

Town Centre Regeneration

January 2024



The Welsh Parliament is the democratically elected body that represents the interests of Wales and its people. Commonly known as the Senedd, it makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

An electronic copy of this document can be found on the Senedd website:
www.senedd.wales/SeneddPAPA

Copies of this document can also be obtained in accessible formats including Braille, large print, audio or hard copy from:

Public Accounts and Public Administration Committee
Welsh Parliament
Cardiff Bay
CF99 1SN

Tel: **0300 200 6565**

Email: **SeneddPAPA@senedd.wales**

Twitter: **[@SeneddPAC](https://twitter.com/SeneddPAC)**

© Senedd Commission Copyright 2024

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the Senedd Commission and the title of the document specified.

Welsh Parliament

Public Accounts and Public Administration Committee

Town Centre Regeneration

January 2024



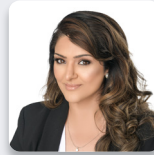
About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:
www.senedd.wales/SeneddPAPA

Current Committee membership:



**Committee Chair:
Mark Isherwood MS**
Welsh Conservatives



Natasha Asghar MS
Welsh Conservatives



Mike Hedges MS
Welsh Labour



Rhianon Passmore MS
Welsh Labour



Adam Price MS
Plaid Cymru

The following Members attended as substitutes during this inquiry:



Rhun ap Iorwerth MS
Plaid Cymru



Alun Davies MS
Welsh Labour

The following Members were also members of the Committee during this inquiry:



Rhys ab Owen MS
Independent Plaid Cymru
Member



Mabon ap Gwynfor MS
Plaid Cymru

Contents

Chair’s foreword	7
1. Background	8
Auditor General for Wales’ report	8
Small Towns, Big Issues report	9
Welsh Government response	9
2. Inquiry scope	12
3. Consultation	13
4. Site visits	14
Carmarthen	14
Morriston	14
Mold	16
Wrexham	16
Our View	17
5. National funding schemes	18
Background	18
Funding schemes operated by UK Government	18
Funding schemes operated by the Welsh Government	20
Evidence	20
Our view	23
6. Local coalitions for change, regional partnerships and city deals	24
Background	24
Small Towns, Big Issues	24
Current position	25

Evidence	26
English and context 28	Scottish
Our View	29
7. Transport.....	31
Driving and car parking	31
Public Transport and active travel	33
England and Scotland	34
Welsh Government.....	36
Our view	39
8. Planning policy	41
Background	41
Auditor General's work.....	41
Small Towns, Big Issues conclusions	43
Evidence	44
Our view	48
9. Non-domestic rates.....	50
Summary and current position	50
Auditor General's work	51
Welsh Government evidence and the rates improvement relief.....	52
Stakeholder evidence.....	53
Non-domestic rates.....	53
Empty Property Relief.....	55
Our View	56
10. Empty properties	58

Our view	61
Annex 1: List of oral evidence sessions.	63
Annex 2: List of written evidence	65

Chair's foreword

The Committee found this inquiry to be engaging and we were grateful to be able to meet with stakeholders striving to regenerate their areas in Carmarthen, Morriston, Mold and Wrexham. It was a pleasure to hear about the positive work being undertaken in those areas, but sobering to hear about the challenges that each location was also facing.

It is clear that there is much good work being done to improve the picture for town centres in Wales, but much needs to be done to accelerate the pace of regeneration, as financial pressures hit every community in Wales. Like other nations, Wales' towns have been changed immeasurably by the pandemic and the increased prevalence of online shopping, and it is clear that the high street's traditional role as the hub of retail for that local area is no longer sustainable.

Despite this, we must ensure that a new vision for our high streets is devised and delivered upon. That means an integrated transport system that is simple and easy to use; a more sensible taxation system and appropriate financial incentives to encourage innovation and new businesses; and a sensible, well-resourced and pragmatic approach to planning to facilitate this.

It is essential that we adopt a more pragmatic common-sense approach to regeneration, as it is clear that maintaining the status quo is not sustainable. The Welsh Government needs to come up with a new approach to repurposing the empty buildings that blight our town centres, create a more equitable system for non-domestic rates and ensure that funding schemes are simple and easy to understand.

All of these innovations will only be successful if there is a strong regional approach to regeneration, with all stakeholders empowered to make big decisions that are right for their area, with reassurance at a national level that adequate resources and expertise will be made available at all levels. These local coalitions of change are all important if Wales is to achieve the regeneration our town centres so badly need.

Mark Isherwood MS,

Chair of the Public Accounts and Public Administration Committee

1. Background

Auditor General for Wales' report

1. The Auditor General for Wales ('the Auditor General') published his report, 'Regenerating Town Centres in Wales', in September 2021. The report considered how local authorities were managing and regenerating their town centres and how Welsh Government funding was helping them to meet this challenge¹.
2. The report identified the key role played by Wales' small interdependent towns and villages, but also identified the challenges posed by the growth in out-of-town retail, the loss of essential services from town centres (banks, post offices etc.) and the growth in online shopping. These issues were further exacerbated by the COVID-19 pandemic.
3. The report concludes that Welsh Government and local government responded well to support town-centre businesses during the pandemic, whilst the Welsh Government has invested or levered almost £900m over seven years to help with regeneration. However, the report goes on to say:

"Despite this funding, town centres often struggle. Local authorities are the key public bodies to help regenerate town centres, but they often lack capacity and skills to deliver the sustainable regeneration needed. Powers that can help stimulate town-centre regeneration are not utilised effectively nor consistently".²

4. The report identified four key areas for local authorities to consider in their approach to town centre regeneration:
 - **Intention** - local authorities need to be clear on the purpose of their town centres and provide honest, strong and dynamic leadership to address the challenges they face.
 - **Involvement** - local authorities are well-placed to prioritise and lead on place planning, but communities and businesses need to be fully involved.

¹ Auditor General for Wales, Regenerating Town Centres in Wales, p7

² Auditor General for Wales, Regenerating Town Centres in Wales, p7

- **Informed** – local authorities need to value and use data to better understand their town centres and the impact of past regeneration projects to determine future priorities.
- **Intervention** – the changing face of town centres requires local authorities to become more interventionist.

Small Towns, Big Issues report

5. In June 2021, the Welsh Government published an independent research report, *Small Towns, Big Issues*³, which was commissioned as an in-depth study of three Welsh towns and city centres (Bangor, Bridgend and Haverfordwest), in the context of town centre regeneration.

6. The report reflects on *Future Wales: The National Plan 2040*⁴, which provides a national development framework for Wales and has development plan status. This plan influences all levels of the planning system in Wales and is intended to shape the Strategic and Local Development Plans prepared by councils and national park authorities.

7. The report sets out the challenges of implementing and managing the planning-led system and how this is not aligned with, or influencing, major developer decisions. The report includes a series of proposals for the Welsh Government and local government to consider which are aimed at enabling good development and slowing bad development.

Welsh Government response

8. The Auditor General's report contained recommendations for both local authorities and the Welsh Government. In its formal response to the report⁵, the Welsh Government accepted the four recommendations directed to it. These related to reviewing the non-domestic rates system, collaborating with local authorities to address transport challenges facing town centres, streamlining funding processes and moving towards multi-year allocations, and setting out how it plans to deliver its Town Centre First approach in practice. The Welsh Government's response will be reflected in the relevant sections of this report.

9. They noted that they would reconvene the Ministerial Town Centre Action Group to take forward the recommendations contained in the report. The, then,

³ Welsh Government, *Small Towns, Big Issues: independent research report*, July 2021

⁴ Welsh Government, *Future Wales: The National Plan 2040*, February 2021

⁵ Letter from Welsh Government to Auditor General for Wales, 21 September 2021

Deputy Minister for Climate Change announced the formation of the Ministerial Town Centre Action Group in September 2021⁶, with the Deputy Minister leading the group. He confirmed that three sub-groups would be established, with each group focussing on:

- Finding ways to incentivise town centre development and “also disincentivise out of town development”.
- How they can streamline the funding offer under the Transforming Towns programme and simplify the process.
- Planning and engaging with communities so they can “have a say in what happens in their town”.

10. In oral evidence to the Committee, the Director General for Climate Change and Rural Affairs told the Committee:

“The action group has had various forms. So, it's been the original action group, as was set up, and then underneath that was a series of task and finish groups. Latterly, it became a delivery group and some regional groups as well. From memory, the action group met on a quarterly basis”⁷.

11. The Deputy Director for Home and Places at the Welsh Government went on to say that the sub-groups had met from November 2021 every three to four weeks, with a further “deep-dive action group” also established to “take all of that work and refine it into the action that we’ve come up with” as part of the Town Centres Position Statement, published in May 2023⁸. The actions from the Position Statement are reflected in the relevant section of this report.

12. When asked about the achievements of the groups, the Director General explained:

“... one of the most important things, I think, they've achieved is bringing all of the voices together. They have been genuinely cross-sectoral and have allowed a lot of different perspectives to be brought to the issues around regenerating our town centres. I think, initially... the biggest achievement was that the action group was set

⁶ Welsh Government, Radical intervention needed to save Wales’ town centres, 8 September 2021

⁷ RoP, Public Accounts and Public Administration Committee, 18 May 2023, p150

⁸ RoP, Public Accounts and Public Administration Committee, 18 May 2023, p153

up initially to look at the impact that the pandemic was having on town centres, and they played a really strong role in advising on the sorts of adaptations that would be needed in town centres. I think they really helped to deploy quite a lot of money—about £5 million, really—on adaptations. So, they played a really central role there”⁹.

13. She went on to say:

“They’ve played a really important role since then, I think, in overseeing our response—holding our feet to the fire on our response to the auditor general’s report and to the report of Karel Williams. That’s been another achievement... finally, in their slightly revised form now, they’ve been very helpful in terms of steering the town-centre position statements”¹⁰.

⁹ RoP, Public Accounts and Public Administration Committee, 18 May 2023, p155

¹⁰ RoP, Public Accounts and Public Administration Committee, 18 May 2023, p156

2. Inquiry scope

14. To reflect on the scope of the inquiry, the Committee held an evidence session with Professor Karel Williams on 16 June 2022. Professor Williams was one of the authors of the Small Towns, Big Issues report.

15. Following this session, the Committee agreed the following points would be the focus for the inquiry, at its meeting on 14 July 2022:

- **National Policy and legislation that is critical to the regeneration of towns to enable them to thrive and survive** – determining whether the legislation and Welsh Government’s policy levers for regeneration are fit for purpose and focussed on addressing the underlying problems facing towns. In particular, planning policy and the Welsh Government’s Town Centres First policy.
- **Creating and sustaining local coalitions of change** – how local authorities and their local partners are managing and regenerating towns in Wales – considering whether local authorities and their key partners have the right skills, leadership, resources, buy in and capacity to regenerate towns.
- **Non-domestic rates, town centre incentives and taxes** – non-domestic rates are seen as a burden on small businesses, but they also generate £1 billion for public services in Wales and are vital to the financial health of local government. The pandemic showed that local authorities working flexibly creating incentives was critical to helping town centre businesses survive. Is there learning form the pandemic that can shape responses going forward.
- **The availability, management and impact of Welsh and UK Government funding for town centre regeneration** – assessing how well money is being used to regenerate town centres, and whether this represents value for money.
- **City Deals and Regional Partnerships, and Corporate Joint Committees** – is there more that can be done in the regional economic development space to help regenerate towns in Wales or do these arrangements run the risk of making things more complicated than they need to be.

