Thought Leadership

Measuring and improving town centre vitality and viability

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One of the key objectives of planning policy is to protect and promote the vitality and viability of town centres. Health check assessments are the tools used to measure and analyse town centre vitality and viability, and to monitor how this has changed over time and will change in the future.

Conclusions
The main conclusions from our review of health check assessments and the PPS4 indicators are as follows:-

• The list of health check criteria set out in PPS4 is long but the relevance and reliability of some of these criteria as a way of measuring the true long term performance and prospects of a centre are questionable.

• As well as the PPS4 indicators there are other criteria which may be equally or more relevant. These include amongst them trade and profitability, turnover, car park usage, quality and mix of retailers, condition and size of units and the potential vulnerability of a centre.

• It is essential that a full and proper analysis of health check criteria is undertaken, including an analysis of change over time. Too often health checks provide only a superficial snapshot or a ‘tick box’ exercise. This is of limited use and may be misleading by failing to identify long term problems or opportunities.

• Most health checks explore how a centre is performing in absolute terms by analysing the PPS4 criteria. Some compare how a centre is performing relative to its competitors and to general benchmarks, which is important in gaining a fuller understanding. Few examine a centre’s performance relative to its full potential. This would be very useful information, though could be difficult to determine.

• A health check assessment is easier to do for larger centres with more readily available data. Smaller centres may need to rely more on original survey work and qualitative observations/analysis.

• It is important that overall conclusions on the health of a town centre are provided and to assist in this the results from individual indicators can be compiled into indices or rankings using weightings/scoring systems so that all factors are considered. Appropriate plans should then be made to overcome weaknesses and deal with threats.

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Recommendations
Health check assessments are an important starting point to ensure the vitality and viability of town centres are maintained/improved. They enable the performance of a town centre to be measured and the challenges it faces to be identified. A strategic plan and proactive town centre management is then required to address any issues. General responses should include:-

• Improving the town centre environment to avoid the ‘sameness’ of many town centres. Minimise competition from the internet and unrestricted out-of-centre shopping.

• Exploring innovative ways to unlock stalled development projects and drive new ones forward, including scheme redesign, phasing, and greater local authority involvement in site assembly.

• Limiting new out-of-centre development, particularly un-restricted A1 development, or the expansion of out-of-centre stores to maintain a sustainable relationship between the size of the town centre and the size of out-of-centre provision. Also limiting new large scale out-of-centre food store developments and restricting the sale of non-food goods from any permitted stores.

• Planning proactively for edge-of-centre schemes (where some non-town centre development is unavoidable), rather than out-of-centre schemes. These should offer good linkage to the town centre so that new development effectively becomes an extension of the town centre.

• Improving town centre management on a day-to-day, hands-on basis. This would involve regular forward planning with an emphasis on implementation, greater focus on what the competition is doing in out-of-centre locations and competing town centres, then acting accordingly.

• Giving more support to local businesses and start-up initiatives. Some change of use should be permitted to help vacant units to be re-let as quickly as possible. This can break the spiral of decline that can happen when properties have been vacant for some time.

• Making town centres as accessible as possible to the widest number of users. Attracting footfall to a centre is fundamental and weak transport links, congestion and inadequate/costly parking can prove fatal to a centre’s health. Revenue raised through car parking should be channelled back into transport strategies.

Executive summary
Introduction

One of the key objectives of planning policy is to protect and promote the vitality and viability of town centres. PPS4 sets out a number of key criteria by which the health of a town centre should be assessed. However, the relevance and reliability of some of these criteria as a way of measuring the true long term performance and prospects of a centre is questionable.

In this bulletin we examine the key health check criteria and how these have been, and will be, influenced by retail trends. We also look at how these criteria are analysed to identify some of the pitfalls to avoid and other important considerations which may be equally or more relevant than the PPS4 criteria. We conclude by recommending how a health check analysis can be used to pro-actively improve a centre’s vitality and viability.

A health check assessment is the key tool by which town centre vitality and viability is currently measured, using the criteria set out in PPS4. The health check should indicate how a centre is performing at present and provide a baseline position for future monitoring. It is also the basis for judging a centre’s resilience to trade diversion or impact.

