



Report of the Cabinet Member for Economy, Finance and Strategy (Leader) & the Cabinet Member for Investment, Regeneration and Tourism

**Development & Regeneration
Scrutiny Performance Panel – 14th November 2022**

City Centre Retail Update

Purpose	To provide the Scrutiny Performance Panel with an update on City Centre retail.
Content	This report sets out current state of play and the range of measures in place and being considered to support City Centre retail.
Councillors are being asked to	Consider the information provided and give views.
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1. Economic Context

- 1.1 The Covid pandemic hit suddenly through the impact of a series of national lockdowns, and overnight accelerated the trajectories of change that were already there, in particular a shift to online retailing and a move for large scale office work to move to working from home.
- 1.2 Just as the town centres were beginning to ‘find their feet’ on the back of substantial recovery measures put in place by government at all levels, the war in Ukraine tipped a precarious situation with global supply chains still not yet recovered from the pandemic, impacted energy supplies and resulted in inflation spiralling upwards. Interest rates being the only substantial lever to impact inflation are now rising globally. As a result the costs of everything

related to doing business in, living in and regenerating all town centres are all impacted, with the consequences continually needing to be re-evaluated.

- 1.3 There are however fundamentals underlying the successive waves of economic shocks. For over a decade mechanisms have been designed and put in place to tackle these, accelerated by emergency measures for Covid recovery for example.

2. City Centre Retail Conditions & Progress

- 2.1 The cost of doing business in town centres generally, was already, arguably, high, though Swansea is a competitive offer in this context. Operating commercial premises when costs of business rates, borrowing etc are high and rising against a backdrop of falling consumer confidence and spend. All town centres are seeing an increasing number of empty properties in retail cores. This presents a major risk, and the challenge for public bodies has been to use constrained resources to create the conditions that prevent major losses of retailers, employment and therefore revenue in the private sector. As a result, improving the viability and vitality of retail and other uses in town centres. A major part of this approach is to create the conditions for a vibrant mixed uses, with a range of complementary uses that support increasing footfall and the retail offer.
- 2.2 Swansea has shown a promising recovery of footfall as it has emerged from the pandemic, but whilst footfall levels in the city centre are still below those pre-pandemic, Swansea has shown particular resilience.
- 2.3 The increases in footfall in 2022 are notable, bearing in mind the ongoing tendency of office workers to work primarily from home. This shows the considerable positive impact the regeneration investments outlined later in the report are beginning to have, and bodes well as more of these significant projects get up and running during 2023 and beyond. Despite prevailing conditions, the trend is upwards, and as the report will explain, the strong mix of investments is fundamental to ensuring this trend remains upwards. The world is a very different place to 2019 and Swansea is making a success of its transition.

Monthly Footfall Data Swansea City Centre Jan 2019 – Oct 2022

Month	2019	2020	2021	2022
Jan	570,501	565,658	115,060	385,902
Feb	664,806	549,548	125,756	399,707
Mar	769,161	* 414,323	200,736	515,006
Apr	679,185	89,772	344,269	508,265
May	680,913	108,070	430,563	503,900
Jun	820,123	220,032	623,525	653,050
Jul	657,161	342,590	462,331	504,604
Aug	623,378	508,354	493,440	527,008
Sep	725,575	524,275	583,388	647,266
Oct	638,425	275,965	486,988	500,590
Nov	640,673	382,453	424,311	Tbc

Dec	792,438	358,276	506,541	Tbc
Annual Total	8,262,339	4,339,316	4,796,908	5,145,298

