

Town Centre Regeneration

Consultation response: Public Accounts and Public Administration Committee

September 2022

About FSB

FSB Wales is the authoritative voice of businesses in Wales. It campaigns for a better social, political, and economic environment in which to work and do business. With a strong grassroots structure, a Wales Policy Unit and dedicated Welsh staff to deal with Welsh institutions, media and politicians, FSB Wales makes its members’ voices heard at the heart of the decision-making process.

SMEs comprise the vast majority of enterprises in Wales (99.4%) and so policy-making must be rooted in a ‘Think Small First’ approach. Given the importance of SMEs to town centre regeneration agenda, SMEs must be at the heart of the discussion.

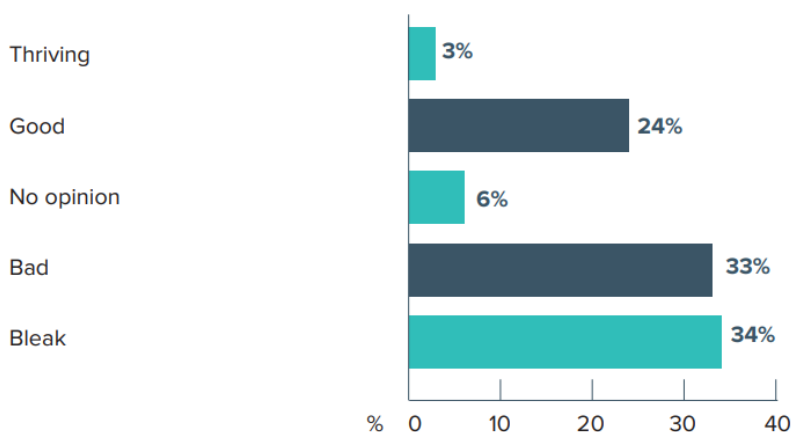
Introduction

FSB Wales welcomes the opportunity to submit evidence to the Public Accounts and Public Administration Committee on town centre regeneration – a topic that is critical to many of our members and SMEs across Wales.

Earlier this year, FSB Wales published ‘[A Vision for Welsh Towns](#)’. Our findings were that Welsh town centres and high streets are a source of demonstrable resilience: despite the odds stacked against them – from out-of-town developments and online retail to demographic changes and, recently, the pandemic – their presence as the heart of communities remains. Crucially, people haven’t given up on them, and they are places people feel passionate about and have a strong personal and community connection with.

While town centres and high streets remain central to our communities, they unquestionably face huge challenges. Many of the issues are long-standing and well-established. The difficulties facing many of these small businesses have only increased due to the pandemic. In the eyes of many, the outlook for these spaces is ‘bleak’. Our public-facing survey results from earlier this year reflected that sentiment.

TABLE 1: How would you describe your local town centre or high street?



Town centres and high streets across Wales are diverse, varying significantly by socio-economic makeup, sectoral breakdown and historical or natural qualities, as well as in their individual competitive advantages. A single prescriptive blueprint for success is therefore an impossible challenge. However, our diversity is our strength. Town centres and high streets can be beacons of character and creativity, of civic life and cohesion in a way that is unmatched by out-of-town developments. The place-making and strengthening potential of these spaces presents exciting social, economic and environmental opportunities.

Pre-COVID challenges

Our research in 2018 highlighted three main types of migration affecting rural areas and small towns:

- The exodus of young adults
- The arrival of retirees
- 'Counter-urbanisation' by pre-retirement groups of 30 and 40-year olds with their children

'The Future of Towns in Wales' report also illustrated the ongoing trend of urbanisation. An increasing proportion of the population are relocating to live in cities from rural towns and villages. This has been coupled with the clustering effect of newer and higher paying industries; media, finance, technology, and others, located in closer vicinity to each other. For smaller towns throughout Wales, this has meant a decline in the economically active population, and a flight of medium and higher salaried jobs. Many towns are witnessing higher levels of unemployment, unskilled and or seasonal work, as jobs and people of working age concentrate in cities.

