1.1 Introduction

1.1.1 In order to set out the wider context for the Study and inform our advice on the need for additional retail and leisure floorspace in Wirral, this appendix provides an overview of prevailing retail and leisure trends and the Governments response to 'transform town centres'. This overview draws on recognised retail and leisure data sources, including research by Experian, Global Data and Mintel.

1.2 Changing Retail Climate

1.2.1 The last two years have been particularly challenging for retailers. Deloitte[1] report that 2018 was the year that saw the most store closures and job losses since the 2008 global recession. The retail industry is currently under pressure with many retailers finding themselves in an uncomfortable position as margins are squeezed between weakening demand and rising costs. In 2019, retailers have continued to experience challenges which are expected to continue into the near future.

1.2.2 We summarise below the key issues impacting many retailers and town centres in the UK:

- Continued Rise in Internet Shopping;
- Increased Town Centre Vacancy Levels & Store Closures; and
- Uncertainty surrounding Brexit.

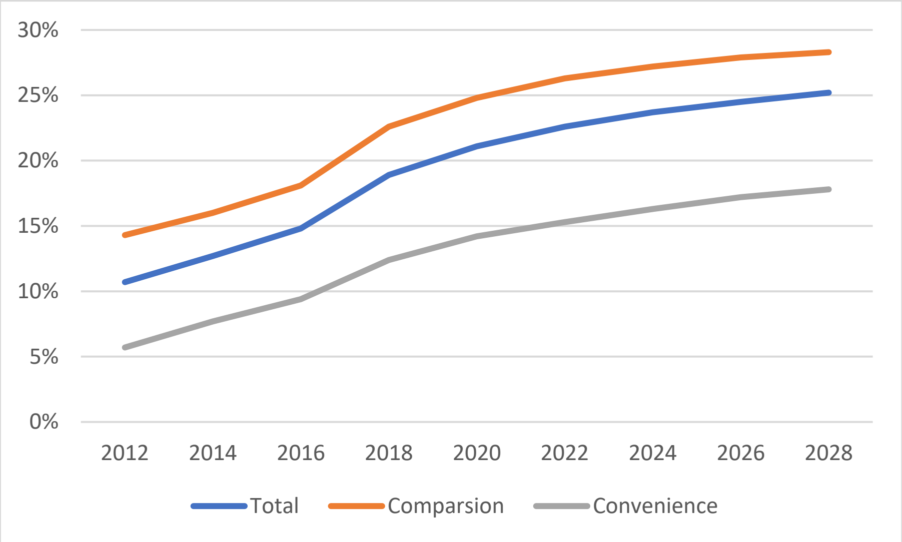
Continued Rise in Internet Shopping

1.2.3 Experian, in their latest Retail Planner Briefing Note identify that the strong increase in online shopping in the past decade has lifted the share of non-store retail sales to a level where at 2018, it accounted for close to 20% of total retail sales, against a little below 5% in 2008. It is estimated that the value of internet sales in 2018 totalled £68.1bn.

1.2.4 The latest projections by Experian forecast that non-store retailing will continue to grow rapidly, outpacing any growth in more traditional forms of spending. Non-store retailing is anticipated to continue to increase at a faster pace than total retail sales at least until 2028.

[1] https://www2.deloitte.com/tw/en/pages/about-deloitte/articles/about-deloitte.html?icid=top_

Figure 1.1: Estimated and Projected Market Share of Non-Store Retail Sales



Source: Experian Retail Planner Briefing Note 16 (December 2018)
Notes: Non-store retail sales (special forms of trading) comprises sales via the internet, mail order, stalls *and markets, door to door and telephone sales.*

