

# Economy and Enterprise Overview and Scrutiny Committee

2 November 2017



## Scoping report for the review of retail support provided by DCC

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### Report of Lorraine O'Donnell, Director of Transformation and Partnerships

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#### Purpose of the Report

- 1 The purpose of this report is to provide members of the committee with background information together with the terms of reference and project plan for the scrutiny review of retail support provided by DCC.

#### Background

##### National Context - Strategic

- 2 Since 2010 Government has developed a number of policies to assist in the regeneration and economic development of our town centres, cutting across the responsibilities (principally) of the Department for Communities and Local Government (DCLG) and the Department for Business, Innovation and Skills (BIS). Some of these policies have been at regional and sub-regional level including the abolition of the Rural Development Agencies and the establishment of Local Enterprise Partnerships (LEPs).
- 3 There has also been significant policy development at a national level through the National Planning Policy Framework, the new powers in the Localism Act and the publishing of the Portas Review in 2011 looking at the future of Britain's high streets.

##### Retail - national picture

- 4 A report from the Centre for Retail Research, Retail Futures 2018: Shop Numbers, Online and the High Street, A guide to Retailing in 2018 has some stark data and facts:
  - (a) Store numbers have been falling since the 1920's and it is expected that numbers will fall from 281,930 in 2012 to 220,000 by 2018 with the possible loss of 316,000 jobs. The main impact will be upon non-food stores with numbers forecast to fall by 27.7% or 43,000 stores.
  - (b) Since 2006, almost a tenth (9.2%) of all retail stores have closed (a total of more than 28,000).

- (c) Since 2008, 148 large or medium sized retailers such as Woolworths, JD Sports, Game, Comet and MFI have gone into administration.
  - (d) The largest fall is expected to be in the number of neighbourhood shops, which will reduce by approximately 26% or 35,000 stores.
  - (e) The largest falls are predicted to occur in Wales, North West, East Midlands and Yorkshire and Humberside with the lowest falls predicted in London and the South East.
  - (f) The high cost or lack of convenient car parking is one of the biggest issues that high street retailers face.
- 5 Over the last decade the retail sector has undergone some significant changes which has changed how, where and when we shop. This has had major implications for the space requirements of many retailers which has changed the make-up of our town and cities across the country.
- 6 During the recent recession the margins of retailers were squeezed and as their costs continued to rise, a number of national and independent retailers either collapsed or reduced the number of stores within their portfolio. This led to declines in the levels of retail floor space occupied within town and city centres. In addition to this many schemes were put on hold or significantly reduced in size. This was particularly notable in the food retailing sector, predominantly larger format stores.
- 7 The growth in internet retailing has also been a major contribution to change and has meant that retailers no longer need as many stores as they once did. With an online presence they are able to gain national coverage without requiring stores in every town. As a result retailers have turned their focus to strategic locations for larger flagship stores. This has resulted in larger dominant centres and smaller centres being squeezed.

### **Retail - Regional picture**

- 8 Newcastle is the regional centre for the North East and its retail and leisure offer reflects this. Recent developments have focused around Eldon Square and the city centre has a number of mainstream fashion multiples anchored by retailers such as Marks and Spencer and John Lewis. Gateshead town centre has a much more limited retail offer and this is due to its proximity to Newcastle city centre and the Metro Centre. The centre has however seen recent retail led regeneration that has delivered a new large Tesco food store.
- 9 The Metro Centre is the main out of town shopping in the North East and it has a large higher order retail offer with key department anchors such as Debenhams, House of Fraser and Marks and Spencer, complemented by high order niche retailers. A number of bulky goods retailers (Ikea, DFS etc.) operate alongside these, in addition the Metro Centre is also a major leisure destination with a cinema and numerous national chain restaurants. Team Valley is situated immediately south and is also occupied by major high street comparison and bulky goods operators.