3. Consultation

16. The Committee wrote to a series of interested parties on 3 August 2022 with questions on the inquiry's terms of reference and to hear about any other relevant matters. The Committee received responses from:

- Royal Town Planning Institute Cymru (RTPI Cymru)
- Isle of Anglesey County Council
- Pobl Group
- One Voice Wales
- Carmarthenshire County Council
- The Federation of Small Businesses Wales (FSB Wales)

4. Site visits

17. The Annex contains details about all of the site visits.

Carmarthen

18. The Committee visited Carmarthen on 13 October 2022, to meet with officials from Carmarthenshire County Council¹¹ at the local authority's development in the former Debenham's store in the town.

19. This development is a collaboration between Carmarthenshire County Council, Hywel Dda University Health Board and the University of Wales Trinity Saint David, to form a new *Carmarthen Hwb* resource. The aim of the Hwb is to bring "health, wellbeing, learning and cultural services all under one roof"¹².

20. In a press release about the project, Carmarthenshire County Council confirmed that they had secured £19.9m (rounded up to £20.0m in UK Government allocations) from the UK Government's Levelling Up Fund for the Carmarthen project, with the funding split between this and a Pembrokeshire Hwb. The funding for Carmarthen Hwb would be matched with £3.5m of funding from the local authority's capital budget. In quotes provided alongside the press release, the Cabinet Member for Regeneration, Leisure, Culture and Tourism stated:

"One of the main aims of our post-pandemic economic recovery plan is to strengthen the vitality and longevity of our town centres and by delivering a new mix of services to the traditional high street, we can attract more people and help to increase footfall for neighbouring shops and businesses"¹³.

Morrison

21. On the same date, the Committee visited Morrison, a community within the City and County of Swansea. The Committee met with Paul Relf, the Economic

¹¹ A list of attendees can be found at Annex A

¹² Carmarthenshire County Council, Former Debenhams building to be used to bring together key public services all under one roof, 18 August 2022

¹³ Carmarthenshire County Council, Former Debenhams building to be used to bring together key public services all under one roof, 18 August 2022

Development and External Funding Manager at City & County of Swansea, along with Debbie Green, the Chief Executive of Costal Housing Group.

22. The Committee was able to walk along Woodfield Street in Morriston, which was featured extensively in the Transforming Towns report, with officials and discussed the changing picture of the businesses occupying the street. The Committee also visited the Morriston Tabernacle Church and the Sacred Heart Centre, both of which are being used as a community resource for local community groups. The Committee also heard about the proposed development to the St John's Church, in the middle of the town.

23. It was noted by the Committee that Morriston was now dominated by personal service businesses, such as hairdressers or tattoo parlours, moving away from a more traditional retail offering. It was noted that the high street had recently lost both Lloyds and Halifax banks from the high street, along with the Wilko store that occupied a large unit on the high street.

24. The Committee heard about the work of Regeneration Morriston, a partnership group which was active in many of the above development schemes, amongst others. The group also provides start-up grants to support new business startups, offers advice and support to business and has conducted special events to drive visitors to the town.

25. The partnership has also utilised the Town Centre Loan Fund, of which £2m had been provided to the partnership group by the Welsh Government. This was intended to acquire and “unlock sites and premises with the intention of packaging and selling a proposal on the open market within an agreed timeframe”¹⁴. This scheme is subject to strict geographical boundaries in Morriston, which are available to view on the Local Authority's website.

26. Because of this geographical boundary criteria, the partnership group had been unable to fund certain projects on the edge of the town centre, which nevertheless would've driven footfall into the town centre. This was discussed in the context of the Penderyn development at the Hafod-Morfa Copperworks¹⁵, which sits outside of these boundaries, but will be a major new attraction to the area.

¹⁴ Swansea Council, Town centre loan fund

¹⁵ Swansea Council, More copperworks improvements to follow Penderyn opening, July 2023

Mold

27. The Committee Chair visited Mold on 8 December 2022, for a meeting with officials from Mold Town Council, to hear more about the role of town councils in regeneration at a more local level.

28. The Chair and officials visited the Bailey Hill project in the town, which has been comprehensively restored following a £1.8m grant secured through the National Heritage Fund. The site is owned by Flintshire County Council and is leased to the Town Council. The development is partly funded by revenue from a privately let flat at the first floor of the building. The ground floor is maintained as a community asset for local people. The site is managed on a tripartite basis between the County Council, Town Council and a volunteers group, the Friends of Bailey Hill.

29. The Town Council has used a new website, branded as Totally Mold, to advertise the independent business that can be found throughout the town. The Committee heard about the Town Council's proactive approach in arranging press launches for any new businesses in the town, with the Mayor active in publicising these launches. The town enjoys a low vacancy rate of approximately 6.5%. Local shopkeepers were complimentary of the partnership that existed between the town's businesses and the Town Council.

30. Some of the key challenges identified by businesses were issues relating to business rates and energy bills. At one business, the proprietor explained that they were facing significant pressures in relation to business rates, as they occupied a large space for their business, with a low turnover. However, this was a space they had occupied for many years and they were therefore reluctant to relinquish it.

Wrexham

31. On the same date, the Chair and officials visited Wrexham. The Chair met with representatives from Wrexham County Borough Council, which included a meeting at their offices, before a walk through the town centre.

32. The walkaround included a visit to the proposed site for the new National Football Museum for Wales, where the Chair heard more about the Gateway to Wrexham project, which proposes to connect the city centre with the University, football stadium and train station. The walkthrough then went on to visit the award-winning Tŷ Pawb development, which was voted Art Fund Museum of the Year 2022. The Chair also heard more about the Wrexham Town Centre Masterplan, which outlined the strategy for developing the, now, city centre.

33. A key theme of discussion was the issues associated with empty buildings in the city centre and the challenge of redeveloping these properties, when their ownership was often international and uncertain in nature. The Council maintains an extensive database of empty properties, but progressing meaningful development of these sites is difficult without proper funding.

34. One of the initiatives being used to address this issue was the Townscape Heritage Scheme, with £1.52m of National Lottery funding secured to target key buildings within the city centre. From an initially identified 62 buildings, 4 buildings were now being targeted as part of this scheme. The role of Empty Property Relief, which is covered in more detail later in this report, was also discussed in addressing this issue, with officials suggesting that a reform of the system is necessary to discourage the long-term vacancies blighting town centres.

Our View

35. The Committee was encouraged and impressed by the positive work being undertaken in the communities we visited. It was clear that the representatives who welcomed us were having a positive impact upon their community and we thank them for their engagement with our work.

36. However, it was clear from the evidence that there remains an issue with uneven provision for town centre regeneration across Wales, with the provision varying between some local authorities. In some areas, it appears that town councils are having to take on the responsibility for regeneration, because of this. The issue of resources for regeneration is likely to be an ongoing issue, given the pressure on budgets for local authorities and government.

5. National funding schemes

Background

37. The Auditor General’s report explains that the Welsh Government has provided funding through 13 separate funding schemes, to help regeneration of town centres. However, they identify aspects of the funding’s management as being “problematic”, recommending¹⁶:

- That funding should be consolidated to reduce bureaucracy by streamlining processes and grant conditions and keeping requests for information and supporting materials to a minimum.
- That the process should move away from annual bidding cycles to multi-year allocations.
- That there should be a rebalancing of investment from capital to revenue to help local authorities address staff capacity and skills shortages.
- Use alternative methods of enforcement before using Compulsory Purchase Orders as a last resort.
- Integrate enforcement strategies with wider departmental strategies across housing, environmental health, planning and regeneration teams to make more effective use of existing skills and resources.
- Ensure there is capacity and the right expertise to use the full range of powers, working in collaboration with other councils to achieve good outcomes.

Funding schemes operated by UK Government

38. In the period leading up to the start of our inquiry, the UK Government set out its plans for the Shared Prosperity Fund (SPF) and also allocated its second round of the Levelling Up Fund. The Senedd Finance Committee completed its inquiry considering Post-EU funding arrangements¹⁷, including these two funds and published its report in October 2022, identifying weaknesses and some early ‘teething troubles’ with the new arrangements. In addition, Recommendation 3 in

¹⁶ Auditor General for Wales, Regenerating Town Centres in Wales, p11

¹⁷ Finance Committee, Post-EU funding arrangements, 10 October 2022

the report stresses the importance of ensuring all funding and policy of the Welsh and UK governments is complementary and aligned to ensure they make the biggest positive impact.

39. The Welsh Government has also raised concerns about a significant overall shortfall in funding through SPF compared with EU funds.

40. In relation to the Levelling Up Fund, local authorities must bid competitively to the UK Government for funding, which is allocated according to assessment criteria. Under the first round of Levelling Up, projects in six Welsh local authorities were awarded funding of £121 million.

41. The second round of Levelling Up funding, announced on January 2023, resulted in the allocation of £208.2 million for projects in eleven Welsh local authorities. Again, some of these focus on helping to regenerate town centres (for example, Pontypool in Torfaen). A further £111m was allocated in November 2023 in the third round of the scheme, with regeneration projects in Port Talbot, Rhyl and Llanelli amongst the beneficiaries.

42. In a letter to the Committee in relation to our inquiry on Maximising EU Funding, the Chief Executive of the Welsh European Funding Office and the Welsh Government's Head of Rural Payments Division said:

"Bypassing the Welsh Government from the design and management of the Shared Prosperity Fund (SPF) has created a host of problems for the Welsh Government, local authorities and other delivery partners to manage.

Not fully replacing Wales' level of EU funding means Wales has lost out from £1.1 billion of funding compared to EU funding levels, while the delays, design and short-term focus of the UK Shared Prosperity Fund has also disadvantaged the Welsh Government, higher and further education, business and third sectors, previously supported by EU funding, from accessing hundreds of millions of pounds to support our priorities for growth and jobs"¹⁸.

¹⁸ Letter from the Chief Executive of the Welsh European Funding Office and the Welsh Government's Head of Rural Payments Division to the Committee, 15 November 2023

Funding schemes operated by the Welsh Government

43. The Welsh Government's Transforming Towns programme has made £100m available across Wales from 2022 to 2025, with funding to be split between the four regions. The Welsh Government has set out that this funding is indicatively split in the following way:

1. North Wales (6 Local Authorities) - £22m
2. Mid Wales (2 local authorities) - £7m
3. South East Wales (10 local authorities) - £44m
4. South West Wales (4 local authorities) - £27m

44. The fund is available to local authorities who can work with partner organisations to deliver projects. There is also a Transforming Towns Loan Fund, which is an interest free loan to support projects "which reduce the number of empty or underused sites and properties in town centres".

45. The loan is administered by the local authorities, but it is not available for their own projects. The loans can be made to social housing associations, property developers, private landlords and businesses.