The health check criteria can be analysed in a variety of ways drawing on both quantitative and qualitative data. It is important in any analysis that comparisons are made over time and with other centres/national averages to ensure meaningful analysis and appropriate conclusions are drawn from the data. Too often they provide only a superficial snapshot or a ‘tick box’ exercise which may miss long term problems or opportunities.
Summary of retail trends

Key retail trends that have affected and will continue to affect the vitality and viability of town centres are briefly summarised below. It is important to consider such trends as they help to explain changes in measures of town centre performance and thus are relevant to health check assessments. A detailed analysis of these trends is contained in our recently published Retail Trends bulletin (GVA, Spring 2011).

- **Expenditure growth**: Over the last 15-20 years (up to the recession) retail expenditure growth, especially non-food expenditure growth, was exceptionally strong, driven largely by high rates of borrowing, low inflation/interest rates and strong house price inflation. The recession corrected such unsustainable growth and this decade will see much weaker expenditure growth, particularly in physical shops due to the strong growth in online spending.

- **Development activity**: The last decade saw an exceptional amount of retail development, particularly town centre development. This stopped dramatically with the recent recession, resulting in a much lower level of new development than during the previous recession. Weaker expenditure growth, retailer demand and rental growth, plus pressures on development costs and difficulties in obtaining finance will all impact on development viability and activity.

- **Changing customer and retailer demands**: The retail sector is constantly evolving due to changing customer demands. Notable trends have been the consolidation of retail businesses, the diversification of retailers into new areas and their demand for larger modern units in larger town centres – a potential problem for smaller or more historic town centres which will intensify.

- **Population changes**: The last four decades have seen the UK’s population grow at an accelerating rate. Strong growth is expected over the next 20 years, with a particular focus on the eastern and southern parts of the country. There will be particularly strong growth in the numbers of older people and the ‘grey pound’ will become increasingly significant in retail terms, leading to greater spending on leisure related activities. The strain of supporting an ageing population could also reduce overall consumer expenditure growth.

- **Mobility**: Increased car ownership has given consumers the ability to travel further to larger retail centres and to buy more per trip. Out-of-centre facilities, with free parking, have gained at the expense of town centres generally. Further growth in car ownership is only likely to be marginal, so transport factors may have a less dramatic impact in the future, but congestion, parking charges and an attractive shopping environment will be key factors for town centres.
PPS4 health check criteria

PPS4 sets out the criteria which a health check assessment should include. This section examines these criteria and looks at how they should be analysed.

Spatial use

Analysis of the diversity of uses and floorspace composition in a town centre, along with consideration of the amount of retail floorspace in edge/out-of-centre locations is important. It helps us to fully understand the type of centre, how it functions, whether it fulfils its role in the retail hierarchy and also to identify potential threats.

The analysis of retail uses should also cover the mix of retail fascias and types of retailers in order to be able to monitor how a centre is changing over time i.e. is it moving from a middle market retail offer to a more value end offer? Whilst perhaps perceived as a negative change this may not necessarily be the case. It might simply reflect a change in the role of a particular centre, not that it is no longer successful. ‘Pound’ shops, for example, can be significant drivers of footfall.

Consideration of other town centre uses besides retail is important as service trades, leisure facilities and other public amenities all help to enhance a town’s overall vitality and broaden its attraction. The diversity of facilities and seeing whether this has narrowed over time, or whether it is right for that type of centre, is important.

When examining edge/out-of-centre retail facilities it is important to consider three key points, which are fundamental factors in determining the potential threat to the town centre:-

- the size of out-of-centre provision relative to the town centre retail offer
- the type of retailing which is in edge/out-of-centre locations (i.e. whether bulky goods or clothing and fashion) and how this may change in the future as a result of existing planning permissions
- how well it is linked with the town centre.

Potential for growth and change

Understanding the capacity for growth and change in a centre is fundamental to effective planning and future management. A starting point to assessing and planning for future change is to analyse past changes. This should go beyond measuring, for example, changes in vacancy rates and rental growth and quantitative change. It should analyse qualitative change in the centre in terms of retailer representation and physical changes in the appearance and maintenance of the centre and the reasons behind any changes.

Future change is not only an assessment of the amount of capacity which population and expenditure growth and market share changes will determine. Also important is how any capacity can be accommodated and best used.

This involves analysing the existing town centre with a quantitative and qualitative review of the retail mix. This should identify gaps in the market (i.e. groups of retailers lacking representation) or weaknesses in the current retail offer. It should also consider whether existing retailers potentially need relocating into units which better meet their retail format requirements.

The analysis of retailers and units should always be done with the type and size of centre in mind. For example a low multiple retailer representation in a small town is not necessarily reflective of a weak town centre. Such a town may simply not be large enough to support many multiples and could be thriving with a good offer of local independent traders.