- 10 Sunderland performs a regional centre function in the North East although its retail offer is more limited than Newcastle. The main shopping area in the city centre is focused around the Bridges Centre which houses mainstream high street comparison retailers.
- 11 Within the Tees Valley, Middlesbrough is the largest centre. It has three large shopping centres within the town centre with major comparison retailers such as Debenhams, House of Fraser and Marks and Spencer. Teesside Retail Park in Stockton-on-Tees provides the largest out of centre retail provision in the Tees Valley. The retail park has a particularly strong high street retail offer with Next, Marks and Spencer and TK Maxx present. This offer is complemented by a large number of 'bulky goods' retailers including PC World and DFS. Its draw is further enhanced by a large Morrison food store and large scale leisure offer including cinema, ten pin bowling and numerous branded restaurants.
- 12 Darlington town centre offers a number of national retailers including a Debenhams store. Recent development of a cinema should further enhance its role. Elsewhere centres such as Hartlepool and Stockton perform a more limited retail function given their proximity to Middlesbrough and Teesside Retail Park.
- 13 Overall the regional picture is reflective of the national picture, with larger dominant centres continuing to attract key retailers and some of the medium and smaller sized centres struggling to attract investment.

#### **Retail – Local picture**

- 14 Within County Durham, Durham City and Bishop Auckland continue to serve large (sub-regional) catchments covering a number of towns across the County.
- 15 Durham City centre is currently subject to some significant change with the redevelopment of The Gates Shopping Centre which is to include a multiplex cinema (Odeon), restaurants and bars, retail and student accommodation. A separate proposal for Milburngate House in the city centre also includes a cinema (Everyman) along with restaurant and residential uses.
- 16 Elsewhere in Durham City, both the Arnison Centre and the Sherburn Road/Dragonville shopping areas perform strongly. Both are anchored by major food stores (Sainsburys at the Arnison Centre and Tesco at Dragonville) and have national retailers operating alongside these food stores.
- 17 There has been significant retail development in the St Helen Auckland area and of the wider Bishop Auckland area. The town centre is still anchored by two major food stores and continues to perform its role as a retail destination.

- 18 Barnard Castle, Chester-le-Street, Consett, Crook, Newton Aycliffe, Peterlee, Seaham, Spennymoor and Stanley are all anchored by at least one food store but serve more localised catchments. The performance of these centres varies, with vacancy rates highest in Newton Aycliffe and lowest in Barnard Castle. Crook town centre has been subject to recent development with the opening of a new Lidl store and other town centres have also been subject to developer interest from similar discount food retailers. Elsewhere, Stanley and Peterlee have both seen planned large format foodstores shelved. This very much follows what is happening nationally.

### **Support provided by DCC to the retail sector**

- 19 DCC has responsibility for regeneration and economic development. The Council's responsibilities in relation to regeneration and economic development are divided into three categories including strategic issues (economic development) planning and licensing.

#### Economic development and planning

- 20 Most councils aim to deliver economic development and planning at least in part, through the Local Development Framework (LDF) i.e. the County Durham Plan (CDP). The LDF documents must comply with the National Planning Policy Framework.
- 21 The National Planning Policy Framework was subject to significant revision in early 2012. In terms of town centres and retailing, it specifies that planning policy should promote competitive town centre environments and set out policies for the management and growth of centres. The NPPF identifies that Local Planning Authorities should promote competitive town centres that provide customer choice and a diverse retail offer. In some instances planning policies can be used to restrict and limit a particular type of use within town centres. This approach has become prevalent with policies that aim to restrict new hot food takeaways. Planning conditions can also be used to restrict operating hours.
- 22 Applications for 'main town centre uses' that are not in town centres (i.e. supermarkets, other retail uses) are subject to a sequential test so, town centre locations are best, then edge-of-centre, and then, if no appropriate site is available, out-of-town. Where an out-of-town use would be approved under the sequential test, planners will still have to carry out an impact assessment for larger developments.
- 23 The County Durham Plan will set out how much development is required in the county including retail and then look to place it where people want to live and where businesses want to invest. The NPPF requires local authorities to identify where new retail facilities will be focused and where there is a specific requirement for new floor space. To understand where retail need exists a robust and credible evidence base will be used to support retail proposals within the plan. The evidence provided will be from a new Retail and Town Centre Use Study which will identify locations where further provision is required. These locations will be consulted upon as part of the consultation process for the County Durham Plan.