Evidence

46. In response to the Auditor General's report, the Welsh Government explained they were continuing to "streamline its offer and investments", with Transforming Towns intended to be a "coordinated package of support for regeneration investment"¹⁹. The Director General for Climate Change and Rural Affairs expanded on the role of the Transforming Towns programme, telling the Committee:

"It's a co-ordinated funding package for town-centre regeneration. That has streamlined previously a range of different funding streams that maybe had slightly different criteria, maybe slightly different application processes et cetera, so we've brought that all, now, together into the Transforming Towns programme, and that, I think, was one of the recommendations from the auditor general's report about streamlining and co-ordinating, but also I think it addresses a

¹⁹ Letter from Welsh Government to Auditor General for Wales, 21 September 2021

couple of other areas of the auditor general's recommendations around moving away from annual cycles, annual bidding cycles, because this is a three-year programme, so that'll give a bit of certainty now to local authorities, and we hope that that will also address another recommendation, which was to help with the capacity and capability skills and expertise that local authorities will be able to retain people, have more confidence to keep people on programmes longer because of this funding stream²⁰.

47. When asked about the various schemes available, Professor Karel Williams told the Committee:

"I think my misgiving there is that we have so many funders and so many funds with different criteria. The shared prosperity fund criteria are actually quite good. Three of the four are social criteria... But I do worry that, with all these different funds, all these different funders and the alphabet soup of committees... that we're really organising a competition for grant writers, not urban regenerators. I think there's a real danger that the core expertise becomes grant writing, not doing regeneration"²¹.

48. When asked whether Welsh Government's funding for regeneration had been streamlined and focused on the right issues, he stated:

"No', is the short answer. It needs to be focused on towns and connected actions over a period of time"²².

49. When asked about the risks and opportunities of the various schemes, he explained that the central problem is that there is a "tendency to spread the money around on grounds of equity", to reward "facile grant writers"²³. When asked about the risks posed by selective awards of grant funding, he explained:

"... the funding will partly go to places that are not the most deprived. If they get their act together, fine. If they don't get their act together, no. I think that's quite a difficult one to swallow, but if you want

²⁰ RoP, 18 May 2023, p193

²¹ RoP, Public Accounts and Public Administration Committee, 16 June 2022, p97

²² RoP, Public Accounts and Public Administration Committee, 16 June 2022, p100

²³ RoP, Public Accounts and Public Administration Committee, 16 June 2022, p109 & 111

constructive regen with the anchors, the housing associations and civil society, some places are going to end up further ahead in the race to get co-ordination than others”²⁴.

50. Carmarthenshire County Council was able to demonstrate to the Committee the work being done to regenerate the former Debenhams site in the town centre, which had been funded by Levelling Up funding and match funding from the local authority. However, in their written evidence, the authority states:

“Ideally it would be helpful if WG funding could also be utilised to add value to these projects, alongside the significant match funding that CCC is providing. This does not appear to be the case currently and is potentially a missed opportunity for Welsh Government, UK Government and CCC to work collectively in aligning policy and resource to regenerate our town centres”²⁵.

51. In their written evidence, FSB Wales told the Committee that whilst the Levelling Up agenda and post-EU funding arrangements could offer an opportunity, they also went on to warn that it could risk “confusing the town centre narrative, in absence of meaningful collaborative effort with the Welsh Government and other key stakeholders”²⁶.

52. From a Scottish perspective, Phil Prentice of the Scottish Towns Partnership told the Committee:

“... with the political nature of levelling-up and shared prosperity, I'm not overly comfortable with how that has been allocated and the bidding process. I would prefer that there was a block settlement that was just given to the central Government and then they could make the key decisions in discussion with local government at the Scottish level.

However, we have what we have. I think that there has been enough criticism to shine a light on the politicisation of the shared prosperity fund and levelling-up and some of the flaws, and I hope that the civil servants in the Government take that on board, because it does need

²⁴ RoP, Public Accounts and Public Administration Committee, 16 June 2022, p113

²⁵ Written evidence, Carmarthenshire County Council

²⁶ Written evidence, FSB Wales

to target those areas that are needing it most and where there's opportunity as well"²⁷.

53. He went on to note that many areas don't have the capacity or people to pitch for the funding, meaning they are further disadvantaged²⁸. He went on to welcome the funding received to date that had been allocated to transformative projects, but emphasises that a more positive dialogue between the Scottish Government and the UK Government could vastly improve outcomes²⁹.

Our view

54. The Committee is concerned by the evidence suggesting that funding is being directed to local authorities who are effective at making applications for funding, which risks better resourced authorities being rewarded and further punishing those authorities who lack resources. This is an issue that's exacerbated by the fragmented nature of the various funding schemes. However, resolving this issue is likely to prove difficult given the political differences that exist between the Welsh and UK Governments on this issue.

55. More must be done to assist authorities that lack the resources to apply for funding. Whilst the Welsh Government can object to the way the levelling up agenda is being pursued by the UK Government, they must ensure that adequate resources, assistance and training are provided to authorities with less resources, to ensure that legitimate projects are not missed. It's essential that the money that Wales needs from these schemes is accessed as effectively as possible and the Welsh Government can assist authorities with this, regardless of its political position that opposes the schemes.

²⁷ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p87-88

²⁸ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p88

²⁹ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p88

6. Local coalitions for change, regional partnerships and city deals

Background

Small Towns, Big Issues

56. The report evaluated the extent that local actors can create impetus for urban renewal, concluding that it can be effective when four key preconditions are met³⁰:

- A shared vision which connects to place and mobilises different actors.
- Stakeholders organised into an alliance capable of delivering a stream of coherent projects.
- “Projects plus” which are more than buildings because they connect to different communities and have a social dimension.
- A small executive group of “sherpas” which works continuously on developing and progressing projects.

57. The report reflects on the local challenges faced by Bangor, Haverfordwest and Bridgend. The report concludes:

“All the towns are differently placed and it is easiest to develop organisational capacity in towns like Haverfordwest where structural conditions are least challenging. Nevertheless, all three towns are making progress with the provision of social infrastructure like cultural centres or health centres, but none have large scale projects for housing in towns which are necessary if revitalised town centres are to have more active travel. In addition, the local authorities, like Welsh Government, remain narrowly focused on the immediate problem of their town centres and have a blind spot about how competition from repurposed edge of town retail units is a big upcoming issue”³¹.

³⁰ Welsh Government, Small Towns, Big Issues: independent research report, July 2021, p6

³¹ Welsh Government, Small Towns, Big Issues: independent research report, July 2021, p6

Current position

58. The Local Government and Elections (Wales) Act 2021 establishes a framework for greater regional working between principal councils by allowing for the creation of Corporate Joint Committees (CJC). The Minister for Housing and Local Government in the fifth Senedd introduced a Statutory Instrument to create four CJs covering Mid, North, South-East and South-West Wales. The CJs have responsibility for key areas of regeneration activity including strategic development planning; regional transport planning; and the power to do things to promote or improve the economic well-being of their areas. These are all relevant to town centre regeneration. CJs came into force in 2021-22.

59. The Auditor General's report noted that the Welsh Government had provided all 22 local authorities with training on how best to use existing enforcement, financial assistance and debt recovery powers, but concluded these were not being used consistently or effectively. Accordingly, they recommended that Local Authorities³²:

60. The Auditor General for Wales has published a report on the progress of the CJC's more generally, finding that whilst he had been concerned about their "slow and varied progress", there were now more positive signs that they were "moving forward"³³. The report notes:

"Over two years on since their establishment in April 2021 and 12 months since they were given their core functions and duties in June 2022, it is clear that the CJs are still in their infancy. Progress of the CJs differ in different areas, but overall, governance arrangements are not yet all in operation and there is much work to be done to meet their strategic planning responsibilities".

61. The report notes that whilst they are building on city and growth deal arrangements, they "haven't all determined how they are going to work with other partnerships and bodies to make the most of resources and expertise". The Auditor General noted that this is "crucial given the main rationale for the CJs' establishment was to strengthen regional collaboration". The report found that

³² Auditor General for Wales, Regenerating Town Centres in Wales, p11

³³ Auditor General for Wales, Corporate Joint Committees – commentary on their progress, November 2023

progress across the CJs to date had been mixed, with some more advanced than others in relation to certain workstreams (including Regional Transport Plans).

Evidence

62. Professor Karel Williams discussed the landscape around the various schemes, explaining:

"We've got city deals, regional partnerships, corporate joint committees, et cetera, et cetera, and a lot of these operate on spreading things around rather than taking tough decisions. If you look at the city deal thing, for example, that basically starts on the basis of, 'Well, every local authority should get a bit of something.' Now, a tough-minded regional plan would need to go one step further, which is why I think my instinct is to press for action by local alliances at town level, not because regional plans wouldn't make a lot of sense, but because, at present, tough regional plans that say 'no' to some things or 'smaller' some things rather than what they have been for the last 20 years are not really within the Welsh political culture"³⁴.

63. However, he concluded that whilst local authorities have a critical role to play in regeneration, they often don't have the skills to deliver the change required. When asked about the capacity of local authorities to regenerate their town, he explained:

"I think their skills and capacity are very variable—that's one of the problems. We've got 22 local authorities in Wales, and I think, if you look at the absolute top end... then it really is a pretty smart operation at operating within the constraints.

... you can't expect local authorities to do it on their own. You need them to engage the anchors, involve the housing associations, get civil society and the traders to actually buy in so that we have the activity... nobody in northern Britain or western Britain, where property prices are low, has completely got together this business of the engagement

³⁴ RoP, Public Accounts and Public Administration Committee, 16 June 2022, p126

*of the anchors, the involvement of the housing associations and the commitment of civil society. It's all work in progress*³⁵.

64. He advocated for the creation of “local coalitions for change” drawing on the skills, expertise, finances and legitimacy of a range of local interests. For instance, local traders, civic society, anchor institutions and the different tiers of government. He sees these coalitions as being able to create strong local movements that bring people together to collectively improve their towns.

65. In relation to joint working, he explained that the issue of silo working was embedded at a national level, stating:

*“You've also got the problem... that the whole responsibility for urbanism is divided between different divisions—between housing, transport, climate change, et cetera—and I think there's a problem about silo working in Welsh Government, as there is with silo working with anchor institutions at a local and a regional level. So, I think, working together needs to start with Welsh Government”*³⁶.

66. Ben Cottam of FSB Wales told the Committee that city and growth deals were useful in facilitating large-scale investment in infrastructure or projects, but that they “aren’t really suitable vehicles for identifying some of the challenges that regional towns face”³⁷. He went on to say:

*“Many of my members in regional towns feel very, very far from the conversations that are going on around city and growth deals. So, I guess, whether it is an investment zone conversation or whether it is something that Welsh Government, in its own economic development capacity, would seek to do, then we would welcome any conversation that focuses in on town-centre environments”*³⁸.

67. On regional partnership working, he stated:

“I think the notion of regional working and partnership working is really welcome, and I think it does create economies of scale and

³⁵ RoP, Public Accounts and Public Administration Committee, 16 June 2022, p50

³⁶ RoP, Public Accounts and Public Administration Committee, 16 June 2022, p129

³⁷ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p194

³⁸ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p194

economies of expertise and economies of resource that may well benefit... You know, 22 local authorities, with all the towns in their jurisdictions, are going to really find it difficult to start to chip away at some of these challenges, but I think those collaborations at a regional level are really quite helpful”³⁹.

