

AGENDA ITEM
REPORT TO COUNCIL
12 DECEMBER 2018
REPORT OF SENIOR
MANAGEMENT TEAM

RESHAPING TOWN CENTRES

SUMMARY

Town Centres nationally are facing 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 have meant that the impact of these drastic changes have been offset in part, there is a need for radical intervention if they are to thrive in the future.

The future of our Town Centres relies on a fundamental repurposing and reshaping programme. Realistically, nobody other than the Local Authority is going to intervene or act to secure their long term vitality and function. There are emerging opportunities for the Council to make strategic acquisitions of commercial and retail property which would enable control and influence to be exercised and this report sets those out in more detail.

RECOMMENDATIONS

1. Council approve the use of prudential borrowing 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 is 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.

BACKGROUND

1. At a special meeting of the Cabinet to be held on 12 December 2018 and under the rule relating to Special Urgency, Cabinet will be asked to:
 - a. agree to refer to Council for a decision the recommendations set out in this report;
 - b. approve the acquisition outlined at Appendix A and delegate the finalising of further negotiations and final agreement on price and finalising of the contract for the acquisition 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
 - c. approve the demolition of the former Glam nightclub and the former Post Office buildings and the creation of green space and a temporary car park and that this be funded from the allocation to support Town Centre regeneration included within the 2017 budget report; and
 - d. approve a broad consultation and discussion on the future vision for our town centres.
2. Subject to the prior approval of the Cabinet recommendations, Council are asked to consider the recommendations in this report.

DETAIL

Context

1. Town Centres nationally are 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 has on competitiveness of Town Centre retailers. These clear financial imbalances are allied with an increase in a more discerning customer base who is increasingly looking for a better quality and variety of 'experience' when visiting Town Centres. In many cases these issues are exacerbated by the volume of retail floorspace and the 'spread out' nature of the existing retail units and main shopping centres.
2. It is clear that the many initiatives and investment from the Council and its partners across the Borough's Town Centres have meant that the impact of these drastic changes have been offset in part. The investments in high quality public spaces, in public art works, innovative lighting schemes, and heritage restoration have ensured that our towns continue to be attractive destinations. The retention and improvement of libraries in Stockton, Billingham, Thornaby, Yarm, Norton and, most recently, Ingleby Barwick has created lively hubs of activity that draw visitors to the towns where they are located. Alongside this our investment in town-centre leisure and Customer Service Centres have all assisted in attracting visitors and business. The current 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 will build upon this success, providing high quality leisure facilities that will 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 has 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 this month across all the towns in the borough is an example of the commitment to drive continued support to our towns.

3. These new facilities will be supplemented by a growing, high quality events programme, as evidenced by the recent announcement that the Great North CityGames will be hosted in Stockton in 2019.
4. There has 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 are 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 will add a quality residential offer in Stockton Town Centre. Furthermore, we continue to see an upward trend in new restaurants, micro pubs and bars across our Town Centres, underlining a growing level of interest and confidence.
5. Support for businesses also continues 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 continues 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.

6. Through these we have 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.
7. Despite the undoubted success of recent investments and initiatives, work remains to be done if our Town Centres are to thrive in the future. The challenges set out above can only be addressed through radical intervention and strong local leadership. Realistically, nobody other than the Local Authority is going to intervene or act to secure the long term vitality and function of our Town Centres.
8. The future of our Town Centres relies on a fundamental repurposing and reshaping programme. Whilst retail is still very important, particularly the on-going growth of independent retailers, the centres cannot survive predominantly on that use as they have in the past. It's imperative that we 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 can be staged, visitors can enjoy and that create an attractive environment are 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 needs to take control of key sites and assets.

Opportunities for Control & Intervention

9. There are 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 is appropriate, increasing the Council's control would enable further strategies on the future of our town centres to be developed.
10. If the Council were to intervene and make such acquisitions, there is a requirement that funding needs to be approved by Council. The process and negotiations associated with such acquisitions are complex, commercially sensitive, and are normally subject to confidentiality agreements and time constraints.
11. The Council needs to be in a position to react and initiate negotiations knowing that funding is in place as this is a key requirement for vendors to commit to agreeing to progress to Heads of Terms. Cabinet are therefore recommending to Council that prudential borrowing can be utilised to fund any commercial developments and acquisitions where the prudential borrowing costs can be fully covered by income, and therefore there is no call on Core Council funding from within the MTFP and no impact on Council Tax. It suggests that a limit of £30million is approved.