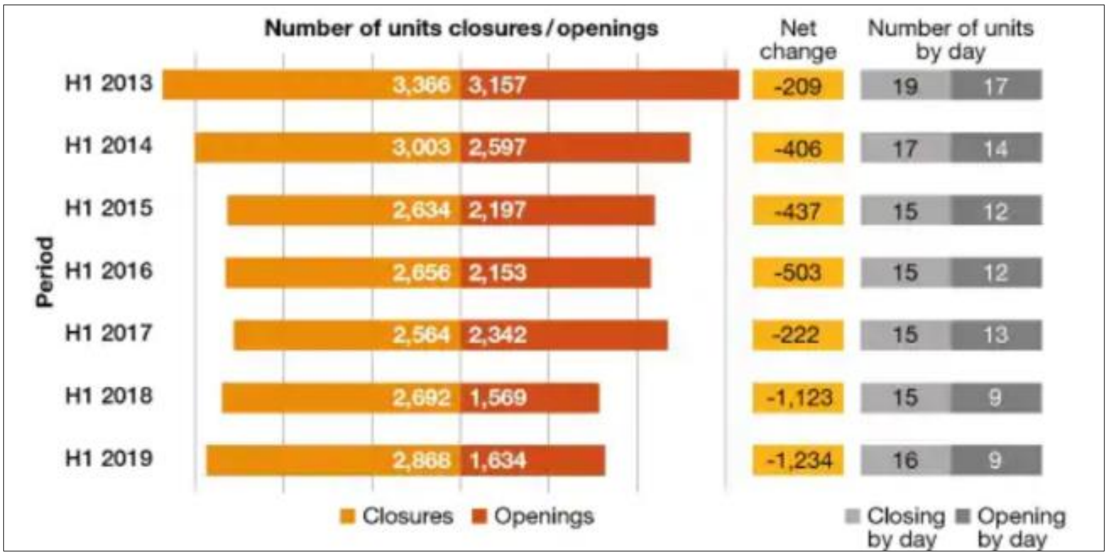
1.2.5 Experian highlight that whilst the challenge to traditional store-based shopping from internet-based shopping will continue to grow, a number of factors soften the impact. These factors include:

- Many stores sell online but source sales from regular stores rather than warehouses, implying an increase in required store floorspace to cater for rising internet sales;
- Even if non-store retailing outpaces store-based shopping, store-based shopping is still expected to continue to expand at an annual average of 1.8% per annum in per capita terms;
- It is probable that sales via the internet will begin to grow less rapidly at some point in the next few years; and
- A significant development is multi-channelling, where internet shopping actually drives demand for traditional outlets. In-store product and services offer (including collection/drop-off points for online orders (click and collect)) forms part of a co-ordinated multi-channel strategy and will continue to support demand for retail space.

Increased Town Centre Vacancy Levels & Store Closures

1.2.6 Local Data Company (LDC) reported (September 2019) that in the first half (H1) of 2019 there was a net loss of 1,234 stores from Britain's top 500 town centres compared with a 222 store loss over the equivalent period in 2017 and 1,123 in 2018 (Figure 1.2). In total, an average of 16 stores a day closed. However, store openings have marginally increased, with 65 (4%) more openings in H1 2019 compared to H1 2018.

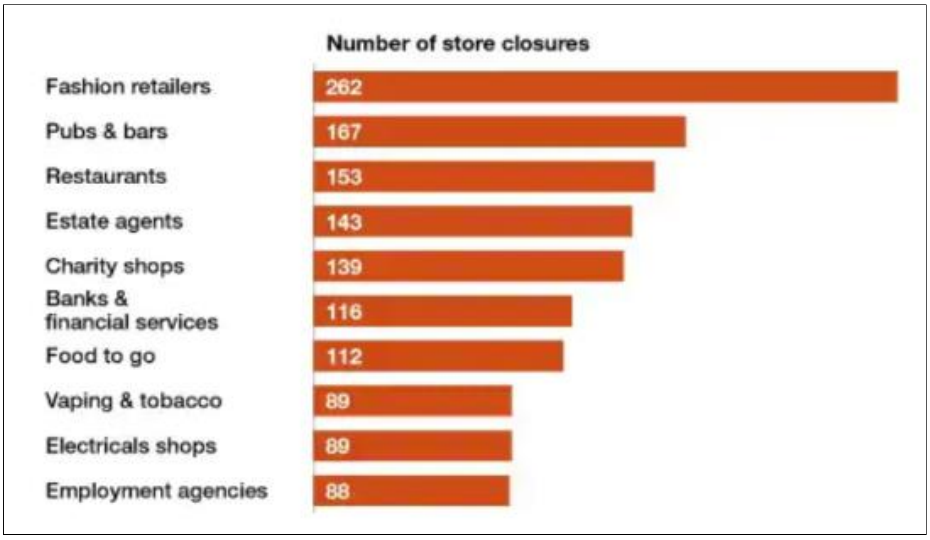
Figure 1.2: Openings and Closures in top 500 town centres - H1 2013- H1 2019



Source: Local Data Company

1.2.7 The research undertaken by LDC identified that, on a sector by sector basis, only 15 out of 96 sectors showed a net growth in store numbers, and all but two grew by only a single digit number of outlets: takeaways (+26) and sport and health clubs (+17). The sectors that have seen the biggest decline include fashion shops (-118), restaurants (-103), estate agents (-100) and pubs (-96).