When combined with the rise of online retail, these forces place town centres in an unenviable position of competing to maintain their central community relevance in twenty-first century Wales. Audit Wales have reported the concerning decline of town centres over recent years, through a loss of services and anchors:

- Between 2012 and 2020, bank and building society branches reduced by nearly 29% and ATMs have fallen by 18% in the last three years
- Post offices have experienced a decline, falling by almost 4% over the last decade
- One in seven shops on high streets in Wales are empty

The size of space required for most high street small businesses rarely equates to the size of an empty property that was previously occupied by a large retailer or bank. It would be encouraging to see owners of large empty properties consider how these units can be repackaged to better attract smaller businesses.

COVID-19: Impacts and challenges

Cumulatively, the pre-pandemic context for town centres was more than sufficient to make the task of their revival and modernisation an uphill struggle. The experience of the COVID-19 pandemic has served to exacerbate many of those challenges.

As expected, our public engagement highlighted that people typically use their town centres and high streets less and online retail more, a process accelerated by the pandemic.

Attempting to push against this process would likely be pointless. However, both offer entirely different experiences. The reality is that both must co-exist and will continue to play a role in our lives on that basis. The question becomes how to adapt the high street and SME retail offer to this new reality and take advantage of the opportunities it does afford.

The implications of such a difficult operating environment for small businesses cannot be overstated. Long-standing and typically successful small businesses have been forced into making difficult decisions. One of the retail businesses interviewed by FSB Wales, which has been in their town centre for nearly 80 years, explained how the dramatic decline in footfall means that redundancies will shortly become inevitable. Many of the challenges will have been exacerbated by

the recent experiences through the energy crisis. The business indicated that, prior to the pandemic, they had plans to expand their operations and recruit more members of staff in their town centre premises.

FSB Wales' engagement has also reflected a depressing situation for our town centres. Feedback from our public poll highlighted some concerning sentiments.

TABLE 2: How has the COVID-19 pandemic affected your use of the town centre or high street?

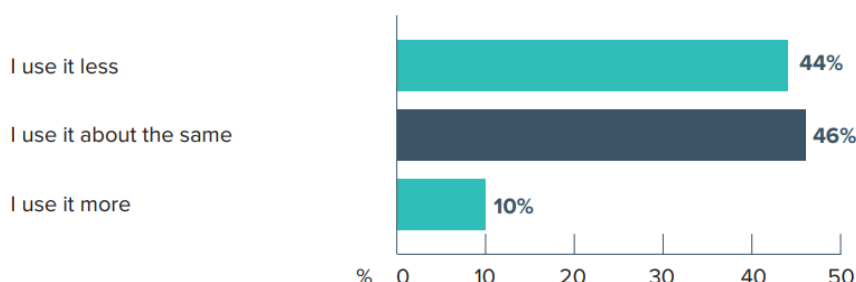
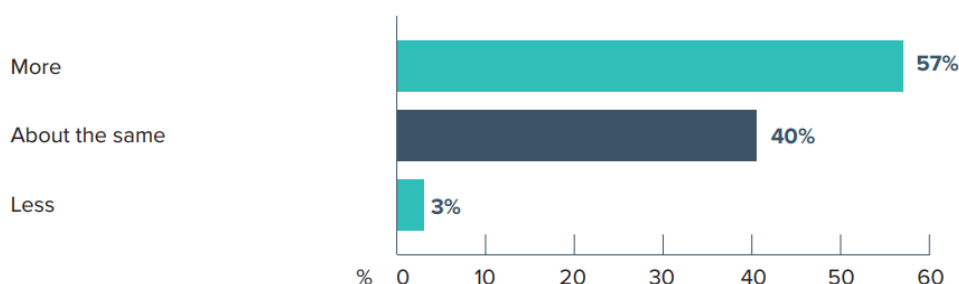


TABLE 3: Has the COVID-19 pandemic resulted in you using online shopping more or less?



