approach, will provide additional targeted support to the 55 towns set out below.

We are announcing the development of 11 Long-Term Plans for Towns in Scotland and Wales. We know this is a shared priority, and we will work with the devolved administrations in Scotland and Wales to consider how best we apply this approach to towns in Scotland and Wales. In Northern Ireland, we look forward to working with a restored Executive to determine the approach to supporting towns there.

ITL1/2 Region	Local Authority	Town/Place
East Midlands	Mansfield	Mansfield
East Midlands	Boston	Boston
East Midlands	Bassetlaw	Worksop
East Midlands	East Lindsey	Skegness
East Midlands	Newark and Sherwood	Newark-on-Trent
East Midlands	Chesterfield	Chesterfield
East Midlands	Nottingham	Clifton (Nottingham)
East Midlands	South Holland	Spalding
East Midlands	Ashfield	Kirkby-in-Ashfield
East of England	Tendring	Clacton-on-Sea
East of England	Great Yarmouth	Great Yarmouth
North East	Redcar and Cleveland	Eston
North East	South Tyneside	Jarrow

North East	Sunderland	Washington
North East	Northumberland	Blyth (Northumberland)
North East	Hartlepool	Hartlepool
North East	County Durham	Spennymoor
North West	Blackburn with Darwen	Darwen
North West	Oldham	Chadderton
North West	Rochdale	Heywood
North West	Tameside	Ashton-under-Lyne
North West	Hyndburn	Accrington
North West	Wigan	Leigh (Wigan)
North West	Bolton	Farnworth
North West	Pendle	Nelson (Pendle)
North West	Knowsley	Kirkby
North West	Burnley	Burnley
South East	Hastings	Hastings
South East	Rother	Bexhill-on-Sea
South East	Isle of Wight	Ryde
South West	Torbay	Torquay
West Midlands	Sandwell	Smethwick
West Midlands	Walsall	Darlaston
West Midlands	Wolverhampton	Bilston (Wolverhampton)
West Midlands	Dudley	Dudley (Dudley)
Yorkshire and The Humber	North East Lincolnshire	Grimsby
Yorkshire and The Humber	Wakefield	Castleford
Yorkshire and The Humber	Doncaster	Doncaster
Yorkshire and The Humber	Rotherham	Rotherham
Yorkshire and The Humber	Barnsley	Barnsley
Yorkshire and The Humber	North Lincolnshire	Scunthorpe
Yorkshire and The Humber	Bradford	Keighley
Yorkshire and The Humber	Kirklees	Dewsbury
Yorkshire and The Humber	North Yorkshire	Scarborough
West Wales and The Valleys	Merthyr Tydfil	Merthyr Tydfil
West Wales and The Valleys	Torfaen	Cwmbrân
East Wales	Wrexham	Wrexham
East Wales	Vale of Glamorgan	Barry (Vale of Glamorgan)
West Central Scotland	Inverclyde	Greenock
Southern Scotland	North Ayrshire	Irvine
Southern Scotland	East Ayrshire	Kilmarnock
West Central Scotland	North Lanarkshire	Coatbridge
West Central Scotland	West Dunbartonshire	Clydebank
Southern Scotland	Dumfries and Galloway	Dumfries
Highlands & Islands	Moray	Elgin

In England the local authority named above will be the accountable body for funding and will be responsible for ensuring good use of public funds via existing Section 151 officer duties, according to the priorities set out by the Town Board in each town's Long-Term Plan. In Scotland and Wales we are minded to use the Financial Assistance power under Section 50 of the UKIM Act to fund towns directly while working with the Scottish and Welsh Governments to determine the most appropriate delivery structures.

In these 55 places, the UK Government will provide capacity funding in 2024/25 for local stakeholder working with relevant local authorities to establish a new Town Board, or to expand and adapt an existing Town Board. The capacity funding will support the ongoing running of the board and the development of their town's Long-Term Plan, including community engagement activities. This funding forms part of the overall funding package each town's Long-Term Plan is able to receive. This capacity funding will be accompanied by central engagement support in its delivery.

Capacity funding will be available from Spring 2024. We would encourage local authorities to start bringing together partners who will form part of their Town Boards in advance of this, and to begin to set out a vision, formulate investment priorities and engage with local communities.

Where an existing Town Deal Board already exists, we will work with towns to expand and adapt the board to ensure it is prepared to develop a Long-Term Plan for their town.

Once Board structures are in place, capacity funding will be made available from Spring 2024 for Boards to build on their vision and priorities to write their Town Plan. Each town's Long-Term Plan should be produced no later than Summer 2024. We will expect these Long-Term Plans to include:

- A clear articulation, evidenced by local engagement, of the priorities of town residents;
- A plan for how the £20 million endowment-style funding and support will be deployed in line with investment themes to support these priorities;
- How local authorities, community groups and businesses are using their existing assets and resources to support these priorities;
- How the Town Board intends to attract additional private and philanthropic investment to support these priorities; and
- How members of the Town Board are using their existing powers and flexibilities – including but not limited to those in the Toolkit – to support these priorities.

From Summer 2024, we will provide the first year of funding to support the interventions set out in the Long-Term Plan. This will be subject to assessment of the Plan by the Department for Levelling Up, Housing and Communities (DLUHC). We will work with selected towns to discuss the details of this assessment and full expectations of Long-Term Plans. The allocation of funding will be non-competitive, and we expect to work collaboratively with places through the Towns Taskforce and existing local relationships to develop Plans.

Further details on next steps will follow in engagement with selected towns. Expected timelines are outlined below:

- By April 2024 – local authorities to bring local partners together to form Town Boards, or expand existing Town Deal Boards where these exist, and start the process of setting out a long-term vision based on local priorities.
- Spring 2024 – Once a Town Board has been set up, capacity funding will be released to support the development of investment plans, including additional community engagement activities. Ongoing engagement will be available from the Towns Taskforce.
- From Summer 2024 – Submission of Long-Term Plans and release of year one funding.

We will be in touch with the local authorities in these 55 towns to provide further guidance and discuss next steps.