Figure 1.3: Top 10 Categories for Store Closures & Openings in Britain's Top 500 Town Centres - H1 2019



Source: Local Data Company

1.2.8 Many retailers have found themselves struggling to pay their rents and other overheads, such as a rising minimum wage and business rates. This, together with consumers doing more of their shopping online has resulted in a number of retailers restructuring (some involving a Company Voluntary Arrangement (CVA)) or going into administration including:

- Maplin entering into administration resulting in the closure of their 200+ stores (February 2018);
- Toys R Us going into administration closing all of its 105 stores (February 2018);
- Carpetright's announcement of its restructuring and closing some 81 of its 400 stores (April 2018);

- Poundworld going into administration closing all 355 of its stores (June 2018);
- House of Fraser entering into administration albeit immediately purchased by Sports Direct (August 2018). 5 stores have since closed and an unknown number are expected to close in the next year. The future of House of Fraser is uncertain with the new owners reporting *"significant operational and investment issues"* and losses of £54.6m (August 2019);
- Homebase's owners (Hilco) announcement of closing a further 42 stores (61 in total) as part of a proposed CVA by early 2019 (August 2018);
- Coast entering into administration with Karen Millen buying part of the business excluding 24 retail stores (October 2018);
- New Look's announcement of its intention to close 85 stores following a restructuring plan (November 2018);
- Laura Ashley's announcement that it plans to reduce the number of its UK stores from 160 to 120 (December 2018);
- Marks & Spencer's (M&S) announcement that in total it will close 100 stores by 2022. 38 stores were announced as closing in 2018/2019, 30 of which have now closed. A further 17 store closures have since be named by M&S and are set to close in 2019/2020 (January 2019);
- HMV going into administration (for the second time in 6 years) with Sunrise Records buying the chain resulting in the closure of 27 stores (February 2019);
- Patisserie Valerie entering administration with Causeway Capital Partners (CCP) buying the chain. CCP is planning to keep all 100 stores open (depending on negotiations with landlords) (February 2019);
- Office Outlet entering administration confirming closure of all its stores (March 2019);
- Debenhams going into administration albeit immediately sold to a newly incorporated company controlled by Debenhams' lenders. It is expected that at least 50 of its 165 UK stores will close, 22 of which have already been announced and due to close in early 2020. At least 30 existing stores will also be downsized (April 2019);
- Boots announcement of plans to close 200 stores by the end of 2020 (July 2019);
- Bathstore falling into administration and subsequently acquired by Homebase. A total of 90 Bathstores have closed with 44 stores to remain open (July 2019);

- Karen Millen (and its subsidiary Coast) going into pre-pack administration with Boohoo acquiring the online business but all 32 stores and 177 concession expected to close (August 2019);
- Jack Wills going into pre-pack administration and with Sports Direct acquiring the store estate/brand and closing 8 stores (August 2019);
- Thomas Cook entering into administration with Hays Travel acquiring all 555 of its stores (October 2019); and
- most recently, Mothercare going into administration with its remaining 79 outlets closing (November 2019).

1.2.9 Birkenhead itself has experienced a number of store closures, the most notable one being the closure of the town centre M&S in April 2018. Whilst the town centre House of Fraser store is not currently on any store closure list, the future of the store is uncertain given the recent announcements by its owners.

1.2.10 It is evident that current trading conditions for a number of retailers are difficult. Such closures/changes can result in particularly significant impacts at medium/smaller sized town centres, which tend to be the subject of higher vacancy rates, and which have also often suffered related reductions in rental levels and footfall in recent years. As a consequence, a greater proportion of comparison goods expenditure is being claimed by a smaller number of centres of sub-regional or regional importance.

Uncertainty Surrounding Brexit

1.2.11 At the time of writing, the final results of the Brexit negotiations remain uncertain. If a deal is finally agreed by Members of Parliament plans will be in place to proceed with the terms of a deal including a one-year transition period. However, if a deal cannot be reached and further extensions are agreed to the Brexit process the UK will continue to face uncertainty which tends to reduce investment expenditure.