- 2.4 To support the retail offer and the wider economic recovery, the Council has taken advantage of a wide range of investment levers and opportunities, as well as enabling access to these for private sector developers including UK Government City Deal investment, and a wide range of support measures working closely with Welsh Government under the banner of the Transforming Towns programme. A series of interventions were also delivered linked to Covid recovery.
- 2.5 Contributory factors include the continuation of the major programme of regeneration investment across key parts of the city, maintaining momentum despite the issues outlined above, and timely emergency Covid interventions that enabled businesses to continue trading.
- 2.6 Partnership working particularly with Swansea Business Improvement District has been an essential part of keeping momentum going and adapting support measures to be fit for purpose.
- 2.7 The collective positive impact of the ongoing programme, and ensuring availability of gap funding and support measures via Welsh Government, has resulted in considerable private sector interest and investment, with significant developments complete, underway and planned from a range of developers. Significant examples include:
- the Albert Hall with major tenant The Depot signed up.
 - Palace Theatre with Tramshed Tech signed up.
 - The Arena now operational.
 - Hacer's biophilic redevelopment of the former Woolworths store, 71&72 The Kingsway on site.
 - Repurposing former British Home Stores as a major community hub for the Council and a range of partners, and others.
 - Wind Street has seen an upgraded street scene and in conjunction with a more flexible Council Policy towards Pavement Cafes, much greater outdoor use of the street and achievement of the informal café style long aspired for.
 - Swansea's evening and night time economy continues to hold the prestigious Purple Flag, held since 2014, which is further bolstered by the Wind Street improvements and wider Arena development.
- 2.8 All of these schemes are putting major landmarks back into use, creating appropriate new ones, and creating both private sector draw and are all significant footfall generators. The new Arena, for example, has attracted over 100,000 visitors in its first six months of operation. In turn, supporting industries, particularly overnight accommodation are expanding on the back of the range of entertainment offer that is in place and arriving soon. In addition an ongoing programme of creation of market rent accommodation in redundant upper floors, as well as major private sector investment in fit for purpose student accommodation is broadening the mix of uses and occupation of all

parts of the city centre, which post-pandemic we are only just beginning to see the future benefits of. Providing accommodation for high growth companies and highly paid jobs is clearly an important ingredient and the reason for investment in major quality floorspace provision such as 71/72 The Kingsway, alongside an increasing range of private sector offer across the City. Creating space at all scales and types and to meet a wide range of affordability and the ability for businesses to move through as their needs change is increasingly possible with schemes delivered and on site.

- 2.9 Swansea Market has and will continue to play an important role in the COVID recovery efforts of the City Centre. Initiatives designed to maximize the economic value of market trading and attract new traders and entrepreneurs has delivered positive results - bucking national trends with an occupancy rate of 93% and receiving national recognition from the likes of the *Association for Public Service Excellence (APSE)* and *National Association of British Market Authorities (NABMA)*.
- 2.10 All of the aforementioned schemes are catalysts in their part of the City and part of a longer term strategy to adapt existing premises and outdoor spaces to the new realities of town centres, by putting stimulus into those fundamentals – appropriate level and scale of commercial, residential and public spaces that are affordable and flexible to adapt to changing circumstances.
- 2.11 Importantly Swansea City Centre sits in a network of large and small towns across the wider south west region, all of which have a part to play in the sense of experience of place that makes Swansea and the region special. All of this is underpinned by a backbone of micro-businesses that are the experience local people and visitors enjoy day to day, and increasingly can be very proud of.
- 2.12 All of this is achieved with a mix of large big ticket investments balanced with a range of smaller inputs in the wider county that all contribute to the overall picture and sense of moving forward.
- 2.13 The viability gap in making this happen can only be overcome with positive grant and loan support mechanisms and sensible incentives to achieve the desired regeneration outcomes, with a better quality experience offer, and strong economic resilience whatever shocks pass over the wider economy.
- 2.14 Regenerating a town takes multiple investments from small to large across a medium-longer term period of time. This includes a small number of big ticket schemes, with an availability of a range of programmes outlined above for small to medium schemes, and time for people to see the benefits and seek to improve their properties, and encourage people to choose to develop new businesses on the back of that.
- 2.15 There are relatively small sums of external funding available for regeneration compared to other policy areas, with very high expectation, and the funds rarely match the scale needed to drive change. If smaller funding quantum persists, it is necessary to ensure availability and stability over a longer period to enable change and keep the momentum behind regeneration activity and ensure solid foundations. Regeneration is not a ‘task and finish’ exercise, it is a continuous

improvement process. Proper resourcing would remove this cycle of decline – time and money is often expended on stretching thin funding resources for what should be no brainer regeneration schemes.

- 2.16 A very good range of funding levers available including loan and grant support and with medium term availability is essential given timescales for capital investment. Increasing demand for all these resources will require realistic phasing and profiling of schemes and funding asks to maximise private and public development. A range of public and private investments are in the pipeline including from an increasing range of Swansea-based private sector developers.

