

National Assembly for Wales Enterprise and Business Committee

Inquiry into the regeneration of town centres

Response of Caerphilly county borough council

Introduction

Caerphilly county borough council, with Welsh Government support, has achieved some demonstrable success in regenerating its town centres since the county borough was established in 1996. For example after the successful regeneration of Caerphilly town centre in the 1990s the centre's approval rating increased from 44% to 75% and the proportion of the catchment population buying non-food goods in the centre increased from 17% to 33%.

Town centres are particularly important in Wales, because the majority of the population live in or depend upon, small to medium sized towns. Only 23% of the population of Wales lived in cities in 2001. Town centres are the heart of their respective communities and contain concentrations of locally owned enterprises. They are hubs of local transport networks and contain not just shops but a wide range of services, entertainment and cultural facilities that together make a major contribution to the quality of life in Wales.

Successful and sustainable regeneration of town centres can be achieved through some or all of a combination of factors:-

1. A varied mix of activities – entertainment, private and public services, offices etc - not just retail
2. Provision of a modern retail offer appropriate to the centre's role in the region through the identification and assembling of sites for new development
3. Close integration of foodstore developments and associated car parking into the town centre.
4. Good town centre management including marketing
5. An active and positive town centre public/private partnership
6. Good transport infrastructure, including managed parking facilities
7. An attractive public realm including space for events and public artwork
8. A safe environment largely free from crime and anti-social behaviour
9. An active night time economy
10. A strong and enforced planning framework that resists out of town developments that would undermine the viability of town centres.
11. Regular surveys and monitoring of town centres and retail behaviour of residents in its catchment area.
12. Conservation and enhancement of the best of the town centre's historic buildings and townscape.

It is strongly recommended that a comprehensive plan be produced for each town centre, in consultation with the public and key stakeholders, to address the above issues and propose actions to address them. An example of such a **Town Centre**

Action Plan is attached. Such a plan can provide a sound basis for a regeneration programme, provide supplementary planning guidance to the Local Development Plan and be used to support applications for project funding. The process of creating the plan also presents opportunities for traders, residents and other stakeholders to contribute to and obtain ownership of the plans for their town centre.

In response to the specific issues listed by the Enterprise and Business Committee;-

Welsh Government Enterprise and Business Committee's request for views

1. Role of Welsh Government and local authorities

Welsh Government has a *Strategic Role* and *supportive roles* in policy and funding. Strategically, and particularly at a time of constrained public finance, Welsh Government should identify priorities for investment in regeneration both to address deprivation and to release the economic potential of town and city centres.

In its supportive role, Welsh Government can provide financial support and expertise to facilitate key town centre regeneration projects. It also helps by creating a planning policy framework that is supportive of town centres. Business rate relief is another form of support that can help redress the balance between struggling small independent shops and competing large out of town stores. Planning Policy on Retailing and Town centres is provided in Planning Guidance Wales, which has been recently updated and in TAN 4 (1996) which is now seriously out of date.

Unfortunately Welsh Government's strategic and supportive roles are hampered by the fact that several different ministries have partial responsibility for regeneration and their strategic priorities and support are not spatially co-ordinated. This point is developed more fully later in our response.

Local authorities generally have a *leading role* in the development of individual town centres and also in *defining local policies and priorities*. In particular, through the mechanism of their Local Development Plans, they can identify important centres, define their roles and most importantly allocate appropriate development sites that will boost the long term viability of town centres. This highlights the importance of maintaining up to date development plans.

Below we give examples of the practical support that local authorities can provide for town centres, drawing on the experience of Caerphilly CBC. This includes direct investment in public facilities in town centres, assembling sites for private sector development, town centre management, provision of transport and other infrastructure such as car parks, appropriate planning decisions, monitoring of town centre 'health', engagement with stakeholders, production of action plans, commercial improvement grants and public realm improvements and maintenance.