1.2.12 The actual implications of Brexit on retailing in the UK will depend on the final outcome. GlobalData highlight three key implications as a result of Brexit:

- **Inflation will drive up food retail** - Brexit outcomes that create trade diversion between the UK and EU will see a potential steep increase in food prices. Higher import costs (through tariffs and the falling pound) that retailers will in part pass to consumers, as well as lack of availability will result in limited supply which would see prices on basic foodstuffs rise.
- **Non-food categories will feel the brunt of reduced spending** – non-food growth is expected to slow significantly in the event of a no deal, with the forecast rise in inflation failing to offset a drag on consumer confidence and a sharp decline in volume growth.
- **Consumer confidence will continue to decrease in face of prolonged uncertainty** – A no deal Brexit or delayed withdrawal will have an effect on lowered consumer confidence. If a Withdrawal Agreement is passed, there will be a minimised effect of lowered confidence on retail spend.

1.2.13 It is an uncertain time for UK businesses and the consumer. It is difficult to predict what will happen given that so much depends on the nature of the UK's exit from the EU.

1.3 The Continued Rise of the Grocery Discounters

1.3.1 Shoppers have turned away from food superstores in recent years. Mintel[2] attributes the problems which face superstores to two principal factors.

1.3.2 Firstly, many young people are choosing to rent within or close to town and city centres. As a consequence, many undertake sporadic food shopping and often eat out, use takeaways, or buy instant meals. Accordingly, when young people undertake food shopping, they often have no greater need than that which can be serviced by a convenience store.

1.3.3 The second factor is the growth of discount operators, which have become more mainstream in both their offer and market positioning. Mintel suggests that the improvements in discounters' offer, such as wider ranges, better fresh foods and more premium foods, means that they have become an attractive alternative to both large food superstores and to convenience stores.

1.3.4 As a consequence, the 'big four' foodstore operators (Asda, Morrison's, Sainsbury's and Tesco) have become circumspect in respect of new store openings and, indeed, have closed a number of existing foodstores. All four have suffered significant declines in their market share over the past four to five years. As Figure 1.4 below indicates, Tesco has suffered a 1.9% reduction in its share

[2] https://www.mintel.com/

of the food retail market between 2012 and 2018, and Morrison's has suffered a 1.4% reduction in market share. Considered together, the market share of the big four foodstore operators has declined from 59.6% in 2012 to 53.8% in 2018 (a reduction of 5.8%). In contrast, other retailers – most notably Aldi and Lidl – have benefitted from increases in their market share. Aldi's market share increased from 2.6% to 6.6% (equating to an increase of 4%) between 2012 and 2018.

Figure 1.4: Market Share of Key UK Food Retailers

Operator	2012	2013	2014	2015	2016	2017	2018
Tesco	23.9%	23.0%	23.3%	22.8%	22.6%	22.1%	22.0%
Sainsbury's	13.1%	12.9%	13.1%	12.8%	12.6%	12.2%	12.1%
Asda	13.3%	13.0%	13.0%	12.0%	11.3%	11.4%	11.3%
Morrison's	9.3%	8.9%	9.2%	8.6%	8.6%	8.3%	8.4%
Aldi	2.6%	3.3%	4.3%	4.8%	5.5%	6.0%	6.6%
Co-operative Food	5.4%	5.1%	5.2%	5.1%	4.9%	4.7%	4.7%
Waitrose	3.6%	3.7%	3.8%	4.0%	3.9%	3.9%	3.9%
Marks & Spencer	3.7%	3.7%	3.9%	4.0%	4.1%	4.1%	4.1%
Lidl	2.0%	2.0%	2.2%	2.5%	3.2%	3.2%	3.3%
Iceland	1.9%	1.9%	2.0%	2.0%	2.0%	2.0%	2.2%

Source: UK Food & Grocery Retailer Update, GlobalData.com

1.3.5 The most recent strategy of the big four operators has been twofold: (1) the development of smaller store formats for top-up food shopping; and (2) the reconfiguration and refurbishment of existing foodstores.