- 24 In addition, Masterplans have been completed for 12 of the county's main towns, helping to guide investment and improvements to towns across the county, setting out how towns will develop in the future, ensuring that buildings and spaces are of the right type and in the right place and complement our existing guidance and documents including the emerging County Durham Plan.
- 25 Examples of work undertaken as part of the Masterplan Programme includes improvements to: main retail areas; pedestrian and vehicular access; footpaths; road networks; shop fronts; crossing points and grass verges and opportunities to input into the future design of some retail areas in the county.
- 26 As the Masterplan Programme progresses it will include: the development of Forrest Park at Newton Aycliffe; a major private sector investment promising a total redevelopment of the riverside in Durham City, the ongoing redevelopment of North Road and new supermarkets in Crook and Stanley.

#### Financial support

- 27 On the 12 July 2017 Cabinet considered a report detailing the proposed future Business Discretionary Rate Relief Scheme for County Durham. In March 2017 Government made three announcements impacting on Business Rates liabilities in 2017/18:
- a £600 cap on rates bills for those losing Small Business Rate Relief (SBRR)/ Rural rate Relief (RRR) as a result of the revaluation;
  - introduction of a £1,000 discount relief for public houses with a ratable value up to £100,000;
  - funding for the introduction of local Discretionary Rate Relief Scheme for businesses adversely impacted by the revaluation.
- 28 Following the announcements it was identified that 318 small businesses in the county will be facing rates increases over £600 in 2017/18, 208 medium and 68 larger businesses.
- 29 To be eligible for the new relief, it is proposed that businesses will need to meet the following criteria:
- have a ratable value of less than £200,000 i.e. is classed as a small or medium sized business;
  - have had an increase in ratable value following the 2017 revaluation;
  - the ratepayer has a continuing liability i.e. was liable for business rates on 31/3/17 and continues to remain liable for business rates (to ensure the support is targeted to those small and medium sized businesses adversely impacted by the business rates revaluation);
  - as a result of the above the rate payer has seen a net increase of over £600 in their rates bill in 2017/18.
- 30 In addition, DCC also provides funding support to small retail businesses to be used on improving premises which helps to support new business into premises, bring back into use derelict or underused retail space and to encourage business growth.

- 31 DCC also provides a funding support package for business communities, producers, future entrepreneurs and existing independent retail businesses to access trading opportunities on street markets in the county at Chester-Le-Street and Stanley.
- 32 Consideration is being given as part of discussions in relation to the Town Centre Capital Programme to the development of a wi-fi project to deliver an innovative approach to making digital technologies available for use by the general public whilst visiting town centres in the county. The aim of the project is to improve business engagement with customers through the provision of a digital platforms whilst actively promoting the town and associated independent stores and events.

#### Training support

- 33 Durham Employment and Skills is part of the Regeneration and Local Services Service Grouping and delivers training and assessment packages for local employers, the self-employed and their workforces.
- 34 The County Durham Apprenticeship Programme (CDAP) is managed and delivered by DCC's Employability Team and is the main local apprenticeship programme for County Durham. Since the launch of the programme in November 2011 DCC has worked with over 450 employers to both provide support through the apprenticeship process and to promote the benefits of the apprenticeship route.
- 35 The criteria for the various top up grants provided by the programme to businesses in the county was revised in 2016/17 to increase the range and number of top up grants available, helping SME's to develop further apprenticeship opportunities.

#### Other support

- 36 The Community Economic Development Team, Regeneration and Local Services will assess business needs, signpost to relevant council's services and help to develop business plans.
- 37 DCC provides during December each year free car parking after 3pm in all council run car parks in the various town centres across the county. The council recognises that the run up to Christmas is a vital trading time for town centre traders.
- 38 'Better Business for All' is a partnership approach developing a new relationship between businesses, local regulators and business support agencies. The overall aim of the North East BBfA partnership is to support economic growth by making it easier to do business in the region. The partnership is made up of local authority regulatory services and representatives from various LAs including DCC, the Chamber of Commerce and the Federation of Small Businesses (FSB).