68. He explained that for organisations such as his, they were useful in developing a joint vision for regeneration in a particular area and provided an opportunity for a “macro conversation about how we develop these”⁴⁰.

69. The Welsh Government’s Town Centre Position Statement for May 2023 discusses local capacity to deliver change and states:

“A diverse set of stakeholders exist in town centres, including occupiers, property owners, businesses, local authorities, third sector organisations, employees, residents, and visitors. Towns will continue to struggle unless local actors join up in new, or strengthen existing partnerships to deliver the changes needed to sustain their towns. There is significant variability across Wales in the capacity and capability of local authorities, anchor institutions, businesses, and civil society groups to work together to deliver the transformative change which is needed”⁴¹.

English and Scottish context

70. Phil Prentice of Scotland’s Towns Partnership explained that a regional approach was being used to pool skill sets in Scotland, noting that 32 individual local authorities could never possess the in-house specialism required, therefore a regional approach was being used to pool resources⁴². He told the Committee that city deals, regional growth deals and regional economic partnerships were filling this gap effectively, citing the new enterprise agency operating in the south of Scotland, stating:

“They’ve taken a much more clearly defined role in leading on town-centre regeneration and working more closely with the local authority. So, they’re actually bringing the capacity into local

³⁹ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p213

⁴⁰ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p213

⁴¹ Welsh Government, Town Centre Position Statement, May 2023

⁴² RoP, Public Accounts and Public Administration Committee, 26 January 2023, p13

government for that period of time, and additional resources, skills and so on. At the end of the day, it doesn't really matter about structure, so long as the activity is being delivered”⁴³.

71. He noted that difficulties around resourcing meant there was need for more collaboration and the adoption of a regional approach. Richard Roe of Trafford Council expanded on this idea, explaining the position in Manchester:

“... within greater Manchester, we do that across the 10 districts and with the Greater Manchester Combined Authority, on the basis that that gives us collectively more scope, more buying power. I think there is also scope if you're going to do it with a public, private or community sector partnership, to bring in some of those resources from outside. It doesn't mean the authority has to do everything itself; you can tap into and bring in private sector resources to add in, and that's certainly something that we try and do and push as much as we can”⁴⁴.

Our View

72. The Committee concurs with Professor Williams that creating “local coalitions of change” is desirable in facilitating and driving forward regeneration that works for that particular area. Presently, the focus and resources for regeneration appears to be inconsistent and disjointed, with some local authorities possessing superior resources to others. A regional approach to solutions must be backed by a national effort to distribute resources equitably, to ensure a that there is consistent provision across Wales.

73. Despite this, it is clear that the implementation of the Corporate Joint Committees, that will empower this regional approach to regeneration, has been slow and the pace of change is therefore of concern. The conclusions of the Auditor General in this area are a concern, however positive signs of things progressing more recently are reported in his review, which is noted and welcomed.

74. The Committee believes that there is opportunities to learn from the implementation of the CJsCs and that work should be done to discover why the pace of change has not been as anticipated and whether the CJsCs are in the best

⁴³ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p13

⁴⁴ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p14

position to deliver the change they were intended to. It is particularly concerning that the progress of the various CJs has been mixed, as one of the intentions of them was to address some of the imbalances in resources for regeneration across Wales, an imbalance which is noted in the Welsh Government's own Town Centre Position Statement for May 2023.

75. The Committee asks that the Welsh Government shares its response to the Auditor General on his recent report into Corporate Joint Committees and provides an update to the Committee on the actions it is taking as a result of this report, should there be any.

Recommendation 1. The Welsh Government should update the Committee, in the context of the issues raised by the Auditor General's report, on action it is taking to support the progress of CJs, along with timelines for implementation, should there be any.

Recommendation 2. The Committee would appreciate further clarification around the resources allocated to each CJC and asks the Welsh Government to share a breakdown of the composition of each group, with further information on funding and resourcing.

7. Transport

Driving and car parking

76. The Auditor General's report recommended:

"Many town-centre businesses are impacted adversely by charging for car parking, access to public transport and poor transport infrastructure. We recommend that the Welsh Government work with local authorities to review transport challenges facing town centres and agree how best to address these"⁴⁵.

77. The report acknowledged that out-of-town retailers benefitted from free parking, which distinguished them from the traditional high street. The report notes that there is a need to create a level playing field for in-town businesses compared to those out-of-town businesses and specifically mention charges for car parking as being a factor. It suggests:

"... exploring innovative and flexible charging with lower pricing and 'connected value' such as varying charges based on visitor numbers to create more revenue"⁴⁶.

78. When considering transport links, the report notes that Wales "lacks efficient, affordable, accessible and comprehensive transport", with survey respondents complaining about "the availability of car parking, its cost and poor public transport alternatives as key barriers to visiting their town centres more frequently"⁴⁷. It notes that businesses and individuals responding to the survey had complained about the "deterioration of roads and inadequate integrated public transport".

79. Ben Cottam from FSB Wales told the Committee:

"We know that when we talk to businesses and when we talk to customers, things like affordable and available parking are still a really fundamental part of the conversation and still particularly in rural areas. And for some time to come, businesses will rely on private

⁴⁵ Auditor General for Wales, Regenerating Town Centres in Wales, September 2021, p15

⁴⁶ Auditor General for Wales, Regenerating Town Centres in Wales, September 2021, p21

⁴⁷ Auditor General for Wales, Regenerating Town Centres in Wales, September 2021, p24

vehicles, whether they're increasingly decarbonised or less-carbon-intensive vehicles, but nevertheless, they are private vehicles. We can't ignore that, in the short term, until and unless we get that critical capacity of public transport infrastructure, particularly into some of our regional and rural areas, then some of these sums just don't add up".⁴⁸

80. Isle of Anglesey County Council told the Committee that they were now repurposing some excess car parking space "for publicly beneficial uses"⁴⁹.

81. Phil Prentice of the Scottish Town Partnership talked about their efforts to "punish the car-borne dependency", explaining:

"... we are now going through exploring the potential for out-of-town car parking levies. And we're not just talking about retail parks; we're talking about office blocks that are built in the middle of nowhere. That money would be collected by local government and then used by local government to regenerate their town centres. So, all the bad behaviours of driving five or six miles out of your town to sit in a free car park, we're now looking at the potential of an out-of-town car parking levy, which then local government could reinvest in good behaviour in the town centre"⁵⁰.

82. On the position for Trafford Council, Richard Roe stated:

"... we do charge for all our car parks in town centres. It's an important income generator for the authority and that is something, in the current climate, that we have to consider. There is also that we've got very good public transport links into most of our town centres and we want to encourage people to use public transport and not drive... I don't think that we can really see a direct, causal relationship between footfall and activity in town centres and what we've done on car parking charges"⁵¹.

83. The Welsh Government's Town Centres Position Statement for May 2023 notes that a "deepening dependency" on the private car has support the

⁴⁸ Public Accounts and Public Administration Committee, 26 January 2023, p225

⁴⁹ Isle of Anglesey County Council response to consultation

⁵⁰ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p65

⁵¹ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p68

“continued development of out of town locations and encouraged a move away from town centre living”⁵².

Public Transport and active travel

84. The Welsh Government’s independent Transforming Towns report identifies a contradiction between planning policy for compact town centres, which prioritises active travel, and private actors who’s business model relies on out of town developments, which rely on cars and are cheaper and easier to implement⁵³. It concludes:

*“Renewal strategies need to consider edge of town neighbourhoods as well as town centres. Some facilities have to be centralised while others are distributed as policy makers must try to replace the current car based polycentrism with an active travel based polycentrism”.*⁵⁴

85. RTPI Cymru identifies active travel routes as an essential of a future “town-centre first approach”. It states:

*“Active travel provision and a regular, inclusive and affordable sustainable public transport system is a vital part of successful, thriving town centres. Active travel and public transport help deliver a range of benefits including reducing pollution caused by private car usage, reduces the need for large areas for car parking, provide health benefits from being active and reduces congestion with its economic negativity”.*⁵⁵

86. They go on to say:

“The recent resurgence of many district and local centres within urban areas presents an opportunity to increase active travel patterns of our communities in accessing key services closer to home, rather than a predominant focus on the provision of infrastructure and investment in and around centres at the top of retail hierarchies. A

⁵² Welsh Government, Town Centres Position Statement, May 2023

⁵³ Welsh Government, Small Towns, Big Issues: Independent research report, July 2021, p10

⁵⁴ Welsh Government, Small Towns, Big Issues: independent research report, July 2021, p9

⁵⁵ Royal Town Planning Institute Cymru response to consultation

balance of investment is needed to be reached to sustainably enable the benefits of 'shopping local' to be maximised".⁵⁶

87. FSB Wales described resolving public transport as a “very expensive part of the solution to scale up to the level that is required”, but nevertheless an essential part of the solution⁵⁷. He explained that the move from reliance on private vehicles would need to be a “phasing down of one mode” and a “phasing up” to another. However, he goes on to say:

“... it cannot be a cutting off, because that is just not realistic for so many communities in Wales that are a long way from having affordable, reliable public transport that has the capacity to meet the various needs of communities and businesses”.⁵⁸

England and Scotland

88. Richard Roe of Trafford Council noted that whilst public transport infrastructure is crucial, the transport infrastructure as a whole is “absolutely critical”⁵⁹. He went on to say:

“If we are going to deliver net zero, if we are going to get cars off the road, and encourage more public active travel, then you need to invest in the public transport. But, that isn't something that you can do, I don't think, at a local authority level. It needs to be done at a macro level. So, for us that's within the combined authority. We operate with Transport for Greater Manchester. They manage the transport infrastructure across the 10 GM authorities, because you need to operate at that scale. But we can see the extent to which development, investment, regeneration is linked into the transport system”⁶⁰.

89. He went on to discuss the challenges of integrating the transport system within Greater Manchester, explaining that they are seeking a “London-based ticket system”, which aligns ticketing between buses and trams within the

⁵⁶ Royal Town Planning Institute Cymru response to consultation

⁵⁷ Public Accounts and Public Administration Committee, 26 January 2023, p224

⁵⁸ Public Accounts and Public Administration Committee, 26 January 2023, p226

⁵⁹ RoP, Public Accounts and Public Administration Committee, 26 June 2022, p96

⁶⁰ RoP, Public Accounts and Public Administration Committee, 26 June 2022, p96

authority⁶¹. He talked about the system in Altrincham, where they now operate a “tri-modal interchange” involving train, tram and bus services. He noted that the service needs to feel consistent across the network and create “the environment when you get into the town centre that this is a good place to be—it feels safe, it feels light, it feels welcome, and leads you into the town centre”⁶².