Immediate Opportunities

12. The Council are in active discussions and have 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 are 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 are shown on Appendix A which is commercially sensitive and confidential.

13. Given the significance and complexity of the project, we are working with experts for specific advice and support. All have significant expertise in acquisitions of this nature. Jones Laing

Lascelle are providing expertise in property and valuation and are advising on negotiations. KPMG, one of the biggest Accounting firms, are providing financial due diligence and freely providing expert legal advice.

14. The capital costs of the asset could be funded through prudential borrowing with the borrowing costs covered through the rental income stream. Whilst there are risks associated with future income reducing given the current climate, there are also, conversely opportunities for this to increase. The financial due diligence undertaken by KPMG confirms that there is a significant differential between revenue and borrowing costs, even when scenarios of reduced occupancy are considered.
15. Subject to Cabinet first approving the acquisition and delegating 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, Council are asked to agree to the prudential borrowing requirement.
16. Members will be aware that we have 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 has been undertaken and it has been concluded that the best solution would be to demolish these buildings and create a pocket park and a car park. This is estimated to cost £2.5m and it is proposed that this will be funded from resources allocated in the Budget and MTFP report presented and approved in February 2017 to support Town Centre regeneration.

Future High Street Fund bid

17. It is noted that the government has 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 is further noted that the aim of the new fund exactly matches what we are 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).
18. The Government has announced that the fund will support local areas to prepare long-term strategies for their high streets and town centres, and it will also co-fund with local projects. Applications to the fund will 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.
19. It is noted that the full prospectus for the Fund, detailing the objectives of the Fund provide further detail on the nature of projects that are eligible for funding alongside assessment criteria, will be launched before the end of the year. Stage 1 applications will be invited in Spring 2019 and it is recommended that Council support preparation for a bid to be submitted in line with the final requirements.

Your Views Matter

20. It is proposed that a broad ranging discussion and consultation is undertaken with the public about the future role and vision for our town centres. Consultation activity will 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.

COMMUNITY IMPACT IMPLICATIONS

21. The Community Impact implications will continue to be assessed and monitored throughout the development of the proposals in this report.

FINANCIAL IMPLICATIONS

22. The financial implications are show at the Appendix which is commercially sensitive.

LEGAL IMPLICATIONS

23. The Council has a range of powers to invest and borrow, in each case either for purposes relevant to the performance of any of its functions or generally for the prudent management of its financial affairs (sections 1 and 12 of the Local Government Act 2003).

24. The Council may acquire property by agreement located either inside or outside of the borough for the purposes of any of its functions, including investment functions, or otherwise for the benefit, improvement or development of the area (section 120 of the Local Government Act 1972).

25. The Council may take any action (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions, which would again include their investment functions (s111 of the Local Government Act 1972).

26. Part 1 of the Localism Act 2011 provides the Council with a general power of competence. Section 1 (1) of the Act provides that "a local authority has power to do anything that individuals generally may do". This broad power is flexible and can be used as a primary power for the Council to act or intervene and provides for the ability to work in new and innovative ways.

27. These power may be used collectively to facilitate the immediate intervention that is anticipated to have a positive impact in contributing to economic growth, employment, amenities within the borough and which will in turn will provide a foundation to enable the Council to lead the development of strategies for the future of our town centres.

RISK ASSESSMENT

28. The proposals in this report are categorised as medium risk and are covered by existing management arrangements.

COUNCIL PLAN POLICY PRINCIPLES AND PRIORITIES

29. The report addresses the Policy Principle of creating economic prosperity.

CORPORATE PARENTING IMPLICATIONS

30. Not applicable.

CONSULTATION INCLUDING WARD/COUNCILLORS

31. Members can provide comments to the contact officers below. A wide ranging consultation will take place as outlined in Paragraph 20.

Name of Contact Officers:

Richard McGuckin, Director of Economic Growth and Development, Telephone No. 01642 527028, Email: richard.mcguckin@stockton.gov.uk

Garry Cummings, Director of Finance & Business Services, Telephone No. 01642 527011, Email: garry.cummings@stockton.gov.uk

Background Papers

Copies of the (Exempt Information) confidential reports providing expert advice and guidance on the proposals in this document are available to Members via Democratic Services (Nigel Hart, Telephone 01642 526193, email nigel.hart@stockton.gov.uk)