2. Extent to which businesses and communities are engaged

This will obviously vary from town to town but a recommended approach is to set up a *Town Centre Partnership* to include elected representatives (both county borough and town or community council members) and chamber of trade, police, local residents and any other relevant stakeholder groups. The Town Centre Partnership

should meet on a regular basis backed up by specific participation and involvement in Town Centre Action Plans and major proposals, including an events programme. It is notoriously difficult to obtain engagement from the private sector, especially from busy independent traders. Generally and understandably, the prospect of direct or indirect commercial benefit is what will motivate them to become involved. A town centre action plan without the resources to implement it can be counter-productive if it raises false expectations. Caerphilly CBC has initiated the establishment of such partnerships in its three largest towns and is about to take the lead in setting up a fourth.

3. Factors affecting the mix of uses in town centres

a) Council planning and licensing policies;

Councils have in the past tried to protect the retail core of town centres through policies discouraging change of use to service units such as estate agents. They have also tried in some areas to limit the number of 'A3' uses, particularly take-aways, largely on public nuisance grounds. Such policies can complement other initiatives but they can also result in greater vacancy rates. Sometimes planning policy, by adjusting town centre boundaries, can successfully manage a contraction of the town centre brought about by market forces. Residential or office use may be preferable to rows of empty shops on the town centre's fringes.

b) Landlord control.

In towns with large shopping centres in single ownership, the landlord can manipulate the 'retail mix' in the centre through his letting policy and rental offer. Few Welsh towns have such centres however and even where they do exist the landlord is still subject to market forces, especially so if the centre is old and 'tired'.

c) Market forces

These have always been the dominant factor influencing the mix of units in town centres and for several decades there has been a trend to fewer but larger retail units and a greater proportion of service and A3 units. This need not necessarily be a problem as it is recognised that the healthiest town centres have a good mix of shops, services, leisure food outlets and also offices and council facilities (see 8 below)

d) Night Time Economy

Small Welsh town centres struggle to establish a viable night time economy beyond a few pubs and restaurants. More substantial entertainment facilities such as cinemas are needed to 'anchor' a strong night time economy but these also are subject to a trend for out of town locations. This trend must be resisted just as much as the trend for out of centre retailing.

4. Impact of out of town developments

Government policy at all levels has sought to protect town centres by discouraging out of town retail developments yet this has not always been realised in practice. The sequential test prioritises in-town then edge of town sites before out of town development, yet out of town developments continue to be built.

There are many reasons for this. Foremost among them is that there often are no suitable sites in or adjacent to town centres. When this is the case the local planning

authorities find it hard to successfully resist out of town proposals backed up by well resourced private sector consultants specialising in retail appeals.

In Caerphilly the Council has countered this trend by identifying town centre retail sites in its development plans and then actively assembling the sites, often with Welsh Government support, thus providing preferable and defensible alternatives to out of town proposals. This has been the case in Caerphilly, Blackwood, Ystrad Mynach and now Bargoed, all of which have or will have accommodated large new foodstores within easy walking distance of the rest of the town centre. In this respect the close physical and visual integration of such developments with the town centre, often by means of a linking parade of new unit shops, is essential.

Out of town developments possess many commercial advantages over town centre shops as they are cheaper to build, invariably have large amounts of free car parking, are of a larger scale and are in single ownership and thus easily marketed. Government could do much to redress the balance by considering differential business rates between in town and out of town stores, by supporting and encouraging local authorities to employ town centre managers and by using its call in powers if planning authorities are minded to favour out of town developments.

5. Use of funding sources

Two of the most successful regeneration programmes in recent years in Caerphilly county borough have taken place in Caerphilly and Blackwood town centres. Neither of them would have taken place without a WDA **Urban Investment or Urban Regeneration Grant**.

Even in the more prosperous parts of the Valleys, land and property values are not high enough to support complex and expensive town centre developments without public financial support. This is even more so in the more deprived areas such as the Heads of the Valleys. The problem is not the viability of the shopping developments themselves as ongoing commercial businesses, but their value to a developer/funder compared to the cost of development. This problem has worsened considerably since the credit crunch and the consequent collapse in property values.

Unless such financial aid is forthcoming the trend for easy to build but unsustainable out of town shopping developments will continue.

It is therefore most unfortunate that the UIG/URG mechanism was abandoned when the WDA was absorbed into the civil service.