90. Phil Prentice of Scotland’s Towns Partnership discussed the regional transport partnerships that operate in Scotland, noting that there was a big push from the Scottish Government to “get people to engage with public transport much more”⁶³. He outlined the development of a new transport planning policy based heavily on evidence of how people are moving between towns, considering the data on demographics, commuting and ageing to come up with a plan. He went on to say:

*“... if the transport planning at the town level is good and trains are connected well to buses et cetera and also the active travel routes that are being developed, then I think transport has a massive role to play in town-centre regeneration, moving forward”.*⁶⁴

91. When asked about pedestrianisation, Phil Prentice noted:

*“Truth be told, I have not seen any of the pedestrianisation stuff work successfully; I’ve actually seen some of them being implemented and then undone. I think the key learning from all of this is that we need to move to a European model, whereby all forms of transport are actually accepted within the town centre... delivery vehicles can be there alongside mobility scooters or people pushing a pram, or people cycling or walking”.*⁶⁵

92. Richard Roe echoed this, stating:

“... you just shift the problem somewhere else and create congestion and challenge elsewhere. I do think it’s more about creating a space that encourages and enables active travel, and that, actually, you

⁶¹ RoP, Public Accounts and Public Administration Committee, 26 June 2022, p97

⁶² RoP, Public Accounts and Public Administration Committee, 26 June 2022, p97

⁶³ RoP, Public Accounts and Public Administration Committee, 26 June 2022, p99

⁶⁴ RoP, Public Accounts and Public Administration Committee, 26 June 2022, p100

⁶⁵ RoP, Public Accounts and Public Administration Committee, 26 June 2022, p102

disincentivise motor vehicles from going down there just because of the way that it looks and feels”⁶⁶.

Welsh Government

93. In response to the Auditor General’s recommendation on transport issues, the Welsh Government stated:

“Over the coming months we will be working with Local Authorities and Corporate Joint Committee’s (as they are established) to develop regional transport plans to ensure that planning and transport solutions are tailored both to meet the objectives of Llwybr Newydd and the needs of different communities and different parts of Wales”⁶⁷.

94. The Director General for Climate Change and Rural Affairs told the Committee that transport plans were a key factor in regeneration, explaining that the “town centre first” principles are going to be “embedded into those regional transport plans”. When asked about future innovation in this area, she stated:

“... the vision for transport is set out in the Wales transport strategy, which was published just a couple of years ago, and that does see and wants an accessible, multimodal transport system for Wales, which does all of the things that the committee member has set out, where people can travel on different modes of travelling. The ambition is to have a one-ticket approach so that you can use your same ticket regardless of the mode of transport that you are undertaking and you can actually switch modes of transport. So, if you are coming to a town centre, you could come in by one way and go home another way, all using your same ticket”⁶⁸.

95. The Deputy Minister for Climate Change’s most recent update on regional transport delivery, on 3 February 2023, noted that £1.6bn had been invested to date, with £800m for a “fleet of brand-new trains which will operate across Wales, including our Metros network”⁶⁹. The update set out a series of activities as part of

⁶⁶ RoP, Public Accounts and Public Administration Committee, 26 June 2022, p105

⁶⁷ Letter from Welsh Government to Auditor General for Wales, 21 September 2021

⁶⁸ RoP, Public Accounts and Public Administration Committee, 18 May 2023, p236

⁶⁹ Welsh Government, Written Statement: Update on Regional Transport Delivery and Metros, 3 February 2023

the North Wales Metro, Swansea Bay and West Wales Metro, and South Wales Metro. It concludes by saying:

“It is clear there can’t be a ‘one size fits all’ approach to public transport – it will require flexibility and agility to meet the needs of the different towns, villages, cities and rural communities across Wales”.⁷⁰

96. A duty for Corporate Joint Committees to produce Regional Transport Plans for North Wales, Mid Wales, West Wales and South East Wales came into force in June 2022, with the Metro programmes underpinning the work of the CJsCs in implementing the regional plans. These Regional Transport Plans will replace existing local transport plans. The Welsh Government’s written statement goes on to say:

“The planning process will bring together local authorities, Transport for Wales, and other key partners in the development and delivery of transport services.

Regional Transport Plans will support local partners to work at a strategic level to take the aims set out in Llwybr Newydd - the national Wales Transport Plan - and deliver them in a way that is tailored to their context. It will ensure that services meet the needs of the people and communities they serve”.⁷¹

97. The National Transport Delivery Plan for 2022 to 2027 (NTDP) sets out a timescale between 2022 and 2024 for producing “guidance for the CJsCs in the use of the Llwybr Newydd, NTDP and Metro Programmes in developing the Regional Transport Plans”⁷². A series of actions around integrated journey planning and ticketing are planned between 2022 and 2027⁷³.

98. On active travel, the plan sets out a series of proposed actions including widening the availability of cycle hire (to be integrated with Transport for Wales

⁷⁰ Welsh Government, Written Statement: Update on Regional Transport Delivery and Metros, 3 February 2023

⁷¹ Welsh Government, Written Statement: Update on Regional Transport Delivery and Metros, 3 February 2023

⁷² Welsh Government, National transport delivery plan 2022 to 2027, 14 February 2023, p112

⁷³ Welsh Government, National transport delivery plan 2022 to 2027, 14 February 2023, p112-114

ticketing/digital systems), enhancing cycle parking provision and development of an e-cycle purchase loan scheme⁷⁴.

99. In the foreword to the NTDP, the Deputy Minister states:

“Since we published our draft plan, we have seen a significant reduction in our spending power following the UK Government’s financial crash. As a result of the Autumn Statement, the Welsh Government’s overall capital budgets will be 8.1% lower in 2024-25. The recent levelling-up funding announcements from UK Government have also failed to deliver much needed support for people to take purposeful journeys via sustainable transport in Wales.

This deteriorating fiscal and economic situation means that our programmes may cost more and take longer to deliver, but our goals and ambitions set out in Llwybr Newydd remain unchanged. In areas like rail, we need now more than ever for UK Government to fulfil its funding obligations to allow us to continue making progress”⁷⁵.

100. The Town Centre Position Statement notes that the guidance for preparing RTPs will require CJsCs to consider wider policies, including the Town Centre First policy⁷⁶.

101. As noted previously in this report, the Auditor General for Wales had identified issues with the slow progress of the CJsCs and notes that they remain in their “infancy”⁷⁷. On the CJsCs transport role, he explained:

“I found that the CJsCs’ progress with delivering their strategic development planning (SDP) and regional transport planning (RTP) functions was more limited. The budgets allocated by the CJsCs to support the delivery of these two functions varied considerably between the CJsCs.

Mid Wales CJC had determined its options for delivering its strategic development planning function, including staff resources to support this. North Wales CJC had agreed staffing structures to support both

⁷⁴ Welsh Government, National transport delivery plan 2022 to 2027, 14 February 2023, p1

⁷⁵ Welsh Government, National transport delivery plan 2022 to 2027, 14 February 2023

⁷⁶ Welsh Government, Town Centres Position Statement, May 2023

⁷⁷ Auditor General for Wales, Corporate Joint Committees – commentary on their progress, November 2023

planning functions. But at the time of my updated work in May and June, progress in these areas was less developed with the other two CJsCs”.

102. The Auditor General for Wales made a joint recommendation in relation to both strategic development planning and regional transport planning, stating:

“The four CJsCs should ensure that they take action to further progress with these functions over the next 12 months in order to facilitate an integrated, efficient and consistent approach to strategic planning in line with Welsh Government’s aims”.

Our view

103. The Committee was intrigued by the evidence of Richard Roe of Trafford Council, who explained their public transport solutions could only be achieved on a macro level across the Greater Manchester Combined Authority, with an aim to integrate services to make them feel consistent, with a London-style combined ticket across transportation modes.

104. Whilst the challenging financial circumstances are acknowledged, many of the actions around integrating ticketing and journey planning fall short of London-style transport integration and the plan does little to address the extensive gaps in existing provision, which wouldn’t benefit from integration in any event. Under the circumstances, it appears inevitable that many town centres will rely on private vehicles as the primary mode of transportation, especially in rural areas.

105. We note the development of Regional Transport Plans, to be developed and implemented by a series of Corporate Joint Committees (CJsCs), which will underpin the work of the existing Metro projects. Whilst it’s encouraging that a strong regional approach is being implemented, the pace of change is a concern to the Committee, which has only be reinforced by the conclusions of the Auditor General.

106. The Committee is concerned about how these CJsCs will be funded and, as noted earlier in this report, the pace of change. Furthermore, the Committee is anxious to know more about the guidance that will be handed down to these bodies and believes that more clarification should be provided on how these plans will work.

Recommendation 3. The Welsh Government should clarify how the Corporate Joint Committees implementing the Regional Transport Plans will be funded, what guidance will they be working in accordance with and what are the detailed timelines for implementation.

8. Planning policy

Background

Auditor General's work

107. The Auditor General published a report on issues relating to the planning system in September 2019⁷⁸. It found:

“With less money to fund services, planning officer capacity is stretched and skills are decreasing in key areas of work. The number of trainees entering planning has fallen in recent years which raises concerns over the long-term sustainability of services. Despite these reductions in funding, authorities continue to subsidise services because the charges made by local planning authorities for administering and approving planning applications and building works does not reflect the cost of providing these services”⁷⁹.

108. The report found, at the time, that all planning services had seen significant cuts in expenditure, with budget having fallen 50% in real terms when considering inflation. The report noted that net expenditure had fallen from £45m in 2008-09 to £22.8m in 2017-18⁸⁰. This cut in real terms expenditure occurred despite the fact that application had remained stable at around 24,000 per annum, at the time of publication. On this basis, the Auditor General concluded:

“... Planning Authorities are not resilient enough to deliver long-term improvements because of their limited capacity and the challenge of managing a complex system”⁸¹.

⁷⁸ Auditor General for Wales, The Effectiveness of Local Planning Authorities in Wales, September 2019

⁷⁹ Auditor General for Wales, The Effectiveness of Local Planning Authorities in Wales, September 2019, p10

⁸⁰ Auditor General for Wales, The Effectiveness of Local Planning Authorities in Wales, September 2019, p10

⁸¹ Auditor General for Wales, The Effectiveness of Local Planning Authorities in Wales, September 2019, p11

109. The Auditor General made a series of recommendations, including (amongst others)⁸²:

- That local planning authorities review their building control fee regimes, improve capacity by working regionally to integrate service, develop joint supplementary planning guidance and develop future local development plans regionally and in partnership with other authorities.
- That the Welsh Government should review development control fees and consider how the Planning (Wales) Act helps to support and improve local authority capacity and resilience.
- That local planning authorities should test their engagement and involvement practices, use ‘Place Plans’ as a vehicle to engage and involve communities and be more transparent and accountable in holding planning meeting at appropriate times and places.

110. The Committee’s predecessor from the Fifth Senedd considered this issue following the Auditor General’s report, with their report making a series of recommendations about the cuts in budgets and the need to improve resilience and build capacity⁸³. The report also recommended that:

- The Welsh Government works with the Planning Officer’s Society for Wales to review the National Performance Indicators in place, to better judge the impact of the system on improving wellbeing in communities and people.
- The Welsh Government and Planning Officer Society for Wales review their standards for engagement and develop new approaches to better reflect 21st-century communication. It should also consider how developers consult with local communities ahead of larger or major developments.
- Section 106 agreements should be strengthened and reviewed more closely by the Welsh Government.

⁸² Auditor General for Wales, The Effectiveness of Local Planning Authorities in Wales, September 2019, p12-13

⁸³ Public Accounts Committee, Inquiry into the Effectiveness of Local Planning Authorities in Wales, June 2020

- That a proposed new Welsh Planning Code should be enshrined in legislation, to help drive consistency in decision-making (this recommendation was not unanimously endorsed by Members).