## Support provided by Key Partners

- 39 Various Area Action Partnerships have also undertaken projects/initiatives to support the retail sector with examples including: **Bishop Auckland and Shildon AAP** – Secure Retailer Scheme, The Velo 29 Town Centre Cycle Race increasing footfall; **Chester- Le- Street AAP** –Events to increase footfall, shop front improvements, development of a Destination Management Plan, relaunch of Business Association, town centre parking project, Town Centre Community Resilience Plan to combat impact of flooding on businesses; **4Together AAP** has previously delivered shopfront grants project and retail advice support projects to retailers in the Ferryhill area; **3 Towns AAP** – Market events programme aimed at increasing footfall at the weekly market; **Derwent Valley** – Town centre events in Consett, illuminated windows project, Consett Traders Association; **Stanley AAP** - Stanley Retail Improvement Project.
- 40 There are four Enterprise Agencies in the county. Each Enterprise Agency focuses on supporting individuals considering self-employment and small business owners in starting, growing and developing their businesses.
- 41 The agencies primarily work with the unemployed providing one to one coaching, mentoring and training and networking opportunities for the local business community. Examples of typical programmes provided include: intensive start up coaching, business advice and accredited training.
- 42 The Federation of Small Businesses (FSB) has been supporting small businesses for over 40 years, providing leading business services. Membership of FSB provides a range of benefits including support/advice on how to protect the business, how to save money and how to grow the business.
- 43 The FSB also supports various marketing campaign including ‘Small Business Saturday’ a grass roots non-commercial campaign, highlighting small business success and encouraging consumers to shop local and support local small businesses.
- 44 The North East Chamber of Commerce is the North East’s largest member organisation representing over 3,000 businesses in the region, from SME’s to multi-nationals. The NECC brings business people together across a range of member events and well as supporting businesses. For over 200 years the NECC has been helping businesses and individuals to grow their network, knowledge and influence.
- 45 The NECC holds over 100 events each year resulting in them connecting 5,000 businesses. The Chamber holds regular knowledge events and seminars giving members free access to upskill their business and employees.

- 46 In County Durham we have a Business Improvement District (BID) which operates in Durham City. The Durham BID was established in 2012 and is a business controlled initiative which gives organisations in Durham City the power to raise funds locally, to be spent locally with the aim of improving their own business environment. The BID gives businesses control over the development and delivery of projects with the aim of increasing footfall in the area, leading to an increase in business performance and improvement in the business environment.

### **Reviews by other local authorities**

- 47 For the information of the committee the following scrutiny review have been undertaken by local authorities:
- (a) Scrutiny review report – ‘Creating a vibrant South Shields town centre’ was undertaken by South Tyneside Council in September 2008. The review report examined how the council is supporting the retail sector in South Shields.  
[https://www.google.co.uk/?gws\\_rd=ssl#q=South+Tyneside+Council++Scrutiny+review+report++creating+a+vibrant+South+Shields+town+centre&spf=1642](https://www.google.co.uk/?gws_rd=ssl#q=South+Tyneside+Council++Scrutiny+review+report++creating+a+vibrant+South+Shields+town+centre&spf=1642)
  - (b) Scrutiny review report – ‘Support for the Retail Sector’ was undertaken by Brighton & Hove City Council in July 2012. The review looked at current retail provision and how the Council could support the City’s independent retailers. [https://www.brighton-hove.gov.uk/sites/brighton-hove.gov.uk/files/downloads/democracy/Retail\\_Sector\\_FINAL\\_REPORT.pdf](https://www.brighton-hove.gov.uk/sites/brighton-hove.gov.uk/files/downloads/democracy/Retail_Sector_FINAL_REPORT.pdf)
  - (c) Scrutiny review report – ‘Local shopping centres and closure of shops’ undertaken by St. Helens Council in March 2014. The report examined the economic impact the recession was having on local shopping areas and what these areas can do to alleviate the effects.  
<https://www.sthelens.gov.uk/media/2790/review-of-local-shopping-centres-and-the-closure-of-shops-march-2014.pdf>

### **Terms of Reference**

#### Background

- 48 In 2016, the Economy and Enterprise Overview and Scrutiny Committee held a focused scrutiny meeting looking at the support currently provided to SMEs in the county by Durham County Council via Business Durham and key partners.
- 49 At the above meeting it was highlighted that Business Durham did not provide support to the retail sector and it was suggested by members that a focused piece of work should be undertaken by the committee as part of the 2017/18 work programme looking at the support currently provided by DCC to this sector.

