



Committee and Date

Place Overview Committee

Date: 7th November 2019

Item

Shrewsbury Shopping Centres

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1. Summary

- 1.1 Shrewsbury Shopping Centres were acquired by Shropshire Council in January 2018 and since that time the centres have been managed in a way to achieve the key objective to 'facilitate the economic growth and regeneration of Shrewsbury town centre' (Cabinet report December 2017).
- 1.2 In November 2018, Cabinet agreed the Shrewsbury Big Town Plan as an investment prospectus and collective vision for the town's aspirations and development opportunities. The current shopping centres and any future opportunities for them are considered in the context of the agreed Big Town Plan framework.
- 1.3 This report provides an update to Place Overview Committee on the latest performance of the current shopping centres, progress with the programme for the next phases of development and an update on the next phases of the Big Town Plan in the context of national retail and high street trends.
- 1.4 Since the Council acquired the shopping centres, there has been an increasing focus on the need to consider the uses of the British High Street in the context of continued challenging retail environments. This has included recent announcements from Government for intervention programmes such as the Future High Street Fund and Heritage Action Zones.
- 1.5 A number of well-known high street brands have gone into administration or entered CVA (Company Voluntary Arrangements) in recent years. This has affected Shrewsbury Shopping Centres like most other shopping centres elsewhere in the country. Some of the reasons for the challenges facing retailers are;
 - Increased wages bill for retailers due to the National Living Wage that increased hourly rates for retail staff.
 - A reduction in the growth of consumer spending due to concerns about Brexit.
 - Online shopping that now accounts for around 17% of retail in the UK (as of April 2018), taking consumers from the high street.
 - Business rates putting high street retailers at a disadvantage when compared with online retailers like Amazon who now occupy 4% of the retail market.

- 1.6 Darwin shopping centre is performing relatively well against this backdrop and successes in recent months have included lease renewals of some of the national retail chains including H&M and Topshop/Topman. There have also been the introduction of some tenants that are really helping to drive footfall, for example a children's play area working with Little Rascals and Shrewsbury Town in the Community. Vacancy rates in Darwin Shopping Centre for the previous Quarter (April – June) were at 9.26% by unit number. Investment will be made in 2020 to the mid level mall to improve the environment and provide new customer facilities.
- 1.7 Pride Hill is facing some challenges, increased in September with the closure of the Next store at their lease renewal date. Next have consolidated at their Meole Brace store in Shrewsbury. With Next and the former Poundworld vacant on the upper level the Council team is exploring potential short term lettings and opportunities. Pride Hill vacancy by number of units at the last quarter (April – June) was 2.86% but to note that this will now have increased with the former Next unit currently being void.
- 1.8 The asset value of the shopping centres has previously been reported as having dropped from the point of acquisition. This has been experienced across investments in all parts of the country for Property Companies, Financial Institutions and Councils alike due to market sentiment toward retail and this is neither Shrewsbury or Shropshire specific. The financial modelling anticipated that this would occur in light of the challenging circumstances for shopping environments (some of the key ones are highlighted in paragraph 1.5). Town centres are facing a period of change that is substantial and probably greater than any period of change experienced in the high street previously. The Council purchased the assets to be able to control a key part of the town centre for future sustainable development and growth, recognising retail would change, and it was therefore considered a long term investment that would take time to recover.
- 1.9 The Council has recently issued a brief for a Strategic Development Framework (SDF) for the Riverside Development Area, which includes the Riverside shopping centre. It has always been anticipated that the shopping centres would require investment in order to maximise the asset value and to secure the long-term growth and sustainability of the town centre and the SDF will set the principles for what the Council, as asset owner, wants to see come forward. The bidding stage for this piece of work closed on 30th October 2019 and the Council team expect to award the contract to the successful consultant team in late November.
- 1.10 The SDF will help guide the approach for investment decisions ensuring the commercial and social value of such a significant regeneration scheme is realised. The Council is looking to appoint an expert team comprising masterplanning, transport, design, planning, commercial and heritage expertise to work with it to produce a SDF by May 2020.
- 1.11 Prior to the redevelopment, the Riverside shopping centre is in a mean time use. This continues to be managed by a community organisation that provides short term occupation for community-based tenants prior to the wider strategic plans being

brought forward. This continues to generate footfall and keeps the units open and vibrant together with reducing any rates liability for the Council.

- 1.12 The Riverside development area is one of the key areas of masterplanning as part of the Big Town Plan, and a specialist team led by Glenn Howells Architects was recently appointed to take forward the next stages of the Big Town Plan on behalf of the Partnership. The movement strategy is a key part of this work which will consider the future access and movement needs and opportunities of the town to deliver the goals set out in the adopted Big Town Plan framework.

