

<u>Committee and Date</u>	<u>Item</u>
Place Overview Committee	
5 November 2020	

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1. Summary

- 1.1. The Pride Hill, Darwin and Riverside shopping centres, Shrewsbury, were acquired by Shropshire Council in January 2018. Since that time the centres have been successfully managed to achieve the key objective to 'facilitate the economic growth and regeneration of Shrewsbury town centre' (Cabinet report December 2017).
- 1.2. This report provides an update to Place Overview Committee on:
 - the latest performance of the shopping centres;
 - progress with the programme for the next phases of development; and
 - an update on the next phases of the Big Town Plan and the Strategic Development Framework for Riverside.
- 1.3. The financial year 2020/21 has seen exceptional circumstances for the centres with the significant impact the Covid 19 pandemic, as well as severe flooding in February 2020. The pandemic national lockdown dictated a closure of the centres for all but essential traders over the period 23 March 2020 to 14 June 2020. This has resulted in the non-payment of rent and service charges for a significant number of tenants, placing financial pressure on their operation and hence future viability. The shopping centres reopened on the 15 June 2020 only after significant investment in Covid-safe measures, including signage enhanced security and increased cleaning regimes.
- 1.4. Since the Council acquired the shopping centres, high streets and town centres have seen unprecedented challenges and changes in the way in which the retail environment functions and operates. The recent impacts of COVID 19, as set out above, alongside existing challenging trading environments has accelerated many adverse impacts on retail, commercial, leisure and hospitality businesses and the communities they serve.
- 1.5. However, through the Shrewsbury Recovery Taskforce, part of the Big Town Plan partnership with the Shrewsbury Town Council and Shrewsbury Business Improvement District (BID) and Shropshire Council, the Council has put in

place measures to mitigate impacts, support businesses and traders, as well as ensuring residents and visitors can access the town safely.

- 1.6. Despite the impacts and additional pressures resulting from the Covid pandemic, and previously the severe flooding in February 2020, the Council has continued to drive forward the business plan for the economic and strategic development and robust management of the shopping centres.

2. Recommendations

- 2.1. Place Overview Committee are requested to note the findings of this report. In the context of the unprecedented challenges facing Shrewsbury shopping centres and the wider town centre, acknowledge the progress made to date, performance of the centres and specifically the repurposing of Pride Hill and Darwin centres and the redevelopment potential of Riverside.

3. Risk Assessment and Opportunities Appraisal

- 3.1. There is a project risk assessment for the Shrewsbury shopping centres that is the responsibility of the project team. This includes a detailed schedule of all tenant activity including lease renewals. An operations group meets monthly 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. The shopping centres steering group involving Council officers and the lead consultants meet monthly to review strategic direction and business plan and recommendations reported to the board of Trustees for decision.
- 3.2. The Council's decision to purchase 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 opportunities for the town centre to transform and grow; a situation that may have been unlikely had they remained in private ownership. This approach has been adopted successfully by Councils elsewhere and ensured economic failure in the high street, and in other situations, has been avoided.
- 3.3. The Council is proactively investing in the future of the shopping centres to ensure that the use and value of such assets is resilient in a shifting retail market and the Council is well placed to identify and realise future development and commercial opportunities. Investment includes feasibility and development appraisals that inform these opportunities as well as identify the Council's role, such as the redevelopment of the Riverside 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 by the shopping centres steering group and is delivered through the management accounts for each of the centres held as Jersey Property Unit Trusts.

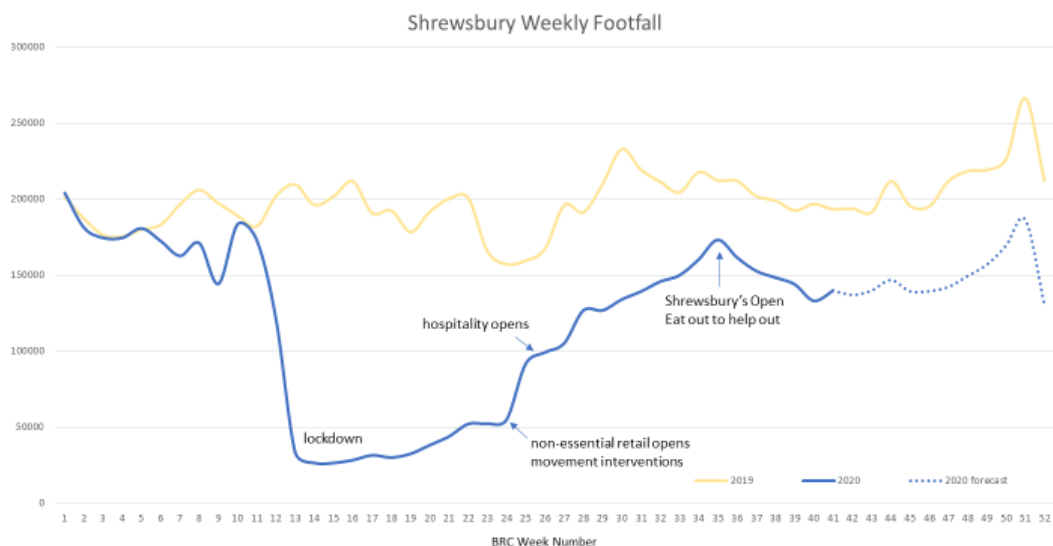
- 4.2. Any future requirements for capital expenditure will need to be agreed by Council as part of the Capital Programme, approved by Council annually and monitored by Cabinet through quarterly monitoring reports.
- 4.3. Revenue implications for the Council are reported through the regular quarterly monitoring reports to Cabinet.