Current crisis

The town centre regeneration agenda must not exist in a policy vacuum, particularly within the context of the current cost-of-doing-business crisis. Soaring operating costs for businesses holds the potential to exacerbate an already pessimistic outlook for town centres.

Surging operating costs, a high tax burden and struggles to fill vacancies are threatening the futures of tens of thousands of small firms and sole traders across the Wales. While the consumer prices rate of inflation bursting through 10% is eye-watering, producer input prices are up by more than double that figure and this will filter through, pushing up the cost of living even more. The cost of doing business crisis has worsened to the point that confidence is now lower than during last year's disrupted festive trading season.

Decision-makers at all levels should seek to address and alleviate the immediate cost pressures that existing small retail businesses in town centres are enduring. This must include considerations around business rates, parking and direct business support.

Recent activity and priorities

The Welsh Government has invested around £900 million in regenerating town centres since 2014. Over recent years, the Welsh Government received reports by Audit Wales and Foundational

Economy Research to illustrate the precarious state of our town centres and help develop pathways to achieving a vision of “environmentally responsible, spatial development around compact centred towns with active travel and local facilities”.

The Welsh Government is also developing activity surrounding a Retail Strategy for Wales, drawing in different actors from across retail and business, including FSB. Additionally, Welsh Government have convened a small Task-and-Finish Group to focus on possible interventions to drive forward significant change. However, this activity sits under the Climate Change Ministerial Portfolio and it is unclear as to where this - and the more business-focussed conversations under the responsibility of the Economy portfolio within Welsh government - join.

Any transformational approach on regeneration needs to be complemented by a positive approach to develop an essential sector within our towns – developing a sustainable retail offering and employment which builds economic development within Welsh communities. It is vital that there is a joined-up and cross-governmental approach to towns, retail and business support that is centred on small businesses.

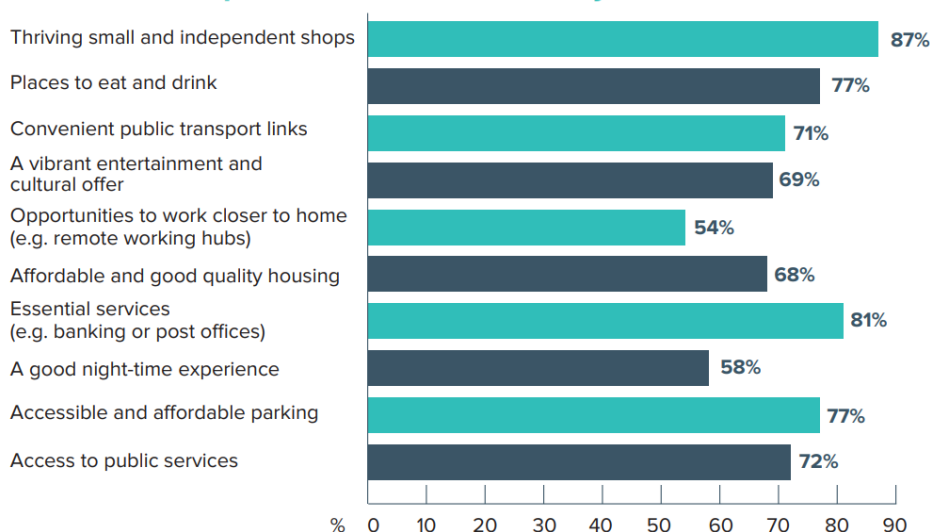
For many, retail is at the heart of town centres and high streets. However, in recent years, there’s been a noticeable shift in attitudes of decision-makers on the perceived viability of shops in these spaces. The Welsh Government’s commissioned reports seemingly distance themselves from reliance on the sector, particularly against the backdrop of significant competitors in the form of out-of-town retail parks and online shopping alternatives.