111. These recommendations were all accepted by the Welsh Government⁸⁴.

Small Towns, Big Issues conclusions

112. The report concludes that the planning system, along with local development plans, has encouraged new build housing that meets the needs of private developers (which accounts for more than 85% of the new build housing built in Wales over the last 40 years) in areas out of town, which meets their own business model. The report explains:

“... edge of town and out of town development of all kinds (retail, office and residential) is generally more profitable and less complicated than in town development. Hard financial logic pushes towards dispersion and against the centred communities vision in Future Wales: the National Plan 2040”⁸⁵.

113. Despite this, it notes that the major upcoming challenge (up to 2040) will be managing, re-purposing and reuse of existing buildings. This is due to problems around energy efficiency of aged housing stock and the growing contrast between available housing stock and the needs of an “ageing, relatively low-income population”⁸⁶.

114. The report concludes by saying:

“If planning alone is not enough, it does have a major role and needs to become more agile and flexible in support of the high-level vision in Future Wales: the National Plan 2040. Specifically, local planners should urgently review designated primary retail areas within town, creatively use General Permitted Development Orders to allow trials of alternative uses and explore the potential of Local Development

⁸⁴ Letter from Minister of Housing and Local Government to the Public Accounts Committee, 17 September 2020

⁸⁵ Welsh Government, Small Towns, Big Issues: independent research report, July 2021, p6

⁸⁶ Welsh Government, Small Towns, Big Issues: independent research report, July 2021, p7

Orders for facilitating large scale development by giving in principle permission for certain types of development”⁸⁷.

Evidence

115. The Director of Housing and Regeneration told the Committee that “town centres first” was built into planning powers, with a mantra adopted of “live, learn and leisure”, with an intention of creating a “mixed economy for town centres”⁸⁸. The Director General expanded on this, explaining:

“I think all the planning policy is in place. We are not short of planning policy in this area, from 'Future Wales' to 'Planning Policy Wales', through to the various different levels of plans... I think the real issue, and I think this is the issue that the Auditor General got into in his report, is the implementation of it—the actual embedding it and driving it through, and making sure that every single decision actually really does keep that policy in mind. I think that is the really tricky bit, and that's where we're working to, I suppose, strengthen the arms of the local planning authorities and the planners, to feel able to turn down out-of-town developments and to support town-centre developments”⁸⁹.

116. Despite this, she notes that there are a series of issues around implementation including capacity, with a shortage of planners at a national and local level. She also describes “making sure that decisions are in line with policy” as an ongoing issue⁹⁰.

117. The Welsh Government’s Town Centres Position Statement recommends action in this area, stating they should:

“... strengthen the implementation of the Town Centre First policy in planning and empower local planners to refuse developments which do not meet the policy and to propose new plans for the adaptive reuse of out of town developments”⁹¹.

⁸⁷ Welsh Government, Small Towns, Big Issues: independent research report, July 2021, p7

⁸⁸ RoP, Public Accounts and Public Administration Committee, 18 May 2023, p182

⁸⁹ RoP, Public Accounts and Public Administration Committee, 18 May 2023, p205

⁹⁰ RoP, Public Accounts and Public Administration Committee, 18 May 2023, p205

⁹¹ Welsh Government, Town Centre Position Statement, May 2023

118. When asked about future actions by the Government in relation to planning policy, the Director General stated that there was not much more to do on policy or the framework, but that there is more to do support local authorities and planning officials in providing guidance and advice⁹².

119. Professor Williams told the Committee that the Welsh Government and local government should be more proactive in opposing more edge of town development, and should not enable change of use provisions when edge of town sites become vacant. He stated:

“... with the rise of internet retailing, there are going to be lots of surplus retail sheds and business park offices, and the owners will want to repurpose them as gyms, health centres or whatever, and if they're allowed to do so, that makes it much more difficult to sort the town centres”⁹³.

120. In response to a question about the Auditor General's conclusion, in his report on town centre regeneration, that local authorities need to be more interventionist, Professor Williams states:

“I don't think it's simply a matter of powers, it's also a matter of culture. I think the single most important thing is that local planners need a bit of spine and they need to learn to say 'no' to edge-of-town developments, within a proper framework... It wasn't a mistake to have retail parks, but there are too many of them in a way that creates a giant sucking sound, and we need to say 'no' to edge-of-town housing and say 'no' to the reuse of retail parks for housing”⁹⁴.

121. He went on to say:

“The planning system will only work on reusing large buildings if there is a developer who can usually work on smaller margins than a standard private sector developer would expect... We haven't so far this morning discussed surplus office capacity, which outside Cardiff is mainly in edge-of-town business parks; the key thing there is the emerging energy efficiency requirements. By 2030 all offices will have

⁹² RoP, Public Accounts and Public Administration Committee, 18 June 2023, p209

⁹³ RoP, Public Accounts and Public Administration Committee, 16 June 2022, p41

⁹⁴ RoP, Public Accounts and Public Administration Committee, 16 June 2022, p61

to reach grade B efficiency and Savills calculates that 87 per cent of offices will need upgrading. So, we will have lots of surplus edge-of-town offices where people are unwilling or unable to upgrade, and, again, I think the answer in edge-of-town is at least partly demolition”⁹⁵.

122. In their written evidence, RTPI Cymru told the Committee that a “well-resourced, plan-led, positive planning service” is crucial to making town centre regeneration in Wales effective. However, they acknowledge that the system is under pressure, with specialist resources described as being “under particular strain”. Their evidence goes on to note that the system requires adequate resources to be effective and that “reduced resources and capacity” affect the ability of planners to provide effective service delivery⁹⁶.

123. The response goes on to say that there are opportunities for Local Authorities to work more effectively with a broad range of partners, including the wider public sector, housing associations, the third sector and Town and Community Councils, to achieve the aim of a more effective system.

124. In their written evidence, Carmarthenshire County Council noted that the Welsh Government town centre planning policy is adopting a more flexible approach to land use in town centres, which they support⁹⁷. They go on to cite specific examples in Ammanford, Carmarthen and Llanelli, where Local Development Orders (LDOs) have been used successfully to facilitate private investment.

125. They note their ongoing encouragement of residential use in town centres, to “support diversification of uses”, going on to say:

“Our diversification approach is supported by amendments to permitted development rights that were introduced during the Covid pandemic, providing additional flexibility to businesses to explore the feasibility of a high street presence without the need to attain planning consent. The recent consultation on establishing these permitted development rights permanently would align with changes to national planning policy... which seek to promote vibrant town

⁹⁵ RoP, Public Accounts and Public Administration Committee, 16 June 2022, p67

⁹⁶ Letter from Royal Town Planning Institute Cymru, 2 September 2022

⁹⁷ Letter from Carmarthenshire County Council, September 2022

centres through the addition of other uses which complement retail”.⁹⁸

126. The Isle of Anglesey County Council were also supportive of the Welsh’s Government approach to national planning guidance, describing it as “increasingly favourable and protective towards town centres” and affording Local Planning Authorities the flexibility to formulate policies that “limit retail/town centre uses in accordance with the circumstances/viability of those centres”⁹⁹. Their response goes on to say:

“It is important to remember that most developments and changes taking place in the real world are not controlled by planning policy decisions, and the planning system is only one among many influences on what actually happens”.¹⁰⁰

127. Their response goes on to say that planning policy needs to be more responsive to external changes that affect the viability of retail centres, noting that Local Development Plans have sometimes been eclipsed by these factors (such as the pandemic). They note that the system needs to be “able to respond to external changes”, whilst acknowledging that the Welsh Government did introduce temporary permitted development and use class changes during the pandemic.

128. The Small Town, Big Issues report also notes that changes to the planning system alone would not be enough to achieve the changes required, but goes on to state:

“... it does have a major role and needs to become more agile and flexible in support of the high-level vision in Future Wales: the National Plan 2040. Specifically, local planners should urgently review designated primary retail areas within town, creatively use General Permitted Development Orders to allow trials of alternative uses and explore the potential of Local Development Orders for facilitating large scale development by giving in principle permission for certain types of development”.¹⁰¹

⁹⁸ Letter from Carmarthenshire County Council, September 2022

⁹⁹ Letter from Isle of Anglesey County Council, 12 September 2022

¹⁰⁰ Letter from Isle of Anglesey County Council, 12 September 2022

¹⁰¹ Welsh Government, Small Towns, Big Issues: independent research report, July 2021, p7

129. The report outlines a “fundamental contradiction” between the planning system and the business models of private actors (including housebuilders), with the former pushing for more compact town centres with “contiguous live/work/spend and active travel”, whilst the latter advocate for “dispersed, edge of town, car-based developments which are cheaper and easier”¹⁰².

130. The report goes on to say that unless business models are changed to align to the planning system’s objectives, with financial incentives for developers, little renewal in town centres will happen and the focus will remain on edge-of-town development¹⁰³.

131. In his evidence to the Committee, Professor Karel Williams explained that the planning system needed to learn to say ‘no’ to edge-of-town development and reuse¹⁰⁴. This matches the conclusions of the Auditor General for Wales, who concluded that a more interventionist policy is required.

132. The Auditor General’s town centres report stated that more needed to be done to create the “correct regulatory context by integrating land use planning and urban regeneration policy with more flexibility in planning to allow a broader range of uses to tackle empty retail and rundown buildings”. The report goes on to discuss the value of mixed-use space hubs. These themes were borne out in the Committee’s visits to Carmarthen and Wrexham, respectively.

Our view

133. The Committee agrees with stakeholders that the planning system represents only one element of what determines the future of our town centres, however, it is crucial that the system is provided with the flexibility, resources and capacity to help facilitate the necessary changes to Welsh town centres.

134. We concur with the Auditor General for Wales that a more interventionist approach is required by planning authorities, with more flexible powers to drive redevelopment from the fringes of towns to the town centres. The Committee is encouraged by the evidence from local authorities that planning policy is increasingly geared towards our town centres, however, more must be done to strengthen planning policy to enable rejection of planning applications which favour out-of-town development on the basis of private profit, against the benefit to the public of centre of town development.

¹⁰² Welsh Government, Small Towns, Big Issues: independent research report, July 2021, p10

¹⁰³ Welsh Government, Small Towns, Big Issues: independent research report, July 2021, p10

¹⁰⁴ RoP, Public Accounts and Public Administration Committee, 26 June 2022, p41

135. By giving planning authorities more flexibility and broader powers in relation to empty properties, the focus of development could move from the edges of our towns to our town centres through the reuse and revitalisation of existing, disused, spaces. However, this strategy will only be effective with additional funding for local authorities, which is addressed elsewhere in this report.

136. The Committee welcomes the commitment from the Director General to do more to support local authorities and planning officials with guidance and advice, however this will not address the issues around implementation and a lack of resources, as identified by the Director General herself.

Recommendation 4. The Committee concurs with the Auditor General's recommendation that a more interventionist approach is required by planning authorities and asks that the Welsh Government explain how it will look to strengthen planning policy to better favour centre-of-town development, instead of out-of-town development, through interventionist actions, particularly to address the issue of empty properties.

