

**STOCKTON-ON-TEES BOROUGH COUNCIL**

**CABINET RECOMMENDATIONS**

**PROFORMA**

Cabinet Meeting .....12th December 2018

1. Title of Item/Report

Reshaping Town Centres

2. Record of the Decision

Consideration was given to a report on Reshaping Town Centres.

Town Centres nationally faced an unprecedented threat with changing retail habits leaving them with an unsustainable reliance on traditional retail and an over provision of retail floor space. Whilst the many initiatives and investment from the Council and its partners across the Borough's Town Centres had meant that the impact of these drastic changes had been offset in part, there was a need for radical intervention if they were to thrive in the future.

The future of the Town Centres relies on a fundamental repurposing and reshaping programme. Realistically, nobody other than the Local Authority was going to intervene or act to secure their long term vitality and function.

There were emerging opportunities for the Council to make strategic acquisitions of commercial and retail property which would enable control and influence to be exercised and the report sets those out in more detail.

Town Centres nationally were facing an unprecedented threat in the form of changing retail habits brought about by online shopping and out of town retail parks, the imbalance in the national taxation system that these alternative retail outlets benefit from and the impact which that had on competitiveness of Town Centre retailers. These clear financial imbalances were allied with an increase in a more discerning customer base who was increasingly looking for a better quality and variety of 'experience' when visiting Town Centres. In many cases these issues were exacerbated by the volume of retail floorspace and the 'spread out' nature of the existing retail units and main shopping centres.

It was clear that the many initiatives and investment from the Council and its partners across the Borough's Town Centres had meant that the impact of these drastic changes had been offset in part. The investments

in high quality public spaces, in public art works, innovative lighting schemes, and heritage restoration had ensured that the towns continued to be attractive destinations.

The retention and improvement of libraries in Stockton, Billingham, Thornaby, Yarm, Norton and, most recently, Ingleby Barwick had created lively hubs of activity that drew visitors to the towns where they were located. Alongside this the Council investment in town-centre leisure and Customer Service Centres had all assisted in attracting visitors and business. The phase of major investment initiatives in town centres in the form of the Globe redevelopment, Hampton by Hilton Hotel and Leisure & Customer Service Centre in Ingleby Barwick would build upon this success, providing high quality leisure facilities that would act as an attractant to new visitors to and a further means of stimulating economic growth through spend from visits to these key attractions.

The investment in physical assets had also been underpinned by an equally important sustained commitment to a high quality events programme, with investment in year round events across the borough's towns. The programme of events from the major international scale attractions such as SIRF, the Great North City Games, the Cycling Festival and the Billingham International Folklore Festival to the smaller specialist markets and community events all combine to attract people to our towns and to support the businesses who trade there. The co-ordinated and comprehensive programme of Christmas events in December across all the towns in the borough was an example of the commitment to drive continued support to the towns.

These new facilities would be supplemented by a growing, high quality events programme, as evidenced by the recent announcement that the Great North CityGames would be hosted in Stockton in 2019.

There had also been significant private sector investment in and around Town Centres, particularly associated with the delivery of new residential developments. Sites such as West End Gardens, Norton Park, Jubilee Gardens, Mandale and Northshore were all delivering new homes at present with other developments at Whitewater Glade and the former Thomson's Scrapyard site due to deliver further homes in the future. Alongside this, further investment in the former Victoria Estate would add a quality residential offer in Stockton Town Centre. Furthermore, there was a continued upward trend in new restaurants, micro pubs and bars across our Town Centres, underlining a growing level of interest and confidence.

Support for businesses also continued with close working relationships established with the winning of the Stockton Business Improvement

District (Great British High Street Rising Start Award 2016) and the newly formed Yarm Business Forum as well as a similar venture within Norton. Support for independent businesses continued in the form of the Fountains Shopping Mall, business advice and small scale grants alongside support for activities all aimed at increasing vibrancy and visitors to the Town Centre.

Through these Stockton-on-Tees had gained a National reputation as a forward thinking Council and most recently hosting visits from Parliamentary Select Committee and British and Parliamentary representatives, publication as an example of good practice.

Despite the undoubted success of recent investments and initiatives, work remained to be done if the Town Centres were to thrive in the future. The challenges set out above could only be addressed through radical intervention and strong local leadership. Realistically, nobody other than the Local Authority was going to intervene or act to secure the long term vitality and function of our Town Centres.

The future of the Town Centres relied on a fundamental repurposing and reshaping programme. Whilst retail was still very important, particularly the on-going growth of independent retailers, the centres couldn't survive predominantly on that use as they had in the past. It's imperative that the Council diversify the use of the buildings, space and infrastructure within Town Centres, reintroducing commercial, residential and leisure offers in and around these areas including continuing to encourage and grow a high quality evening economy. Equally, creating high quality spaces in which events could be staged, visitors could enjoy and that create an attractive environment were essential alongside improving, restoring and celebrating history and heritage. In order to achieve these fundamental changes and influence the future of Town Centres positively, the Council needed to take control of key sites and assets.

There were emerging opportunities for the Council to make strategic acquisitions of commercial and retail property which would enable control to be exercised influencing occupancy, further reducing the level of property or re-purposing this for an alternative use. Where it was appropriate, increasing the Council's control would enable further strategies on the future of our town centres to be developed.