This was apparent in the recent protracted negotiations to support the proposed retail development in Bargoed Town Centre. Lacking any clearly established mechanism for financial support a clumsy and time consuming arrangement was devised whereby the Welsh Government has provided a Heads of the Valleys grant to Caerphilly CBC who in turn is providing a grant to the developer. Tripartite negotiations on the grant and accompanying legal agreements took place over a ten month period but only in the final months was it clarified how the grant would be financed and what would be the procedure for approving it.

IT IS RECOMMENDED THAT THE WELSH GOVERNMENT RE-INSTATE THE URBAN REGENERATION GRANT MECHANISM AND THAT IT BE FUNDED DIRECTLY FROM DEPARTMENTAL BUDGETS TO THE DEVELOPER CONCERNED.

Lately there has been a switch of emphasis in regeneration from grants to loans, and the Regeneration Investment Fund for Wales is gamely attempting to support town centre regeneration schemes throughout the EU Convergence area. It is struggling to find suitable projects however precisely because loan guarantees require the development *as an investment* to be profitable in the first place and this is rarely the case in the deprived parts of Wales, particularly where brownfield developments are proposed, which is invariably the case in town centres.

Neither are Business Improvement Districts, where town centre improvements are funded through a supplementary additional business rate, likely to provide a way forward in most of Wales, where businesses and local shops in particular are struggling to make a profit and pay the basic business rate. Only one BID has been established in Wales (Swansea) and one other has been proposed in Merthyr Tydfil.

The history of financial support for town centres and regeneration projects generally, from the Welsh Office and subsequently the Welsh (Assembly) Government has been one of inconsistency and constant change, making long term regeneration planning practically impossible. The abrupt changes of policy do not seem to have been supported by hard evidence of success or failure of schemes, but rather a perceived need to do something different;-

- Pre-1996 support was provided for identified ‘inner urban areas’ (including most valley authorities) through the **Urban Programme**. Grants were provided for e.g. commercial improvement grant programmes through an annual bidding round.
- 1996-1999 the urban programme was consolidated through ‘Formula Allocations’ whereby qualifying local authorities received a consistent level of funding each year for urban regeneration. Although applications still had to be made for individual projects it made long term planning possible through a guaranteed funding stream. Unfortunately in 1999 the formula allocation was subsumed within the overall local authority block grant and invariably the urban regeneration funds tended to become diverted to other local authority priorities, Caerphilly CBC being a rare exception.
- From 1999 to 2002 the WAG operated a competitive bidding round called ‘Capital Challenge’. Relatively large amounts of funding were available for the few lucky successful applicants over a three year period, which held out the possibility of implementing comprehensive medium term regeneration programmes. Ystrad Mynach town centre was regenerated through this scheme. Capital Challenge was terminated in 2003.
- In 2003 and 2004 no support for town centre regeneration was available other than ad hoc WDA support (of which more below)
- 2004-2006 the Physical Regeneration Fund was introduced by the local government ministry. For the first time there was a recognition that projects needed advance funding for design, consultation and statutory procedures before actually being implemented and so the PRF provided a two stage grant

process that was probably the most user-friendly of all the grant regimes described here. Like previous initiatives, however it was brought to an abrupt close.

- In 2006 the first Strategic Regeneration Area was declared in the Heads of the Valleys (HoV), to be followed in the next three years by six more areas – some sub-regional like the Heads of the Valleys, some limited to a single town, like Aberystwyth. The long term commitment to these areas (15 years in the HoV case), the sub-regional scope of some of them and the relatively substantial funding available (£10m p.a. for HoV) was a major leap forward. Unfortunately, the WAG regeneration budget is so small (less than 0.005% of the overall Assembly budget) that it meant that within a few years no support at all was available for areas outside the SRAs. The SRA concentration on deprived areas has meant that schemes in more prosperous areas that may have boosted jobs and economic prosperity have been denied funds. A town centre regeneration proposal in Caerphilly town centre for example, (not part of a SRA) actually received full planning permission but had to be abandoned after the credit crunch meant that it could only go ahead with grant support. A public realm improvement scheme in Blackwood was also abandoned for lack of such support.
- Throughout this period until 2006, funding was provided on an ad hoc basis by the WDA for crucially important land reclamation grants and Urban Investment Grants, later re-named Urban Regeneration Grants. These latter provided one of the few sources of support for private sector developments in town centres but the grants were discontinued when the WDA was absorbed into the civil service in 2006.
- Since 2006 many local authorities have been able to access European Funding for town centre regeneration Grants through the Priority 5(1) ‘Physical Regeneration’ part of the EU Convergence programme, though not for actual retail developments.