1.3.6 The development of smaller store formats (Sainsbury's Local, Tesco Express, Marks & Spencer Simply Food, and Little Waitrose) has been a trend that has taken place over the last few years. It is a response to changing food shopping habits and the move from weekly shops to more frequent smaller shops. These smaller store formats are important in driving footfall in smaller district/town centres and in some cases act as a vital 'anchor store'.

1.3.7 In terms of the reconfiguration/refurbishment of existing foodstores, in some cases, product lines are being reduced and pricing is being made straightforward. Some operators are looking to introduce other uses/concessions to take existing floorspace and Sainsbury's acquisition of the Home Retail Group has allowed it to introduce Argos (which it now owns) into its stores. Small concessions of Habitat are also currently being tested within a number of Sainsbury's. The introduction of additional uses/concessions in foodstores has the potential to take trade away from town centres.

1.3.8 Aldi and Lidl have both sought to take advantage of the structural changes in the food retail market and have announced ambitious store opening targets that will further increase pressure on the big four operators. Aldi has identified major expansion plans and a £1bn investment with plans to open a new store in the UK ever week on average until at least September 2021 with a target to have more than 1,000 stores by 2022. Aldi's plans include three formats: standard stores of between 18,000sq ft and 20,000sq ft with a minimum of 70 parking spaces; the 'Small Aldi' format of between 10,000sq ft and 14,000sq ft with a minimum of 40 parking spaces; and, the 'City Aldi' format of between 7,000sq ft to 10,000sq ft with no parking spaces offered. Aldi is understood to be considering all types of property, including development sites, mixed-use schemes, retail parks, high streets, shopping centres and roadside.

1.3.9 Lidl plans to expand to trade from a portfolio of 1,200 UK stores in the coming years. Lidl's future requirements reportedly comprise units of between 20,000sq ft and 30,000sq ft, with sites of 1.5 acres required for standalone units and up to 4 acres for mixed-use schemes.

1.3.10 The top four main grocers are feeling the pressure from the discount retailers. Following its failed merger with Asda, in seeking to reduce costs, Sainsbury's are now intending to close down 125 stores as part of its five-year plan. The 125 stores include 15 Sainsbury's foodstores, 40 convenience stores, and 70 Argos stores. It also plans to relocate a further 80 Argos stores into its foodstores.

1.4 The Food and Drink Sector

1.4.1 In recent years, town centres have increasingly relied upon an expanding food and drink sector to bring some vacant units back into active use. Eating out has become increasingly popular and both national multiples and independents have benefitted from the additional expenditure which has resulted.

1.4.2 Local Data Company (LDC) reports that the number of food and drink outlets in town centres had gone up by 6,000 between 2011-2016 whilst the number of town centre bars, pubs and night clubs fell by about 2,000. The largest food and drink growth areas included lounge bars (116%), cake makers (51%), juice bars (46%) and coffee shops (31%). In 2017, LDC reported the number of new food and beverage outlets opening in the UK reached a peak of around 743 new units per year. However, over the last year or so there is evidence that the food and drink market is becoming saturated with the likes of the following outlets restructuring, closing outlets, or going into administration:

- Byron Burger;
- Ed's Easy Diner;
- Giraffe;
- Prezzo;
- Strada;
- Jaime's Italian;
- Gourmet Burger Kitchen; and
- Chimichanga.

1.4.3 Food and drink operators now require units which are in amongst the retail heart of a centre. Food and drink operators (particularly national multiples) can be particularly attractive to landlords as long leases can often be agreed to due to the cost of fit-outs.

1.4.4 Mintel also reports that although the three biggest operators, Odeon, Vue and Cineworld, still dominate the cinema market and account for 60% of the total UK cinema screens, there has been a steep increase in the number of independent screens. Niche cinema operators, such as Everyman, Curzon and The Light, are considered to have the potential to be particularly complementary to shopping environments. Such cinemas have more modest land take requirements than large multiplexes, and therefore may have a greater chance of being incorporated in a mixed-use development. Mintel reports that the growth of 'event cinema' and diverse food and drink offerings provided by independents means cinema is becoming a destination for consumers who are not typical cinema fans.