If the Council were to intervene and make such acquisitions, there was a requirement that funding needed to be approved by Council. The process and negotiations associated with such acquisitions were complex, commercially sensitive, and were normally subject to confidentiality agreements and time constraints.

The Council needed to be in a position to react and initiate negotiations knowing that funding was in place as this was a key requirement for vendors to commit to agreeing to progress to Heads of Terms. Cabinet were therefore recommending to Council that prudential borrowing could be utilised to fund any commercial developments and acquisitions where the prudential borrowing costs could be fully covered by income, and therefore there was no call on Core Council funding from within the MTFP and no impact on Council Tax. It suggested that a limit of £30million be approved. Details of the specific proposals would be presented to Cabinet for consideration and approval.

The Council were in active discussions and had agreed Heads of Terms in respect of one particular asset which would allow control of a significant area of a town centre. Whilst the details of the proposal were commercially sensitive (and exempt from publication):

- a. This acquisition would allow control of a significant area of a town centre
- b. Allow the Council to influence occupation and develop a wider strategy
- c. Consider how best to use the asset to re-shape the town centre
- d. Generate an income stream (although this is not the primary purpose)

Full Details of the proposal were shown at Appendix A of the report which was commercially sensitive and confidential.

Given the significance and complexity of the project, the Council was working with experts for specific advice and support. All had significant expertise in acquisitions of this nature. Jones Laing Lascelle were providing expertise in property and valuation and were advising on negotiations. KPMG, one of the biggest Accounting firms, were providing financial due diligence and Freeths providing expert legal advice.

The capital costs of the asset could be funded through prudential borrowing with the borrowing costs covered through the rental income stream. Whilst there were risks associated with future income reducing given the current climate, there were also, conversely opportunities for this to increase. The financial due diligence undertaken by KPMG confirmed that there was a significant differential between revenue and borrowing costs, even when scenarios of reduced occupancy were considered.

Subject to Council agreeing prudential borrowing, Cabinet were to approve the acquisition and delegate final negotiations on price and

completion of legal documentation, to the Director of Finance and Business Services and Director of HR, Legal and Communications, in consultation with the Leader of the Council and Cabinet Member for Regeneration and Housing.

The Council had previously acquired the former Glam nightclub and Post Office building with a view to taking control of the properties to avoid any undesirable use. An assessment of the buildings for potential use had been undertaken and it had been concluded that the best solution would be to demolish these buildings and create a pocket park and a car park. This was estimated to cost £2.5m and it was proposed that this would be funded from resources allocated in the Budget and MTFP report presented and approved in February 2017 to support Town Centre regeneration.

It was noted that the government had launched a £675 million Future High Streets Fund to help local high streets evolve and adapt to the structural changes arising from changes in shopping habits. It was further noted that the aim of the new fund exactly matched what the Council was trying to achieve in the borough. "...to encourage vibrant town centres where people live, shop, use services, and spend their leisure time. The Future High Streets Fund will support and fund local areas' plans to make their high streets and town centres fit for the future." (MHLG Policy Paper 29 October 2018).

The Government had announced that the fund would support local areas to prepare long-term strategies for their high streets and town centres, and it would also co-fund with local projects. Applications to the fund would be considered for investment in physical infrastructure, public and other transport access, new housing and workspace development, and investment in land assembly, including to support the densification of residential and workspace around high streets in place of under-used retail units.

It was noted that the full prospectus for the Fund, detailing the objectives of the Fund provide further detail on the nature of projects that were eligible for funding alongside assessment criteria, would be launched before the end of the year. Stage 1 applications would be invited in Spring 2019 and it was recommended that Council support preparation for a bid to be submitted in line with the final requirements.

It was proposed that a broad ranging discussion and consultation be undertaken with the public about the future role and vision for the town centres. Consultation activity would take place with the business forums and town centre businesses, community groups, residents and through the Bright Minds Big Futures programme with the young people of the

borough.

RESOLVED that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

Consideration was given to Appendix A of the report.

Following consideration of Appendix A the press and public were readmitted to the meeting.

RECOMMENDED to Council that:-

1. The use of prudential borrowing be approved to fund town centre related developments and acquisitions up to the value of £30million where the borrowing costs can be fully funded by income and where there is no call on Core Council funding from within the MTFP.
2. Council note that a bid will be made to the Government's Future High Streets Fund in spring 2019 to support further structural change and development in the borough's town centres.

RESOLVED that:-

3. The acquisition outlined at Appendix A of the report be approved and the finalising of further negotiations and final agreement on price and finalising of the contract for the acquisition be delegated to Director of Finance and Business Services, Director of HR, Legal and Communications in consultation with the Leader of the Council and Cabinet Member for Regeneration and Housing.
4. The demolition of the former Glam nightclub and the former Post Office buildings and the creation of green space and a temporary car park be approved and that this be funded from the allocation to support Town Centre regeneration included within the 2017 budget report.
5. A broad consultation and discussion on the future vision for the Borough's town centres be approved.

### 3. Reasons for the Decision

To allow the continued regeneration of the Borough's Town Centres in line with the Council's Economic Growth Objectives.

4. Alternative Options Considered and Rejected

None.

5. Declared (Cabinet Member) Conflicts of Interest

None.

6. Details of any Dispensations

N/A

7. Date and Time by which Call In must be executed

Special urgency applies to recommendation 1, 2 and 3 and are exempt from call-in.

Midnight, 20 December 2018 for recommendations 4 and 5 only.

Proper Officer  
12 December 2018