- 50 It was agreed by the committee at its meeting on the 29 June 2017 to establish a working group to undertake a review.

#### Scope

- 51 The focus of the review is to investigate and understand how DCC works with key partners including the Area Action Partnerships (AAPs) to support the retail sector in County Durham. The review will also identify any gaps in support and examine any actions identified by DCC and partners to address these gaps.

#### Objectives

- 52 The objectives of the review are to:
- (a) Examine and understand DCC's responsibilities for regeneration, economic development and planning with a specific focus on the retail sector.
  - (b) Examine the retail sector nationally, regionally and locally identifying challenges for the retail sector in County Durham.
  - (c) Consider the role of DCC and key partners including AAPs in developing, promoting and delivering retail support in the county.
  - (d) Examine with Commercial Letting Agents in the county the current process for marketing retail premises, the information provided by DCC to agents on the retail offer and any issues/challenges with the current process.
  - (e) Identify any gaps in current retail support in the county and examine any actions identified by DCC and partners to tackle gaps in provision.
  - (f) Examine and understand the Durham BID.

#### Expected outcomes

- 53 It is expected that the following outcomes will be achieved:
- (a) Awareness of how DCC's current responsibilities for regeneration, economic development and planning support the retail sector in County Durham.
  - (b) An understanding of the retail sector at a national, regional and local level including specific retail challenges for County Durham.
  - (c) Awareness of current retail support provided by DCC and key partners including AAPs.
  - (d) Awareness of the marketing process used by Commercial Letting Agents, the information provided by DCC to agents on the retail offer and the issues/challenges with the current process.
  - (e) An understanding of the gaps in current retail support and consider to what extent DCC and key partners can work together to tackle gaps in provision.
  - (f) An understanding of the Durham BID and consideration as to whether the BID model is appropriate for use elsewhere in the county.

## Engagement

- 54 The review group will receive evidence from key partners including AAPs, Enterprise Agencies, the Federation for Small Businesses, the Durham BID and the North East Chamber of Commerce of the various support provided to the retail sector. The review group will also receive information from Letting Agents in the county on the retail offer and the current marketing of empty retail premises providing an opportunity to identify any challenges with the current process. In addition, visits will be undertaken by the group to various local retailers in the county, providing an opportunity for members to engage with local retailers identified by DCC's Regeneration Team and AAPs.

## Approach

- 55 The review will receive evidence by reports and presentations from DCC officers and key partners and from discussions with Letting Agents and retailers in the county. The review group will also visit a number of retailers in the county to get their views on current retail support provision.

## Membership

- 56 The membership of the review group will consist of members of the Economy and Enterprise Overview and Scrutiny Committee and will be no more than 10 including the Chair and Vice-chair of the Economy and Enterprise OSC. The Chair and Vice-chair of the Corporate Overview and Scrutiny Management Board will be ex-officio members of the group.

## Reporting

- 57 On completion of the evidence gathering and formulation of the recommendations a report will be drafted for submission to Cabinet and the County Durham Economic Partnership.

## Timescale

- 58 The review will commence in November, 2017 with the aim of reporting to Cabinet in October 2018.

## Recommendation

- 59 Members of the Economy and Enterprise Overview and Scrutiny Committee are recommended to:

Agree the terms of reference as set out in paragraphs 48-58 and the project plan attached as Appendix 2.

## **Background papers**

Retail Futures – 2018 – Report from the Centre for Retail Research

Support to SMEs – Overview and Scrutiny report March 2016

DCC website - retail support

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## **Appendix 1: Implications**

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**Finance – N/A**

**Staffing – N/A**

**Risk – N/A**

**Equality and Diversity / Public Sector Equality Duty – N/A**

**Accommodation – N/A**

**Crime and Disorder – N/A**

**Human Rights – N/A**

**Consultation – N/A**

**Procurement – N/A**

**Disability Issues – N/A**

**Legal Implications – N/A**