1.4.5 The health and fitness sector has been buoyed by the popularity of budget gyms. Operators such as Pure Gym, The Gym Group and easyGym have an operational model which is based on low costs and high volume. Such gyms tend to have plenty of equipment in order to encourage users, but are characterised by basic fit-outs and limited staff. Many budget gym operators – including Pure Gym and The Gym Group – are actively seeking to bring forward additional facilities, with a wide range of properties (including old theatres, larger shop units and office space) having the potential to meet their needs. The Leisure Database Company suggests that there were around 300 budget gyms across the country in summer 2016, but that this figure has the potential to increase to around 1,000 by the end of 2019. Pure Gym is now the private health and fitness club market leaders in terms of both venue numbers (160 clubs) and memberships. The Gym Group and Anytime Fitness now also both have over 100 clubs, with Xercise4Less, having over 50 gyms.

1.4.6 There are a number of emerging leisure concepts which are also helping to anchor retail environments, including, Virtual Reality (VR) stores, bowling alleys, trampolining and crazy golf. These concepts can assist centres in providing a point of difference with the competition, ensure that visitors' dwell times are increased, and assist a town's evening economy. With the exception of VR stores, such concepts do however require reasonably large footprint units/space which primarily due to physical constraints, town centres are not always able to provide/offer.

1.5 Governments Response to 'Transform Town Centres'

1.5.1 In the 2018 Budget the Ministry of Housing, Communities and Local Government (MHCLG) announced a consultation on new planning reforms with various initiatives suggested that would allow for a more flexible and supportive approach to help transform/revitalise town centres[3]. The suggested initiatives included changes to Permitted Development Rights, business rate reliefs for small town centre businesses, and funding to help Councils in drawing up and implementing plans for town centres to adapt/respond to changes in the retail economy. Further town centre funding has also been announced by the Government since the 2018 Budget which we summarise below.

Changes in Permitted Development Rights and Use Classes

1.5.2 In October 2018 MHCLG issued a consultation document titled 'Planning Reform: Supporting the high street and increasing the delivery of new homes. The consultation period ended earlier this year. The changes which the Government has now adopted (25th May 2019) to support greater diversity and footfall on the high street following the 'Planning Reform' consultation include the following amendments to the GDPO:

- A new class 'JA' of the General Permitted Development Order (GPDO) which permits a change of use of a building from a use falling within Class A1 (shops), Class A2 (financial and professional services), or Class A5 (hot food takeaways) or from use as a betting office, pay day loan shop or launderette, to a use falling within Class B1(a) (offices). There is a qualifying date of 29 October 2018 for the pre-existing use, a floorspace limit of 500 sq m, and it does not apply to a building that is, *inter alia*, Listed or within a Conservation Area. A prior approval application is required to assess impacts of the proposed change of use in respect to transport and highways, noise from neighbouring commercial and retail premises, and on whether there remains *"adequate provision of services"* in the area, particularly

[3] https://www.gov.uk/government/consultations/planning-reform-supporting-the-high-street-and-increasing-the-delivery-of-new-homes

where the site is located within a shopping area, to ensure the sustainability of that shopping area.

- In Class M (residential conversion from A1 shops, A2 offices, betting or pay day load shop), A5 take-aways have been added to the pre-existing uses that can be changed to residential, together with a clarification of the retail impact assessment that is required. There is a qualifying date of 20 March 2013 for the pre-existing use, a floorspace limit of 150 sq m, and it does not apply to a building that is, *inter alia*, Listed or within a Conservation Area. As with Class JA a prior approval application is required including an impact assessment to assess that there is an adequate provision of existing services in the area.
- Part 4, Class D (temporary use of various business premises) has been amended by enlarging the uses to which the use of the specified business premises can be changed to include Class D1(a) (the provision of any medical or health services except the use of premises attached to the residence of the consultant or practitioner), Class D1(d) (the display of works of art (otherwise than for sale or hire)), Class D1(e) (museum), Class D1(f) (public library or public reading room), or Class D1(g) (public hall or exhibition hall). The singe period of the temporary use has been extended from 2 to 3 years.

1.5.3 The regulations did not include the proposed PD right allowing upward extensions to create new housing, though the government's consultation response said it still intends to proceed with this.

Business Rate Relief

1.5.4 In his 2018 Budget the Chancellor confirmed the Government will cut business rates by a third for small town centre retailers/businesses with a rateable value of less than £50,000. The Government's funding for business rates relief totals £900 million. Under the plan, small firms will receive a one-third discount on their rates bills for two years. The Chancellor indicated the business rate reliefs would introduce an average annual saving of £8,000 for 90% of independent businesses.