In 2020, the Welsh Government noted “many towns are struggling in the wake of declining retail sales and the way we use town centres has changed. To help breathe new life into town centres, the Welsh Government is today unveiling a new ‘Town Centre First’ approach, which means locating services and buildings in town centres wherever possible. Utilising this approach, the public sector is also being encouraged to support towns by locating offices, facilities and services within them in order to drive footfall and create or sustain vibrancy.”

The performance of retail in town centres over recent years has not simply occurred due to an intrinsic and unsurmountable irrelevance. The shift in habits is complex, but in part it has been caused by the emergence of a fast-paced society with tools at its disposal to purchase products quickly and conveniently – from the comfort of their home. While this represents a significant challenge and imbalance, it does not mean that retail – particularly SME retailers - has only a limited role in our town centres. A positive strategy for retail in town centres is an important part in joining the different elements up and must not be an afterthought, or dismissed as irrelevant.

Indeed, while diversification will prove central to recovery efforts, our research strongly suggests that any dismissal of the future of retail in town centres and high streets is inconsistent with public attitudes and expectations. When prompted to rank what they would like to see in their local town centre or high street, ‘thriving small and independent shops’ came out on top – above all other key areas like places to eat and drink, a vibrant night-time economy, options to work closer to home and placement of essential services.

TABLE 4: Thinking about your local town centre or high street, how important are the below to you?



The Welsh Government’s Retail Strategy and subsequent activity should account for this continued importance for the sector in town centres, and explore ways for retail to be adapted to towns’ advantage. FSB Wales will continue representing the voice of small businesses through this process.

Crucially, there is no one individual decision-making body that holds all the levers necessary to improve our town centres. Efforts may inevitably be piecemeal, and cumulatively be worth more than the sum of its parts, but recent experiences point to disjointed thinking and lack of a clear vision. For example, the UK Government’s Levelling Up agenda and post-EU funding arrangements, while potentially posing opportunity, also run the risk of confusing the town centre narrative, in absence of meaningful collaborative effort with the Welsh Government and other key stakeholders. Our report, ‘Building Businesses’ (2022) explores some of the tensions and opportunities for UK and Welsh Governments on delivering on this agenda in a way that works for small businesses.

In many ways, the aspiration of the Welsh Government has been to make the right thing to do the easy thing to do. This principle must also be applied to the vision for town centres. Out-of-town developments and online retail represent a threat not because of the experience they offer, but rather the simple conundrum of convenience. Rebalancing these relationships in favour of town centres must appreciate and address this issue. As the report by Audit Wales highlights, the Welsh Government’s ‘town-centre-first’ policy is not yet fully embedded.

It is important that the Welsh Government ensures that policy objectives across all departments which impact on town centres dovetail and are complementary. This also needs a clear overarching economic development strategy and narrative that provides a clear understanding of the aims and how they will be delivered, so that stakeholders – including SMEs – understand what the expectation of government is and of themselves to plan accordingly.

Over recent months, there has been some evidence of improvement in towns accessing schemes such as the Welsh Government’s Transforming Towns funding. In Rhyl, derelict buildings such as Costigan’s public house have been brought back into operation and refurbished, offering start-up space and business office space. Other developments, such as the demolition and redevelopment of Queen’s Market in Rhyl are ambitious and have the potential to affect the viability of the general town centre, but are stalling due to increased costs and labour issues. It is critical that these projects are seen through to completion and can provide learning for developments elsewhere.

Coalitions for change

Our engagement with businesses has demonstrated the influence that clear leadership, or lack thereof, can have on the success of town centres. Only 13% of public respondents indicated that they felt that their town centre had been supported well by decision-makers, compared to a substantial 46% who do not.

Nonetheless, there are some positive examples of local leadership that have inspired innovative improvements.