Retailer demand and change in demand are other important considerations as these can also help identify need.
Commercial property performance

The analysis of rents and yields is useful to see how a centre is performing, particularly when examined relative to other centres or national/regional averages. Trends in performance indicators over time can show whether a centre is improving, is stable or in decline.

The analysis of commercial data should always be set in the context of the wider economy to determine whether changes are specific to individual towns, i.e. reflective of something which has occurred in that town, such as new development which has created more space, or whether they simply reflect what is happening nationally.

Ideally, rather than simply examining headline performance indicators for a town, there should also be some analysis as to how these vary between different parts of the town, say in the core, secondary and tertiary areas, to identify any potential issues which may be masked by the “headline” figures. Such data however is likely to be more difficult to come by and may necessitate bespoke surveys.

Vacancy levels

The vacancy rate is a useful indicator of the health of a centre. But it should be analysed in terms of the number of units, the proportion of floorspace, the length of time properties have been vacant and their location within the centre.

This will enable a full understanding of the significance of the vacancy rate. For example, a high vacancy rate may be due to one large unit being vacant or a number of small units, and vacancies within core areas are much more significant than those within more secondary or tertiary areas. Where possible an analysis of the loss of any key retailers should identify whether there were specific problems which have forced them to close or whether it was simply part of their business plan to expand and move to a higher order centre.

These factors all influence the measures which might need to be taken to address the vacancy rate. It is also important to consider the wider context, in terms of local development i.e. does the high vacancy rate reflect a site which has been cleared of occupiers to make way for new development? Or has recent development in an out-of-centre location or a neighbouring town drawn retailers away?

Footfall levels/pedestrian flows

Analysis of footfall data and the movement of people around a centre provides an understanding of how a centre is being used. For a full analysis, flow data needs to be collated for weekdays and weekends, and also at different times of the day. This will enable the overall use of the centre to be assessed, the core, secondary and tertiary shopping areas to be identified and will highlight differences between day-time and night-time economies.

Comparison of changes in absolute footfall levels and pedestrian flow patterns over time can help to show whether a centre is improving or losing trade to nearby centres. It can also help to identify whether certain parts of a centre are suffering and can therefore be used to shape future management policies and highlight areas where investment may need to be targeted.

Accessibility

The accessibility of a centre is another key consideration i.e. how easy is it to travel to a centre from its catchment area via both public and private modes of transport. If a centre is not easily accessible or if factors such as congestion, parking constraints and costs, lack of parking etc deter visitors then town centres risk losing trade to competitors or out-of-centre facilities.

In particular, trade may well be lost to out-of-centre retail facilities which are attractive to car-borne shoppers, being easy to get to by road and typically offering free parking. This is key in light of patterns of mobility, with people undertaking more bulk shopping trips which are largely reliant on car travel. Research has shown that parking costs are closely linked with travel choices.

Environmental quality

Finally PPS4 requires that the state of the town centre environmental quality be considered, as an attractive trading environment is essential to a successful centre. This can only be done through qualitative analysis and is therefore very subjective, with results likely to vary depending on time of day, weather conditions and standards of the ‘surveyor’. How a centre has changed over time is also important.

Typical factors to be considered include the state of repair of buildings/shop fronts, the quality of paving and pedestrianised areas, the presence/condition of street furniture, cleanliness and overall general ambience. Such a review can help to identify simple solutions which can improve the overall shopping experience for users and make town centres more pleasant places to visit.
Refining town centre health checks

Government guidance in PPS4 lists numerous indicators which should be used to assess a centre’s health. This is a long list but is it a complete list and can it be applied to every centre regardless of size? Furthermore what do the indicators really show?

Analysis of PPS4 indicators

Some health check assessments simply work through the list of PPS4 indicators in order to “tick boxes”. However, without detailed analysis to show what the data means and how it should be interpreted, this is of limited value. It is also potentially misleading. A proper health check requires, where possible, analysis of data over time and the results to be benchmarked against other similar towns or national averages. The results should also be set in context.

Proper analysis of the data should help to explain why, for example, vacancies are high in a particular centre:

– Is it because shoppers are attracted to an alternative centre or does it reflect a general downturn in the economy?
– Does it reflect that units are the wrong size and are not what retailers are looking for in today’s market?
– Does it reflect poor accessibility and inadequate or costly parking facilities?
– Does it reflect competition from new out-of-centre development and a lack of investment in the town centre?