The Convergence Programme typically offers only around 40% grant support however and match funding is required from other sources. This has proved unnecessarily difficult because the spatial priorities of WEFO are not the same as the SRA programme and different again from the Wales Spatial Plan’s key centres that the projects are expected to support. For good measure the Communities First spatial priorities are different again. Caerphilly CBC were therefore unable to put together grant packages for Blackwood or Caerphilly but did manage to obtain funds for Bargoed and Newbridge in what seemed to us to be a bit of a lottery. Moreover applications for WEFO funds not only have to be approved by WEFO but in most cases separate approval against different criteria is also required for Targetted Match Funding (TMF) from the Finance Ministry. Nevertheless this has been the major source of funding for physical improvements to town centres in Wales over the past four years and **IT IS VITAL THAT A PHYSICAL REGENERATION PRIORITY BE RETAINED IN THE NEXT ROUND OF EU STRUCTURAL FUNDS** for which Wales is very likely to qualify.

- One of the most difficult and time consuming issues in town centre development is land assembly to create sites for new developments. Most Welsh town centres typically have multiple land and property ownership and sometimes each individual shop is separately owned. In big cities where

private sector institutions or local authorities often own large blocks of property, assembling land for redevelopment in town centres is usually relatively straightforward and finance is available. But in Wales' many small towns land assembly is usually beyond the resources of Welsh local authorities.

The Land Authority for Wales looked to be able to fulfil this vital need when it was set up in 1975 and it played an essential role in assembling the site for the very successful Castle Gate shopping centre in Caerphilly. It became re-focused in the 1980s away from regeneration with a greater emphasis on providing a financial return to the Government. Eventually it was absorbed into the WDA until that body was itself absorbed into a Welsh Government department. The case for a specialist body able to fund and assemble complex town centre development sites remains as pressing now as it ever was however. The Heads of the Valleys programme recently provided funding for this vital role in Bargoed town centre (enabling the local authority to assemble the site) but no such support is available outside the SRAs.

6. Importance of sustainable and integrated transport

One of the major advantages of town centres is that they are hubs of public transport systems in their locality. Public authorities in recent years have attempted to enhance this advantage by redeveloping bus and railway stations into integrated transport exchanges, sometimes backed up by Park & Ride and taxi facilities. As fuel prices steadily increase this advantage could be of even greater importance in the future.

The greater mix of uses in town centres compared to specialist or out of town centres is often put forward as a sustainable argument for them, as customers can fulfil several needs in one trip – eg shopping, haircut, bank, library etc. This advantage is being eroded however by the trend to ever larger out of town hypermarkets selling not just food but clothes, 'white goods' and more recently financial and other services as well.

7. Impact of marketing and image initiatives

Shopping is becoming more and more a leisure experience rather than a necessary chore. This gives town centres a potential advantage over out of town complexes if they can exploit their architectural and historic heritage, their mix of shops, restaurants and entertainment, provide civic spaces for events such as markets and fairs and overall offer a more rewarding experience than the 'it could be anywhere' architecture and facilities of out of town retail complexes. To do this needs co-ordinated action however.

Even the most attractive town centre will have limited appeal if it's attractions are not marketed effectively. Often no-one is responsible for marketing town centre shops, unless the centre contains a large single ownership shopping complex within it. Town centre management is one way of countering this disadvantage by organising events and publicising the centre to potential customers and investors in the town. (see attached CCBC town centre marketing brochures).

Furthermore, town centre management can maintain a favourable image of the town by ensuring that graffiti and damage to the public environment are speedily dealt with

and the maintenance of the public realm, which is often the responsibility of several council departments, is co-ordinated and properly resourced.

In the more prosperous areas of England town centre managers can be supported by the local commercial business community. This is rarely the case in Wales however and almost all Welsh Town centre managers (usually responsible for several towns each) are funded by local authorities. Often, due to financial pressures, this vital service is not provided at all.