9. Non-domestic rates

Summary and current position

137. Non-domestic rates are a property tax paid on the property each business occupies, which is based on a “rateable value”, as set by the Valuation Office Agency, and a multiplier which is set on an annual basis by the Welsh Government (which usually increase in line with inflation). The most recent revaluation of the “rateable value” of a property came into force on 1 April 2023, based on rateable value set at 1 April 2021.

138. The Welsh Government operates a series of relief schemes, with particular criteria, including the permanent Small Business Rates Relief scheme, which provides a discount to eligible businesses (up to 100%), based on their rateable value.

139. They also provide rates relief for empty properties, applying for 3 months after the property becomes unoccupied (Empty Property Relief). The relief has particular exemptions, depending on the type of property or business, with full criteria published on the Welsh Government’s website.

140. The Welsh Government is also operating a series of temporary relief schemes, particularly to mitigate the effects of the COVID-19 pandemic on businesses. Whilst elements of these reliefs have now lapsed (information on the these schemes can be found on the website of Senedd Research¹⁰⁵), the Welsh Government announced in December 2022 that they would continue to provide an additional package of non-domestic rates support, worth up to £460m, for the next two financial years¹⁰⁶. This support will take the following forms:

- i. Support for businesses affected by the next revaluation of rateable value – support for ratepayers whose liability will increase by more than £300, allowing them to pay 33% of the additional liability in the first financial year (2023-24) and 66% in the second financial year (2024-25), before paying the full liability from the third financial year (2025-26) onwards.
- ii. Support for retail, leisure and hospitality businesses in Wales - £140m for a 75% non-domestic rates relief for the duration of 2023-24, for eligible

¹⁰⁵ Senedd Research, Coronavirus: Business support 2022, 21 January 2022 & Senedd Research, Coronavirus: Business Support 2021, 8 September 2021

¹⁰⁶ Welsh Government, Written Statement: Non-domestic rates support for 2023-24, 12 December 2022

businesses. The amount of the relief will be capped at £110,000 per business.

Auditor General's work

141. The Auditor General's report concluded that non-domestic rates "continue to make most town centres unattractive places to invest in"¹⁰⁷. They welcomed the non-domestic rates holiday but explained that for many businesses, non-domestic rates accounts for a "disproportionately high percentage of total occupancy costs", as the previous settlement (at the time of publication, based on a 2017 rateable value), was not reflective of their true rentable value. Furthermore, this burden was affecting retail businesses far more than online retailers, with the Centre for Retail Research estimating that an equivalent of 2.3% of retail sales went to non-domestic rates costs, compared with 0.6% for online traders' sales, based on figures for 2018-19¹⁰⁸.

142. The report explains that a number of respondents had expressed concern about the end of the non-domestic rate holiday, stating "...there is a need to create a level playing field with out-of-town retailers and online providers... for non-domestic rates"¹⁰⁹.

143. Their report recommended:

"Non-domestic rates have not been reviewed in recent years, and the levels charged do not reflect the current rents being achieved in many town centres. We recommend that the Welsh Government review Non-domestic Rates to ensure the system better reflects town-centre conditions when the payments holiday ends in March 2022"¹¹⁰.

144. As noted above, this review has now taken place and the holiday has been extended.

¹⁰⁷ Auditor General for Wales, Regenerating Town Centres in Wales, September 2021, p20

¹⁰⁸ Centre for Retail Research, Business Rates and the Future of the High Street

¹⁰⁹ Auditor General for Wales, Regenerating Town Centres in Wales, September 2021, p21

¹¹⁰ Auditor General for Wales, Regenerating Town Centres in Wales, September 2021, p10

Welsh Government evidence and the rates improvement relief

145. In an announcement in May 2023, the Minister for Finance and Local Government committed to “pursuing a range of reforms during the current Senedd term which will make essential and positive changes to NDR in Wales”¹¹¹.

146. The Welsh Government told the Committee that one of the issues around incentivising business owners to improve their property was the fear that their non-domestic rates will increase, because their rateable value would increase accordingly¹¹².

147. The Welsh Government has undertaken a consultation on the introduction on a “rate improvement relief”, which it proposes will “support businesses and other ratepayers to invest in making improvements to the non-domestic properties they occupy”¹¹³. This consultation concluded on 8 August 2023. In her announcement, the Minister for Finance and Local Government stated:

“Our proposals for an improvement relief are intended to help address this potential barrier to investment and growth in the tax-base, by ensuring ratepayers will begin to realise the benefits to their business of their property improvements before they are reflected in their NDR liability”¹¹⁴.

148. In the consultation document, the Welsh Government sets out a series of illustrative examples of improvement which would meet the criteria for relief:

- The addition of insulation or new lining to a previously uninsulated industrial property, resulting in an increase in rateable value.
- A physical extension to a property.
- The removal of a structural wall within a shop, resulting in an increase in rateable value, as the area previously behind the wall is then used for retail instead of storage.
- The addition of a structural mezzanine retail area in a retail warehouse.

¹¹¹ Welsh Government, Written Statement: Consultation on non-domestic rates improvement relief in Wales, 16 May 2023

¹¹² RoP, Public Accounts and Public Administration Committee, 18 June 2023, p254

¹¹³ Welsh Government, Consultation on improvement rates relief, 16 May 2023

¹¹⁴ Welsh Government, Written Statement: Consultation on non-domestic rates improvement relief in Wales, 16 May 2023

149. It also notes that the improvements to the building must result in:

- An increase to the size of a building or the internal useable space within it.
- Improvements or upgrades to the property's physical state, such as the addition of heating, air conditioning, or raised flooring.
- The addition of other rateable plant and machinery.

150. It is explained that a change of use of a building would not meet the criteria. The consultation document also sets out a series of illustrative examples which would not meet the criteria.

151. The Minister noted that the Welsh Government proposes to provide the relief from 1 April 2024, pending the outcome of the consultation¹¹⁵.

Stakeholder evidence

Non-domestic rates

152. When asked whether discounted non-domestic rates would stimulate regeneration, Professor Karel Williams told the Committee:

"... I think there the answer is: cheaper non-domestic rates won't solve the problem. Rents have been falling. We have also the problem of housing and the doughnut of cheap housing around the town centre. So, I think, on equity grounds, something needs to be done, but if you want regeneration, you're going to have to do other things as well..."¹¹⁶.

153. Carmarthenshire County Council, in its written evidence, told the Committee:

"The current rating system is outdated with the rates liability not reflecting current market conditions. It is appreciated that the system is under review, but a short-term intervention could be to amend the rating multiplier (the rate in the pound that is multiplied by the rateable value of a property to produce the annual rates bill) to reflect market conditions. Generally, the multiplier increases in line with

¹¹⁵ Welsh Government, Written Statement: Consultation on non-domestic rates improvement relief in Wales, 16 May 2023

¹¹⁶ RoP, Public Accounts and Public Administration Committee, 16 June 2022, p75

inflation. A decrease in the multiplier is, however, required to fairly represent current property rental market conditions and encourage further uptake of vacant properties”¹¹⁷.

154. The Isle of Anglesey County Council raised the issue of public houses and hotels, which are businesses that form an important part of the fabric of town centres, but who often occupy premises with high rateable values. This, therefore, causes a disproportionate impact on businesses who already are suffering from financial pressures of their own¹¹⁸. The submission went on to suggest that there should be a more “creative” approach to business rates, suggesting:

“A higher multiplier would be possible for out-of-town retail park / supermarket properties and a smaller multiplier for designated town centre businesses. It would be possible to do this and reduce the tax burden on town centre businesses without reducing the amount of money that is generated overall”¹¹⁹.

155. When asked for a Scottish perspective, Phil Prentice described the system of non-domestic rates as “no longer fit for purpose”. When asked to describe the problems and the goals for the tax system, he stated:

“It has to be simple, it has to be fair, it has to be collectable, but we're taxing the wrong thing, the easy targets, and too often businesses in town centres are just a cash cow for local government and central Government. So, I think we need to start thinking about carbon tax, we need to think about digital sales tax and we also need to deal with VAT”¹²⁰.

156. Richard Roe of Trafford Council echoed these concerns, noting that the rates system’s fundamental disconnect that it was a property-based system, as opposed to connected to the operations of the business, meant the system wasn’t working¹²¹.

157. Ben Cottam of FSB Wales explained that businesses often didn’t feel the benefit from their business rates, noting that even when the rate rises the

¹¹⁷ Carmarthenshire County Council, Written Evidence, September 2022

¹¹⁸ Isle of Anglesey County Council, Written Evidence, 12 September 2022

¹¹⁹ Isle of Anglesey County Council, Written Evidence, 12 September 2022

¹²⁰ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p56

¹²¹ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p60

environment for their business within the town doesn't improve¹²² (a concern that was echoed by Chris Jones of Chris Jones Partnership). He went on to say:

"... I think, particularly for regenerating town-centre environments, looking at discounted rates or rate holidays for new businesses to incentivise new starts—not just retail starts, to be honest, any new business start on the high street—because a bricks-and-mortar operation is an inherent risk, and, particularly in a fragile economic environment, that risk is disproportionate to the reward for small businesses".

158. He also noted that whilst the business rates holidays currently being applied were appreciated, it showed the "fragile economy" in which town centre businesses operated. He went on to describe the reliefs as "sticking plasters" and, whilst welcome, did not address the wider problem¹²³.

Empty Property Relief

159. When asked about the role of Empty Property Rate Relief, the Isle of Anglesey County Council explained:

"There are many cases where the landlord fills the property with any use to avoid having to pay the rates. This is usually a charity shop, because the charity can claim a mandatory and discretionary charitable exemption and thus pay no rates. The landlord is then happy because they avoid paying the rates and they receive rent - but having a town full of charity shops doesn't help town centres either"¹²⁴.

160. Phil Prentice of the Scottish Government described a previous Scottish Government scheme, Fresh Start, which aimed to provide a year's relief to a business if they place a business in a property that has been empty for a year. Whilst describing the initiative as "well-meaning", he went on to say:

"They (the schemes) work on the fringes; they're very marginal. So, whatever comes, it needs to be universal across the entire country

¹²² RoP, Public Accounts and Public Administration Committee, 26 January 2023, p186

¹²³ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p195

¹²⁴ Isle of Anglesey County Council, Written Evidence, 12 September 2022

and easily understood, rather than just little piecemeal schemes here and there that don't gain traction. It's difficult"¹²⁵.

Our View

161. The Committee is concerned by the Auditor General's conclusions about the failure of the current non-domestic rate mechanism to accurately reflect the true rateable value of properties. Whilst a revaluation has subsequently taken place, the mechanism for setting non-domestic rates remains a crude one, which does not accurately reflect the position for businesses in our towns. Indeed, it is even more concerning that maintaining a retail presence punishes businesses to such an extent, compared with online-only retailers.

162. Whilst the current business rates holiday for retail, leisure and hospitality businesses (alongside the transitional relief for businesses facing a rate uplift) is to be welcomed, the loss of this relief for many businesses will cause significant additional pressure. Whilst the permanent Small Business Rates Relief scheme is to be welcomed, it does little to bring into use some of the empty larger units found in our towns. As such, whilst useful, it is not a scheme that is relevant in addressing some of the issues facing our towns.