Ymlaen Llanelli – Llanelli’s Business Improvement District – was repeatedly highlighted in our public engagement as being determined to build a more vibrant town centre through regularly holding free events, including annual festivals to community street parties and open-air cinemas to help reconnect local people with their town centre and increase footfall. In addition to the events, Ymlaen Llanelli create and invest in initiatives that improve access and enhance the town centre experience, including a number of free parking days, installation of hanging flower baskets and working with Dyfed Powys Police to alleviate some of the issues in the centre. One respondent said:

“The BID (Business Improvement District) in my area has been instrumental in driving support, help and guidance through a clear multi-agency framework which they lead on and continues to lead on the area and its businesses recovery.”

Treorchy has also been hailed for its strong entrepreneurial culture, with many thriving independent businesses. This success has been attributed – at least partly – to a robust partnership between local authorities, the business community and customers.

Small businesses recognise their own leadership roles in helping achieve improved town centre spaces. The willingness of businesses in Wales to support their town centres has been evidenced through the growing number of Business Improvement Districts in which businesses are freely voting to impose an annual levy on themselves to fund improvements to the centre.

Our recent report made a number of recommendations in this area:

- Local Authorities should act as coordinators in identifying positive examples of Business Improvement Districts, and disseminating these ways of working among existing or prospective BIDs. Analysis should be undertaken to understand how the activity of BIDs can effectively complement Local Authority provision in a way that maximises town centre viability.
- City and Growth Deals must make an active effort to involve, prioritise and consider town centres – and the interconnectedness of these spaces – through their activities to strengthen their regions.
- Revitalising our town centres will require a cross-sector effort. FSB Wales recognises its own role in helping to guide small businesses in town centres to be more collaborative, innovative and sustainable. This will be an area of focus for FSB Wales’ engagement in striving to help achieve our vision for Welsh towns. In some instances, public sentiments have passionately and heavily emphasised the role of anti-social behaviour in creating an off-putting environment which ultimately holds the town centre back.
- Local Authorities should coordinate discussions – including with community and business groups, the police and other key stakeholders – to identify trends of anti-social behaviour, and outline a cross-cutting strategy and action plan for prevention, monitoring and enforcement to ensure that people feel safe and welcome in their town centre. Recommendation: Local Authorities should develop robust and effective engagement structures to ensure that the voices of small businesses are heard.

However, clarity and accessibility are particularly desirable objectives within the current context of competing pressures. The complex and, at times, seemingly competing or contradictory narratives and governance structures for business support and decision making serve to exacerbate complexity. Addressing this issue must be a key priority for officials working in this area.

A culture of collaboration must be at the heart of ensuring that our town centres are fit for the twenty-first century. Online retail, and digital dependence, is an undeniable and irreversible presence in twenty-first century Wales. Its consequences for town centres remain challenging, but represent an impetus to innovate and modernise – not to give up on these spaces, or physical retail.

A digital eco-system for towns could help reconnect residents and visitors with town centre spaces, including events and small businesses, while helping to develop effective streams of data – valuable to small businesses and Local Authorities to identify vulnerabilities, outline solutions, as well as monitoring progress. While digital technologies can allow businesses to reach new markets, they can also help firms become more innovative, productive and efficient – such as service sector industries using online booking platforms to become more productive.

Our recent report also made a number of recommendations in this area:

- Business Wales should create Digital Towns teams which offer expert, intensive and place-based enterprise support for the independent sector. These teams would be collaborative and include expertise from the public, private and third sectors to improve the digital capabilities of independent traders.
- Local Authorities should commit to developing effective data-collection and monitoring infrastructure, used to inform on the efficacy of innovative interventions by decisionmakers and small businesses themselves.
- Decision-makers should take a 'No Town Left Behind' approach to the digital transformation of town centres.
- The Welsh Government should develop and implement a plan to improve the interaction between town centre businesses and their online presences – to drive e-commerce, footfall and tourism for the area – through a collaborative digital platform which is easily accessible to residents and visitors