Security and community safety in town centres are another key area – minor crime, vandalism and public disorder puts off potential shoppers and the default response of erecting steel roller shutters on shopfronts only worsens the image problem of the centre. CCTCV can help but this is also an area in which town centre managers can effectively liaise between police and traders to minimise theft and public nuisance.

Town centre physical improvement schemes are vitally important to the image of towns. In many Valley towns public squares and artworks are being introduced for the first time, giving the town centres a positive and distinctive image. Physical improvements in particular can rapidly cease to have any impact if they are not subsequently maintained properly however. Caerphilly CBC has established a specific revenue maintenance budget for this purpose but not every authority does this.

8. Employment opportunities in town centres

As the economy moves away from dependence on manufacturing towards a preponderance of service sector employment, often in offices, so the potential of town centres as centres of employment is increasing. They have always been the place where locally owned enterprises have been concentrated in shops, restaurants and services and this fact should be recognised.

However employment policy at European, national government and local level is still largely stuck in a past era when employment was seen as something that occurred only on industrial estates. Very few publically owned business ‘starter units’ or speculative office blocks are in town centres, despite the obvious transport sustainability of such locations. Moreover office workers in town centres will tend to patronise local shops and restaurants during their lunch hours and after work, providing a very real boost to the viability of the centre as a whole, thus providing a double regeneration benefit.

Councils can boost regeneration by investing directly in town centres as part of their service delivery. For example Caerphilly county borough is implementing an imaginative programme of library building in its town centres – often through the conversion of listed buildings whose original function has ceased, such as the iconic new library in a former chapel in Bargoed. This not only creates spin off trade as described above but also generates more footfall in the centre, helping again to improve the vitality and viability of the whole.\

There is scope for Welsh Government departments to contribute in this way also. For example Cadw often owns and manages key historic buildings in town centres like Caerphilly Castle. Government departments could invest in town centres directly and

need to liaise with local authorities to discuss how government land and property could contribute to town centre vitality and viability. Caerphilly county borough is seeking, through its regeneration framework, to establish a regeneration dialogue with all relevant departments of Welsh Government, not just the regeneration and heritage ministry alone.

As noted above, economic policy has tended to concentrate on manufacturing on industrial estates rather than services in town centres. The same is true of training programmes and initiatives to encourage enterprise and small businesses. The Heads of the Valleys programme has pioneered some small scale programmes to provide support to local independent retailers but the Welsh government's much more generously funded national enterprise and training programmes need to address this sector as well.

9. Evaluating success (or the lack of it)

Caerphilly county borough council has been intensively monitoring retail behaviour and town centre 'health' since the authority was established in 1996. Extensive telephone and street interview surveys are carried out approximately every three years for the six main town centres, backed up by annual vacancy rate surveys and automatic footfall counters that produce statistics hourly.

Thus the Council was able to demonstrate the success of the Caerphilly town centre development and town centre improvement programme in the 1990s as described in the introduction to this paper. The surveys can also be used to demonstrate the need for action, for example in Bargoed where the proportion of the catchment area population using the town centre for its main food shopping sank to near zero in the 2000s, indicating an urgent need for a major foodstore in the town centre.

Moreover, by asking questions about the adequacy of the environment, traffic, car parking, range of shops and other matters, the surveys can pinpoint precisely what sort of action is needed in each individual centre.

An example of such a survey report accompanies this response.

The impact of the Internet

This is not an issue that the Committee has highlighted as a concern but it nonetheless merits attention. A rapidly increasing proportion of retail sales in the UK has been conducted via the internet, not through shops, over the past decade. No-one knows how far this trend will go in the future but it has already resulted in a steep decline in the number of specialist bookshops and stores selling DVDs.

The internet is a two edged sword, however, and while drawing trade away from conventional shops it can also be used by shopkeepers to greatly widen their customer base by setting up a website to publicise their service and sell goods or services over the internet themselves. Caerphilly CBC is promoting an initiative to help independent shop owners to set up and run their own websites and is seeking Heads of the Valleys support for this. Unfortunately, as mentioned previously above, retailing is an area that is not supported by EU training and IT support programmes so this vital investment in the future of town centre based businesses is finding it difficult to obtain funding support.

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