

21 April 2015

Enterprise and Business Committee
National Assembly for Wales

Dear Committee Members,

Ref. Regeneration of town centres

Thank you for the opportunity to attend the meeting of the Enterprise and Business Committee on 29 April 2015.

The Big Heart of Merthyr Tydfil was the second Business Improvement District (BID) to achieve a successful ballot in Wales following on from Swansea. A third, Newport, is now in place and several more are moving towards ballots this summer. There are now over 200 BIDs operating across the UK.

In advance of the meeting, please find below some general observations on the areas identified in your invitation.

The Welsh Government's approach to regeneration, including town centre regeneration

Merthyr Tydfil has undoubtedly benefited from the consistency of support the town centre has received from Welsh Government over a number of years. The major schemes, largely generated by the council, have had support not only in terms of funding but also in terms of ministerial backing. This consistency of support has enabled incremental improvements to the town centre in line with the town centre masterplan; the town centre public realm improvements to the High Street (2008/09), the two new public squares - Llys Janice Rowlands (2013) and Penderyn Square (2014) - the Castle Multi-Storey car park (2013) and the River Taff Central Link road system (2014). The remaining substantial piece of this jigsaw would be the delivery of a new bus station which, if it goes ahead, will provide greatly enhanced public transport facilities in the heart of the town centre, improved linkages to the railway station and a more integrated approach to public transport provision.

Wider projects such as the A465 dualling have also contributed to the provision of better access to the town from the wider region and beyond, and the importance of this given Merthyr Tydfil's prime location should not be downplayed.

Merthyr Tydfil has also benefited from Welsh Government's approach to supporting town centre management. This has been the backdrop to a vibrant multi-agency town centre

partnership where commitment from the public sector has undoubtedly made it easier to engage meaningfully with the private sector. The role of town centre manager is an important one, pulling together many different strands of activity, both strategic and operational, to make the town a better place to do business. Looking forward to a more sustainable model for supporting businesses in the town centre and enabling them to have a strong voice, I would be supportive of Welsh Government's commitment to developing further BIDs as well as the programme to support the delivery of effective town centre partnerships in areas not receiving BID development funding. That said, the BID model is currently the one delivering reasonable levels of revenue funding which can actually 'make a difference'.

Implementation of the Welsh Government's 'Vibrant and Viable Places' regeneration framework

The Big Heart of Merthyr Tydfil recognises this as a sensible plan and approach to create more vibrancy within town centres by creating more town dwellers and more potential business users. In the case of Merthyr Tydfil, utilising derelict buildings and sites to increase households should result in improved sales for local businesses providing that those households decide to 'shop local' in the town. It is, however, likely that the expansion of Cyfarthfa retail park will attract a large percentage of the additional spend.

Whilst the decision to stimulate the delivery of more housing in or on the edge of the town centre is welcome, the decisions taken to move public sector facilities out of the town over the last few years have undoubtedly had a negative impact on town centre footfall and vibrancy. For example, moving the Hollies Health Centre out of town has had a considerable effect. The need to visit the town centre for medical services was a major driver of footfall, benefitting pharmacies, shops and cafes, and the removal of this driver has had a dramatic negative effect. If you add to this the decision to move the Police Station to the edge of the town plus the relocation of a substantial number of council staff out of the town centre to Pentrebach, footfall and potential spend have been greatly reduced as a result of public sector policy (see recommendation 5 of the report on Regeneration of town centres).

In Merthyr Tydfil, there are two specific projects within Vibrant and Viable Places which have the potential to boost the business health of the town centre. The first delivering retail grants for start up businesses and for existing business development is a valuable tool not just in securing the long term sustainability of those businesses in receipt of the grant but also as a way in to providing more structured business support and advice where this would prove beneficial. The second which supports meanwhile use targets one of the key problems encountered in many town centres, that of vacant units. If this proves successful in triggering the development of new viable businesses in the town centre as is anticipated this can only be a good thing. The amount of time required to deliver these projects should not, however, be underestimated and this is where having a proactive town centre manager with expertise and local knowledge is essential.