To help answer some of these questions and provide a context for the analysis, a health check assessment should be prefaced by an overview of current trends within the retail sector, including both economic influences as well as retailer trends. Past and future retail trends may also be relevant in explaining why something has happened and/or in pro-actively planning for the future.

It is important that a mere statement of facts is avoided in a health check assessment. Proper analysis of data is needed, and change over time considered to pin point why something has occurred and what can be done about it. It is often not the exact figures which are important but the general trends over time. It is also important to factor in commitments and to consider the consequences, along with how wider trends might affect a centre.

The analysis of indicators in isolation should be avoided. One indicator alone might not show a pattern, but several combined or considered alongside each other might do so. Further in-depth analysis of the cause and effect of different variables may be required to try and link together patterns in the PPS indicators such as rents, vacancies, yields etc and what has been happening within the local area.

The ability to undertake a detailed health check assessment will inevitably vary according to the size of centre. The larger the centre, then the more data that is readily available and the more analysis that can be undertaken. For small centres, particularly district or local centres, there may be little off-the-shelf data available and a meaningful, objective study will be more difficult.

For smaller centres greater reliance on original survey work will be inevitable. This may involve site visits to assess the overall size of the centre, the floorspace composition and its condition, along with the facilities that support the main retail uses, such as bus routes, car parks, car park charging, the shopping environment etc. Surveys should not only note the presence of facilities but also their usage, as simply knowing that a car park exists and what size it is, for example, does not tell us much. Information on how well – and when – it is used would be more useful. Survey work may also cover shopper surveys, retailer surveys (to determine how businesses are faring and how and why this is changing), a survey of the local chamber of commerce, and discussions with local estate agents.

However the analysis is undertaken it is important that the data is interpreted correctly, set in the right context and, where possible, benchmarked against other centres or national/regional averages. Change over time is also a crucial part of any assessment and processes should be put in place to enable future monitoring to be undertaken on a comparable basis.

Whilst some analysis of performance indicators may be undertaken, few studies examine the current performance of a centre relative to its full potential. This could be very useful information although it may be difficult to determine and would typically require household survey data for the study area to show expenditure flows, the extent of the town’s catchment area and a calculation of the town centre market shares in order to determine potential change. This level of data might not be available or budget constraints might prevent such a survey being undertaken.
Other possible indicators

The examination of just the PPS indicators is a somewhat limited exercise as key factors can be missed. Set out below are a selection of areas which many existing health check studies fail to address but which could usefully be incorporated into a health check analysis. How they could/should be undertaken and whether they are really feasible remain areas for debate:-

• Trade and profitability: The level of trade in the town centre and how and why it has changed. This could cover shops’ turnover (maybe using some kind of index) and their profitability but also relating this to rental levels. It should also assess how a centre is performing compared to its potential.

• Turnover: Analysis of current turnover levels for individual stores and/or centres as a whole, compared to benchmark levels, would be useful to determine how a town is performing i.e. whether above or below average. This must be set in the context of the type of town, as cities will undoubtedly expect to command higher turnover levels than smaller towns. In some small towns, for example, a lower than average trading figure does not necessarily mean a store is performing badly; it might simply reflect the type of centre it is within. Comparison of current turnover levels with past trading figures would show whether a town is losing or gaining trade.

• Footfall levels and car park usage: How well are car parks used, for how long do people park in the town centre and when are the peak times in terms of occupancy levels? Is there much variance between days of the week and times of the day? Does high car parking occupancy tie in with higher footfall throughout the centres, or are people using very limited parts of the centre, and if so how can that be changed?

• Quality and mix of retail offer: This should look at the current offer but also how and why it has changed. Does it serve its market and meet the requirements of the catchment population? This would require analysis of the catchment area in terms of its socio-economic profile and cross matching this with the retail offer to show whether, for example, a relatively affluent catchment is being served by a high street which is tailored towards the value end of the retail market.

• Condition and size of units: The condition of units, along with their size and configuration are important factors in determining how well they fit with retailers’ current requirements. This issue needs to be linked with the analysis of wider trends in terms of understanding what types of stores retailers are currently looking for to assess how attractive a town is to them.

• Retailers views: How retailers view the centre and how and why they think it has changed etc. What are their plans for their store(s) in a centre? If retailers are thinking of vacating premises then this might present an opportunity, though proactive planning, to prevent such losses occurring.