1.5.5 Whilst the cut to business rates for small businesses has been welcomed, there has been disappointment that the fund doesn't help medium and large high street businesses which have been hardest hit by rate rises.

1.5.6 At the same time as announcing business rate reliefs the Government also announced the introduction of a digital services tax from April 2020. The digital services tax is a levy against social media platforms, internet marketplaces and search engines. It is intended to be targeted at *"established tech giants"* rather than start-ups. The government is proposing a 2% tax rate against the sales that large digital companies make in the UK. It would be imposed on companies that are profitable and generate *"at least £500m a year in global revenue"*.

Funding to Support Town Centres

Future High Street Fund

1.5.7 As part of the 2018 Budget, a new £675 million Future High Streets Fund[4] was announced that is intended to assist local areas to respond/adapt to changes in their town centres, by using long term strategies. There was competition for the funding with local areas expected to partner with the private sector in their proposals, which should set *out* an overall vision of the specific improvements that would contribute to its achievement. It is envisaged that the Fund will then co-fund projects such as:

- investment in physical infrastructure, including improving public and other transport access, improving flow and circulation within a town/ city centre, congestion-relieving infrastructure, other investment in physical infrastructure needed to support new housing and workspace development and existing local communities', and the regeneration of heritage high streets; and
- investment in land assembly, including to support the densification of residential and workspace around high streets in place of under-used retail units.'

1.5.8 A new High Streets Taskforce will also be created and funded, to support local leadership. The fund will also support the regeneration of heritage high streets (up to £55 million of the overall fund). This has two elements: helping to restore historic properties through Historic England; and (2) providing communities with resources to put historic buildings back into economic use.

1.5.9 In July 2019, 50 places had been identified by the government as being successful in progressing to the business case development phase (Phase 2) of the Future High Street Fund. We understand that Birkenhead Town Centre and New Ferry Local Centre were successful in progressing through to Phase 2 and the Council are currently working up more detailed business case submissions.

[4] https://www.gov.uk/government/publications/future-high-streets-fund

1.5.10 In August 2019, following the government's announcement that an additional £325 million would be allocated to the Future High Street Fund, increasing the Fund to £1 billion, the government announced that Round 1 of the Future High Streets Fund had been expanded to a further 50 areas.

Stronger Towns Fund

1.5.11 In March 2019, a new £1.6 billion Stronger Towns Fund for England was announced by the Government. £1 billion of the new fund is to be allocated using a needs-based formula, with the remaining £600 million being available through a competitive process.

1.5.12 The formula is based on a combination of productivity, income, skills, deprivation metrics and proportion of the population living in towns. This targets funding at those places with economies that are performing relatively less well to the England average, whose residents are living on lower incomes, and where larger proportions of the population have low skill attainment. The Government has allocated some £281m for the North West region.

Towns Fund

1.5.13 As of September 2019, the 'Stronger Towns Fund' and 'Future High Street Fund' were combined and are now collectively referred to by the Government as the 'Towns Fund'. The Prime Minister identified that the Towns Fund involves a total fund of £3.6bn. Whilst this has been referred to as a "new" fund MHCLG confirmed in a press release in September 2019 that this involved an additional commitment of £1.325bn over the previous commitments in the 'Stronger Towns Fund' and 'Future High Street Fund'.

1.5.14 The government has invited 100 places to develop proposals for funding from the £3.6 bn 'Towns Fund'. The towns eligible for support from the fund include places with industrial and economic heritage but have not benefitted from economic growth in the same way as more prosperous areas.

1.5.15 Plans are to be drawn up by communities, business and local leaders with the purpose of transforming their town's economic growth prospects with a focus on improved transport, broadband connectivity, skills and culture.

1.5.16 A total of £241m is available to support towns in 2020-2021, and the 100 towns can bid for up to £25m each. The government published a prospectus in November 2019 to guide towns through the process and set eligibility criteria for funding.

1.5.17 The Government has announced that *"a total of 45 places across the Northern Powerhouse and 30 places in the Midlands Engine are among the 100 pioneers of new Town Deals as part of the government's commitment to level up all regions by boosting productivity, skills and living standards"*. It is not clear, but WYG assume that the shortlisting of towns represents a merging of the previous Future High Streets Fund and Stronger Towns Fund.