The current issues faced by town centres in Wales

Without doubt the biggest issue that businesses face is business rates. The rates level was last assessed in buoyant times, when rental levels and business profits were both at their peak. The recession, low confidence amongst investors and retailers plus the more limited spending power of shoppers have all dramatically hit businesses both in and out of town centres. The decision to delay the review of business rates until 2017 was particularly

harmful. In Merthyr Tydfil, many new occupiers in the retail sector are only temporary traders, effectively keeping the lights on for landlords but only paying business rates. Where permanent leases are being achieved, they are frequently for short periods and at rental levels reduced by a third when compared to historic leases. Many potential occupiers have originally agreed a soft deal on rents, only to walk away when realising what the business rates would cost.

Car parking costs continue to be a problem when attracting shoppers to town centres. The convenience of free parking on retail parks continues to deter shoppers from town centres and even retailers can see the benefit of free or low cost parking to their businesses when considering where they should locate. Budget reductions imposed on councils would appear, in some cases, to have led to increased car parking charges. Parking has ceased to be seen as an essential facility for attracting business users and visitors to their towns, and instead has become a cash cow for feeding reduced budgets.

High vacancy rates are undoubtedly a serious issue for many Welsh town centres and have a considerable impact on the vibrancy and vitality of a town centre. In the BID area in Merthyr Tydfil the vacancy rate is currently 12.1%, which would be well below average in the Valleys area. In spite of this, public perception remains that there are a lot of empty shops and that new businesses tend to be discount, betting or mobile phone shops. An increase in interest in vacant units is however evident over the last few months and, the issues raised in the above paragraph about business rates notwithstanding, I would anticipate that the vacancy rate may fall slightly over the coming months. In terms of the diversity of businesses in the town centre, and the scope for more individual and interesting independent retail and food businesses, it is a particular strength of the meanwhile use project within Vibrant and Viable Places that these types of potential businesses can be approached and supported where they might not otherwise get off the ground.

The use of Business Improvement Districts in Wales and the support offered by the Welsh Government in their development

The Big Heart of Merthyr Tydfil is halfway through its 5 year mandate. The financial support provided by Welsh Government in the development process prior to ballot undoubtedly gave the then steering group for the BID, supported by the council, the confidence to take the project forward. This would not have taken place without that financial commitment. Welsh Government's current BIDS in Development programme has been essential in supporting the further 9 BIDS now coming forward. I am of the view that a model such as the BID Loan Fund in England would not be successful in Wales, particularly when looking at relatively small town centres in UK terms, and that continued Welsh Government support will probably be required if further BIDs are to be encouraged. A further financial constraint in the future development of BIDs is the huge pressure on council budgets and if additional BIDs are to be supported, there may be a need to look at how best to deal with costs such as the ballot process and levy collection as well as initial cash flow issues if a yes vote is achieved.

In the case of Merthyr Tydfil, the subsequent financial assistance afforded the BID up to March 2016 has been very important in making the BID viable in its first 5 years. The Big Heart of Merthyr Tydfil is a relatively small BID in financial terms with a BID levy income of around £120 000 per annum. This is currently augmented by further grants from the council and Welsh Government. The long-term sustainability of the BID, should the board of

directors decide to seek a second term at ballot, is a serious issue and alternative sources of external funding and a possible expansion of the BID area will need to be considered. The smaller town centres currently seeking BID status may also be facing similar issues.

A further issue is the potential impact of changes to business rates levels in 2017, or indeed the impact of reform of the business rates system if that is what happens. The financial viability of BIDs will need to be considered as part of this process.

In terms of the use of BIDs as a way forward in supporting good trading conditions in town centres, the benefits are already well rehearsed: providing local businesses with a collective voice, better utilising the knowledge, expertise and ideas of the business community, providing a commercial perspective to the management of town centres, delivering leadership and direction and, of course, making available targeted investment over a 5 year period to 'make a difference'. The challenge for BIDs is to deliver a relevant, inspiring and dynamic service so that BID members view their BID levy not as an additional taxation but as an investment in their business and their town.

I trust that these observations prove helpful and very much welcome the opportunity to discuss these and other issues in more detail at your meeting.

Yours faithfully,



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