2. Recommendations

Place Overview Committee are asked to note the challenges facing Shrewsbury shopping centres, to note the overall performance of the centres and to consider the opportunities for further generation of footfall through activity and the redevelopment potential of Riverside.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 There is a full project risk assessment for the Shrewsbury Shopping Centres that the project team are responsible for. This includes a detailed schedule of all tenant activity including lease renewals. An operations group meets on a monthly basis involving Council officers and the lead consultants to ensure that this is closely monitored and recommendations reported to the Board of Trustees for each of the three centres for decision.
- 3.2 The Council's decision to take control of the shopping centres was to support the economic growth and regeneration of the town centre. The further investment in the centres aligns with this primary objective and provides a number of opportunities for the town centre to transform and grow which would not have been realised if the Centres had remained in private ownership. This is an opportunity that increasingly Council's elsewhere have taken.
- 3.3 The preferred option is that the Council proactively invests in the future of the shopping centres to ensure the Council and the assets are in the best position possible for development and commercial opportunities. This includes upfront feasibility and development work for the redevelopment opportunity for the riverside development area, including the shopping centre.

4. Financial Implications

- 4.1 The management of the shopping centres is closely monitored as part of the Economic Growth service budget and is delivered through the management accounts for each of the centres held as Jersey Property Unit Trusts.

- 4.2 All expenditure to date has been met by the original capital budget set aside at the point of acquisition by the Council and as agreed in the Council report on 14th December 2017.
- 4.3 Any future requirements for capital expenditure will need to be agreed by Council as part of the Capital Programme which is approved by Council each year and monitored by Cabinet through quarterly monitoring reports.
- 4.4 Net revenue implications for the Council are reported through the regular quarterly monitoring reports to Cabinet.

5. Background

- 5.1 The Council acquired the shopping centres for economic development and regeneration purposes to allow the council to take a full and leading role in place shaping the town centre. This dictated the legal powers that the Council utilised to acquire the assets. The timeline to reach acquisition of the Shopping Centres was as follows;
- September 2017 – initial engagement on the Shrewsbury Big Town Plan
 - September 2017 – due diligence commenced to inform the decision to acquire the shopping centres
 - December 2017 – decision to acquire the shopping centres made by Full Council
 - January 2018 – acquisition complete
- 5.2 Key activity since acquisition has been;
- Shrewsbury Big Town Plan prepared, consulted upon and finalised
 - Big Town Plan agreed by Cabinet and partnership formed including independent chair
 - Big Town Plan next stages including masterplans and movement strategy tendered and successful team appointed
 - Team of asset managers and strategic asset advisors appointed
 - Additional staffing resources secured to help manage and deliver the shopping centres project including a Finance Officer and Surveyor
 - Project governance embedded including monthly operational meetings, steering groups, lettings strategy meetings, finance meetings and communications groups
 - Letting agents appointed to include national and regional representation
 - Quarterly Trust Board meetings held via tel-conference
 - Capital programme for Darwin Shopping Centre finalised
 - Strategic Development Framework for the redevelopment of the Riverside Development Area produced and bids invited from consultant teams
 - Negotiated new terms of lease with a number of tenants including H&M, Topshop, Perfume Shop, HMV
 - Marketing and PR campaigns led by Buy From Shropshire and Shropshire Council

5.3 Specific issues encountered by Shropshire Council since owning the Shopping Centres include;

- Some retailers have not renewed leases leaving empty units and increasing the Council's service charge, rates and insurance liabilities.
- Some lease negotiations have resulted in lower rents
- Two recognised stores have gone into administration leaving bad debt

6. Conclusions

- 6.1 Town centres are facing unprecedented change. The way people shop has changed, social patterns are continually changing and along with an evolving economic climate, this is leading to fundamental change in the role and purpose of the traditional high street.
- 6.2 Shropshire Council had the ambition and confidence to purchase the shopping centres to support the economic growth and regeneration of the town centre, to promote the development of Shrewsbury as a 'destination', helping provide an improved and attractive retail and leisure offer, and secure employment for Shropshire residents both directly and indirectly. The ownership of the shopping centres supports the delivery of the Shrewsbury Big Town Plan so that Shropshire Council is in a position to have control of how these developments take place rather than leaving it to market forces alone.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Reports December 2017, November 2018 and December 2018

Cabinet Member (Portfolio Holder)

Cllr Steve Charmley – Portfolio Holder Assets, Economic Growth and Regeneration

Local Members

Cllr Nat Green

Appendices

N/A