Swansea currently deploys:

- 0% Town Centre Loan
- WG Transforming Towns Placemaking grant
- WG Transforming towns Strategic Grants
- Former Building for the Future programme
- Council Business Improvement Grants
- Council Start up grants
- CRF Digital grants
- CRF Green grants
- WG Green infrastructure pilots
- Meanwhile space programme
- SMART towns rollout

- 2.17 Some key points to note regarding ‘levers’ available more generally:

- There is no formal planning ‘control’ over range and types of retail offer.
- Main value of programmes is medium-long term availability of support to fill viability gaps and encourage positive re-use and development.
- Permitted development rights introduced during the Covid pandemic could perhaps be made permanent to reduce burden of regulation on businesses.
- The requirement for legal charges on small scale property enhancement development grants is a barrier for small businesses who not have the equity available to support a charge.
- Wholesale conversion to flats or demolition of character buildings is often considered a cheaper option, but alternatives should be thoroughly evaluated, e.g. for creation of permanent meanwhile opportunities, development of hub models and so on; such projects are riskier, but grant models should allow for this as maintaining a position of needing security for all types of project will result in less imaginative schemes, and only achieving outcomes the market would achieve anyway.

- 2.18 We recognise that the future of the city centre retail offer relies on a strong vibrant mix of uses that create the correct conditions for growth. This includes a range of employment uses, residential units and leisure. The Council is working with its strategic partner, Urban Splash, to bring forward significant investment in this regard. In addition, the Council is exploring ways to secure new occupiers for the Debenhams unit. In support of the retail sector, the

Council is also preparing to commission a new retail strategy to guide future investments.

- 2.19 UK Government funding to begin to replace European Union funding is slowly taking shape. Decisions on bids to the second round of the Levelling Up Fund are awaited by the end of the calendar year. Two of the four bids submitted would see considerable further capital investment into the City Centre. The Shared Prosperity Fund is primarily revenue based and may provide support for further interventions particularly around business support and development, feasibility and net zero ambitions. This will be worked through in the coming months. A key piece of work required is an analysis of future retail and how this develops and realigns on the back of the major regeneration investment aforementioned. The overall economic situation cannot be ignored, and whilst all the available levers are being maximised, it is as yet unclear what impact recent economic turmoil may have on the availability of funding support in particular. Demand for support from the private sector is high and increasing at a time when resources are likely to become more constrained. Teams within the Council continue to operate at the pace established during the pandemic emergency, which is going to become increasingly challenging. Delivery during this time demonstrates that ambition to deliver at scale and pace is only limited by resources that can be accessed.
- 2.20 Climate emergency is another underlying concern, in particular given the waterfront location of our City Centre, which is both a major benefit and a threat at the same time, with TAN15 flooding consequences under consideration. Swansea is successfully piloting a range of green infrastructure, for example the retrofit on 85 The Kingsway working with Coastal Housing, and the green walls on the Arena carpark. Hacer's biophilic development at the former Woolworths is a further major example of building renewal on net zero principles. Work and resources around this area of work will need to be significantly increased. Training for companies installing and maintaining such infrastructure has also been piloted through UK Community Renewal Fund piloting and will need to ramp up significantly going forward.

3. Conclusions

- 3.1 The issues and challenges of town centre retailing are not unique to Swansea City Centre or any of our district retail centres. Swansea City Centre is showing a promising recovery compared to similar size towns and cities as it has emerged from the pandemic. The trajectory and range of regeneration projects and support mechanisms working closely with Welsh and UK Governments is creating the conditions needed to support private sector investment at all scales.

4. Legal implications

- 4.1 As this report is for information there are no additional legal implications falling on the authority.

5. Finance Implications

- 5.1 As this report is for information there are no immediate or additional financial implications at this stage. The future funding environment for grants, capital and revenue looks challenging for the Council and partners and the presumption is currently against any additional asks falling directly on the authority. Any that do emerge will continue to need a case by case investment decision by Cabinet having due regard to the balance of government funding, local taxation and spending choices between revenue and capital financing of borrowing and the offsetting saving needed to prioritise any one aspect of spend over another.

6. Integrated Assessment Implications

- 6.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.
- Deliver better outcomes for those people who experience socio-economic disadvantage
- Consider opportunities for people to use the Welsh language
- Treat the Welsh language no less favourably than English.
- Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

- 6.2 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

- 6.3 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion, carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

- 6.4 All projects and initiatives referenced in this report are subject to their own Integrated Impact Assessment.

Background papers: None

Appendices: IIA Screening Form