163. The multiplier is an area where the Welsh Government can be creative in reforming the system and make it fairer for businesses operating in Welsh towns. Consideration should be given to applying a higher multiplier for out of town businesses, which would provide additional incentive to operate businesses in town, but also reflect the overall lower costs of developing and running out of town premises.

164. We are encouraged by the Minister for Finance and Local Government's commitment to "pursuing a range of reforms" to the non-domestic rates regime, which we consider to be essential to stimulate the regeneration of our towns.

165. The Committee welcomes the consultation on the rates improvement relief, which addresses a key concern of businesses and other stakeholders. It is crucial that businesses and others are not disincentivised from investing in our towns, because of concerns about rates. It is hoped that the outcome of the consultation will be communicated shortly and that this relief will indeed be provided from 1 April 2024.

¹²⁵ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p64

Recommendation 5. The Committee requests that the Welsh Government provides an update about the consultation on non-domestic rates improvement relief in Wales and what the present proposals are for introducing this relief.

10. Empty properties

166. The previous sections of this report discussed the need for a more interventionist planning policy, with the aim of reusing existing properties, in place of extensive edge-of-town development, which has been pervasive in recent years. We have also discussed the impact of business rates and, more specifically, the impact of Empty Property Relief. This section will consider policy and funding packages more generally around empty properties.

167. The Committee heard about the issues faced by local authorities in bringing empty properties back into use in Wrexham, where £1.52m of National Lottery funding is being used for this purpose.

168. The Auditor General concludes in his report that local authorities must become adept at “land acquisition and assembly through better and more consistent use of enforcement powers, both compulsory and voluntary purchase powers”¹²⁶. The report concluded that local authorities are “mostly not using their powers to enable town-centre regeneration”, with the use of Compulsory Purchase Orders identified as being one tool available to them. The report states:

*“We found most of these powers are underutilised, and senior officers we interviewed acknowledged that there is a lot more for local authorities to do in using their wide-ranging powers to stimulate town-centre regeneration. Prohibitive factors include the cost and time involved in using these powers and, overall, officers we interviewed noted that the enforcement regime is neither agile nor effective at tackling problems”.*¹²⁷

169. The report notes that enforcement can be “very effective as a threat without necessarily having to see it through”, but only where it is done alongside a “clear vision and strong ambitions for the future”¹²⁸.

170. When asked about their approach, Richard Roe of Trafford Council acknowledged the difficulty of the issue. He noted that in Altrincham, they formulated a landlord forum to try and bring the landlord into the process¹²⁹.

¹²⁶ Auditor General for Wales, Regenerating Town Centres in Wales, September 2021, p48

¹²⁷ Auditor General for Wales, Regenerating Town Centres in Wales, September 2021, p28

¹²⁸ Auditor General for Wales, Regenerating Town Centres in Wales, September 2021, p48

¹²⁹ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p50

However, they did proceed with the threat of compulsory purchase, telling the Committee:

“We never actually went all the way through with enforcing, but started down that route, sending the letters and the legal notices, starting to encourage people and let people know that we were serious about taking action against their empty shop units. We provided a bit of a carrot, and then we provided a stick”.¹³⁰

171. Carmarthenshire County Council told the Committee about the cost of bringing empty properties back to life, stating:

“Often town centre buildings are in a poor state of repair and need significant investment to repurpose them, with costs often being much more than the building’s final value. This market failure requires public intervention. With public sector owned town centre property assets, a political decision can be made to invest even though the end product is worth less than what it has cost to regenerate”.¹³¹

172. In addressing the issue of cost, Trafford Council set up a fund for businesses, formed of both grants and interest-free loans, who took on empty properties in an attempt to “de-risk it a little bit for them, give the new business a bit of incentive, give the landlord a bit of incentive to get somebody coming back in, and that proved very successful for us”¹³².

173. During the Committee’s visit, the Committee hear about the work of Swansea City Council in distributing the Town Centre Loan Fund, of which £2m had been provided to the authority to:

- To acquire and unlock sites and premises with the intention of packaging and selling a proposal on the open market within an agreed timeframe;
- To redevelop or refurbish sites and premises within an agreed timeframe; and

¹³⁰ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p50

¹³¹ Letter from Carmarthenshire County Council, September 2022

¹³² RoP, Public Accounts and Public Administration Committee, 26 January 2023, p50

- To provide loans to third parties for repayment within an agreed timeframe.

174. This money was to be distributed within certain prescribed geographical areas in Swansea and Morriston. The Committee heard that this had, regrettably, inhibited the Regeneration Morriston group from providing funding to a development of local importance, the Penderyn development at Hafod-Morfa Copperworks, because of this criteria, despite the demonstrated benefit to the town centre itself.

175. When asked about the Welsh Government's efforts in this area, the Director General stated:

"Certainly, we've taken quite a bit of action in that area because we have engaged an industry expert, who's done quite a bit of training with local authorities now on compulsory purchase orders, and we've also recently put in place a loan fund to try and de-risk local authorities' actions, so this is an empty property enforcement loan fund. So, therefore, it takes away the financial risk that local authorities might face, and might be a barrier for them in going forward with a compulsory purchase order. I think it's fair to say we've seen a number of local authorities gearing up more lately in terms of taking compulsory purchase actions. But, as I say, that's probably at the very hard end of their powers, Chair. We'd like to see them operating with carrot powers as well as stick powers, if you understand me"¹³³.

176. The Committee also heard about training provided to "800 councillors and officials across Wales" on compulsory purchase orders¹³⁴. They went on to say:

"We've recently changed the policy so that if a building is empty it can have reduced rates, but we've now increased the time that a building needs to be occupied before it can trigger empty rate relief again, because I think there was a little bit of playing with the system there"¹³⁵.

¹³³ RoP, Public Accounts and Public Administration Committee, 18 June 2023, p172

¹³⁴ RoP, Public Accounts and Public Administration Committee, 18 June 2023, p174

¹³⁵ RoP, Public Accounts and Public Administration Committee, 18 June 2023, p254

177. Phil Prentice, of Scotland's Towns Partnership, told the Committee about Fresh Start, a Scottish Government scheme which gives businesses a year's relief from business rates, when a new business moves into an empty property¹³⁶. However, whilst describing the incentive as "well-meaning", he didn't consider it had been effective, going on to say generally about business rates schemes:

"They work on the fringes; they're very marginal. So, whatever comes, it needs to be universal across the entire country and easily understood, rather than just little piecemeal schemes here and there that don't gain traction".¹³⁷

Our view

178. The Committee reiterates the recommendations it makes above in relation to a more interventionist planning policy, which would prioritise the repurposing of empty properties instead of encouraging further edge-of-town development.

179. The Committee believes that incentivising investment by private developers to bring empty property stock back into use is essential, but more must be done to make the business case more attractive. Whilst the introduction of an empty property enforcement loan fund is to be welcomed, without the levers to redevelop the building adequately and allow a new business to take its place, the benefits are likely to be negligible.

180. Where there is a convincing business case that a development could offer additional value to a town centre, the Committee feels that financial assistance should be offered to encourage that development. Options for this could include the following:

- i. An increased pot of money for interest free loans to fund improvement work.
- ii. Commercial lending advice to help developers access private funding for the development of such units.
- iii. Taxation incentives to bridge the gap between financing new developments and repurposing empty properties – reliefs on business

¹³⁶ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p50

¹³⁷ RoP, Public Accounts and Public Administration Committee, 26 January 2023, p50

rates, council tax and other liabilities for a set period of time for businesses or developers who repurpose empty buildings.

181. The Welsh Government must also empower local authorities to use the punitive options available to it more consistently, to ensure that buildings do not lay dormant, causing untold damage to the fabric of our town centres. This includes utilising powers of compulsory purchase, enforced sales and direct purchase more readily, in line with a consistent redevelopment plan. This includes using the legislative options available to it as a threat of enforcement.

182. The Committee welcomes the training provided to councillors and officials on the powers available to them, however further national direction is needed to empower officials to use these tools effectively.

Recommendation 6. The Welsh Government should formulate a comprehensive guidance document for local authorities, which clearly outlines the options available to local authorities in respect of repurposing empty properties, which empowers local authorities to feel they have support to use drastic actions that will lead to positive outcomes.

Recommendation 7. The Welsh Government should undertake a review of the financial assistance available to local authorities for repurposing empty properties and consider whether these schemes, and the funds allocated to them, are sufficient to meet their objectives. This review should consider the conclusions of the Auditor General for Wales and whether the schemes are sufficiently interventionist in their outlook.

183. The Committee was concerned to hear about the limitations of the Town Centre Loan Fund, in the context of the evidence we heard in Morriston. The fact a project of local significance, which lay a very short distance outside of set geographical criteria, is of concern. The challenge of bringing empty properties back into use is already sufficiently challenging for local authorities and increasing flexibility around criteria should be prioritised, to allow local actors with local expertise to use their own discretion on investments that will benefit their town centre.

Recommendation 8. The Welsh Government should review the criteria of its town centre incentives to ensure that the criteria offers as much flexibility as possible, within parameters set out by the Welsh Government, to local authorities to distribute funding based on its own local expertise.

Annex 1: List of oral evidence sessions.

The following witnesses provided oral evidence to the committee on the dates noted below. It also details the Committee's site visits. Transcripts of all oral evidence sessions can be viewed on the [Committee's website](#).

Date	Name and Organisation
16 June 2022	Professor Karel Williams, Professor of Accounting and Political Economy Alliance Manchester Business School
13 October 2022 (Site visits to Carmarthen and Morriston)	Wendy Walters, Chief Executive Carmarthenshire County Council Jason Jones, Head of Regeneration Carmarthenshire County Council Cllr Linda Evans, Councillor and Deputy Leader Carmarthenshire County Council Paul Relf, Economic Development & External Funding Manager Swansea City Council Debbie Gren, Chief Executive Coastal Housing Group Michelle Parfitt, Economic Development Officer Swansea City Council
8 December 2022 (Site visits to Mold and Wrexham)	Helen Belton, Town Clerk and Finance Officer Mold Town Council Jane Evans, Events and Community Engagement Officer Mold Town Council Jo Lane, Business Regeneration Project Officer Mold Town Council Rebecca Lowry, Head of Service - Regeneration Wrexham County Borough Council Cllr Nigel Williams, Councillor and Lead Member for Economy and Regeneration Wrexham County Borough Council

Date	Name and Organisation
26 January 2023	Phil Prentice, Chief Officer Scotland's Towns Partnership Richard Roe, Corporate Director of Place Trafford Town Council Ben Cottam, Head of Wales The Federation of Small Businesses Wales Chris Jones, Founder and Director Chris Jones Studio
18 May 2023	Tracey Burke, Director General - Climate Change and Rural Affairs Welsh Government Emma Williams, Director - Housing and Regeneration Welsh Government Stuart Fitzgerald, Deputy Director - Home and Places Welsh Government

Annex 2: List of written evidence

The following people and organisations provided written evidence to the Committee. All Consultation responses and additional written information can be viewed on the [Committee's website](#).

Organisation
Carmarthenshire County Council
FSB Wales
Isle of Anglesey County Council
One Voice Wales
Pobl Group
Royal Town Planning Institute
WLGA