• Potential vulnerability/diversity of retail offer: The potential vulnerability of a centre is linked to the diversity of its retail offer which can be an important issue particularly for smaller centres. Is there a good mix across the retail segments i.e. is risk spread or is there an over reliance on a key retailer which could pose threats if that store were to close. This was highlighted by the plight of many small towns following the closure of Woolworths in 2009. Therefore, a health check should consider vulnerability and how resilient a centre is to wider changes in the retail sector, drawing on information from the analysis of current and future trends.

What do the results of a health check study mean and what planning action can be taken?

Once all the survey work and data analysis has been undertaken the next stage is to work out what it all means. What are the overall conclusions and what plan of action might be recommended.

An initial approach would be to examine town centre rankings. Off-the-shelf composite (weighted) indices, combining a number of variables into an overall weighted score and rank position for a town centre are commercially available, but a measure of subjectivity is inevitable and there will always be variation in the rankings from different providers. Such rankings are useful, though, for an initial overall benchmarking of centres against each other and to see how they have changed over time.

The results of the analysis of the PPS4 indicators along with other potential measures could be used to compile a scoring system for each indicator. These individual scores, through a weighting system, could then be combined to give an overall score for different groupings of indicators. Scores or rankings could then be benchmarked against the scores/rankings for other centres. This method would provide an overall conclusion on the health of a particular centre which can be updated regularly and tracked over time.

A complementary approach would be to use the analysis of the PPS4 and other indicators to undertake a SWOT assessment (Strengths, Weaknesses, Opportunities and Threats). This takes the analysis a stage further. It provides a useful summary of the health check assessment, an analysis of the results and what can be done to overcome weaknesses and deal with threats. It should also highlight what could happen if actions are not undertaken.

The final stage of a health check assessment is to use the results of the above analysis to provide a strategic plan for appropriate action. What needs to be done to either maintain a centre if it is ‘doing well’ or to improve a centre if there are areas of deficiency.

Pro-active day-to-day town centre management will be the key and a co-ordinated approach should be adopted to ensure that town centres are managed more effectively. Lessons can be learned from the way shopping centres are managed, although such a hands-on approach is easier to implement when there is a single landlord.
Recommendations

Health check assessments are an important starting point to ensure the vitality and viability of town centres are maintained/improved. Once a health check has been undertaken it is important that it is followed up with detailed analysis, a strategic plan of action and a proactive approach to town centre management.

Our Retail Trends bulletin highlighted some of the key challenges facing town centres which have suffered from the recent severe recession, causing falling rental values and higher vacancy levels. The Government’s spending cuts and tax increases, to reduce the annual budget deficit, will inevitably affect consumer expenditure growth and add to the problems faced by many town centres. The key issues town centres are facing would be identified by a detailed health check analysis. The response to these challenges should embrace the following:-

• Competition from the internet and out-of-centre shopping, requires a more pro-active response to improving the town centre environment, improving the mixture of uses in town centres, increasing the leisure offer and increasing variety. Town centre shopping needs to be made more enjoyable and less of a chore, to help distinguish it from out-of-centre and internet based shopping.

• High streets and town centres need to be well designed to provide an attractive trading environment which encompasses retail spaces, social spaces, effective signage and appropriate street furniture/lighting. Consistent styling throughout a town centre is also important and public spaces and buildings should be maintained to the highest standards.

• Where town centre development projects have stalled or are proving difficult to get started innovative solutions should be explored including potential redesign of buildings/scheme layouts, revised phasing, greater local authority participation in site assembly and other incentives to bring forward necessary town centre improvement.

• Limiting out-of-centre development or the expansion of existing out-of-centre stores may be necessary to maintain a sustainable relationship between the size of the town centre and the size of out-of-centre provision. This applies to large foodstores as well as other retail warehousing and any new food store permissions may need to have conditions restricting the sale of non-food goods to protect nearby town centres.

• Where some non-town centre development is unavoidable, edge-of-centre schemes with good linkage to the town centre, rather than out-of-centre schemes, should be encouraged. This would ensure that new development, in effect, becomes an extension of the town centre and benefits the town centre.

• Proactive town centre management is important on a day-to-day, hands-on basis, and regular forward planning, should occur to take account of what the competition is doing, both in out-of-centre locations and in competing town centres. This helps to achieve a proper understanding of the customer base and expectations of a centre.

• Making town centres as accessible to the widest number of users is also key to their future success. Attracting footfall to a centre is fundamental and weak transport links and inadequate or costly parking can threaten the viability of retailers. Transport policies should aim to reduce congestion without affecting footfall and revenue raised from car parking needs to be channelled back into future transport strategies.