5. Report

- 5.1. 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 in the future of the town and Shropshire.
- 5.2. The overwhelming and unprecedented challenges facing retailers this year cannot be underestimated and in summary include:
 - COVID 19 pandemic: the adverse impact on trading during the lockdown period has been significant. There was only a limited number of traders remaining open to provide essential products and services, such as Home Bargains, Marks & Spencer's, Green Options, Cool Trader and Wilko's;
 - Social distancing: limited capacity to the centre and further reduced footfall to retail premises;
 - Uncertainty and lack of consumer confidence to return to public places: the national lockdown has deterred many from returning to 'high street shopping' at the level experienced pre-Covid;
 - Supply chain implications: consequential delays in stock availability to retailers, both from UK and import/export markets;
 - Severe flooding (February 2020): significant loss of trade and/or damage to premises for many traders and businesses; and
 - Significant increase of established high street stores have entered into administration or Company Voluntary Arrangements (CVA)¹.
- 5.3. At the height of the lockdown in May, online purchases made up 32.8% of total retail sales, an all-time high according to the Office for National Statistics. That percentage had fallen to 28.1% by July but is markedly higher than the 18.7 per cent recorded in July 2019 and 6.7 per cent a decade ago.
- 5.4. However, through the Shrewsbury Recovery Taskforce several initiatives have been implemented to support retailers and the town to recover. This includes Bounce Back Shrewsbury campaigns, social distancing measures, movement recovery planning and supporting business to operate safely.
- 5.5. Data which has been collected by the BID shows how Shrewsbury has performed over the year in comparison to 2019.

¹ A limited company that becomes insolvent, can use a Company Voluntary Arrangement (CVA) to pay creditors over a fixed period; if creditors agree, the limited company can continue trading.

Shrewsbury Footfall Data (taken from Springboard)



- 5.6. This shows how footfall into the town centre has been impacted on by the flooding in February, COVID 19 and the national lockdown in March, the changes because of lock down easing in June and as result of any additional measures which have been put in place.
- 5.7. The shopping centres footfall has on average been down by 35-40% this year compared to last year however, this in line with national trends.
- 5.8. The Shopping centres closed apart from access to those retailers classified as essential in line with national lockdown rules. The centres reopened fully in line with national guidance in June.
- 5.9. However, during this year work has, where possible continued to drive forward the business plan for the shopping centres and in line with any government guidance and regulations.

Darwin

- 5.10. The major refurbishment of the middle level of the centre is now complete. This was part of the capital program planned with the acquisition of the Shopping Centres in 2018. Brand new toilets and a Changing Places facility, have been created to meet all the needs of the town's shoppers. A brand-new family room has also been created, which features a baby changing area, breast feeding zone, play area and dining counter, as well as a kitchenette and family toilet facilities. The Changing Places unit allows accessible toilet and changing facilities for adults and carers and is the most modern and up-to-date facility of its kind in Shrewsbury. Shop fronts have been upgraded and this work completed despite the pandemic.

- 5.11. An innovative shopping gallery for independent traders, called The Collective, is being constructed in the Darwin centre. This will allow the relocation of existing tenants from Pride Hill, and elsewhere, to move into new facilities, consolidating and supporting the independent retailers in this recently refurbished centre. Construction began on 14 October 2020 with an anticipated opening date in advance of the pre- Christmas shopping period.
- 5.12. The Shropshire Local unit has opened in recent months and we have seen some new retailers locate into Darwin over the last year, including Sketchers and the relocation of Meg Hawkins and Mollies Sweets; all of which are helping to support Darwin to become a retail focus centre.

Pride Hill

- 5.13. The Pride Hill centre is being repurposed to strengthen and support the commercial offer, leisure experience and cultural vitality in the town centre. Opportunities under consideration include contemporary office/co-worker space, civic functions, cultural and leisure activities.
- 5.14. The repurposing of the Pride Hill requires the relocation of existing retail tenants to the Darwin; this will consolidate the retail offer within the town as well as provide specific accommodation, The Collective summarised above, for the many independent traders in the town.

Riverside

- 5.15. The redevelopment of the Riverside is a priority for the Council and the Big Town Plan Partnership. The Council has been working on a Strategic Development Framework (SDF) for the Riverside Development Area with an expert team led by LDA Design and development advisors Cushman & Wakefield. It is recognised that the shopping centres will require significant investment to maximise their future value, both commercially and to support wider economic growth objectives, as well culture, leisure and tourism, securing the long-term growth and sustainability of the town centre. The SDF will set the redevelopment principles and strategy for both the Riverside and Frankwell quay and clearly define the Council's aspiration for this priority site within the town centre.
- 5.16. The SDF will also guide the approach to further commercial investment decisions whilst ensuring social value is maximised. The emerging findings of the development framework is identifying a mixed-use scheme is likely to be the most viable option, potentially including residential, offices, leisure, retail, education, culture, arts, and hotel uses.
- 5.17. The SDF has involved engagement with key stakeholders, including developers and agents. With the current uncertainties in the development market impacting on the investment landscape, development options have been subject to detailed scrutiny from commercial advisers, Cushman & Wakefield, to ensure proposals are relevant, viable and attractive to future investors.

- 5.18. The emerging SDF will identify the scale, scope, sequence and phasing of demolition required to facilitate future redevelopment. The demolition programme of the Riverside shopping centre, multi-storey carpark, former medical practice and associated structures will be a potentially complex process. A detailed technical appraisal of the site and its buildings is concluding by 30 October 2020 and this will inform the demolition programme, sequence and phasing, cost estimates, statutory consultations and approvals, all aligned to the redevelopment aspirations of the SDF.
- 5.19. Demolition will only commence after consultation with key stakeholders, including local businesses, residents, government agencies (i.e. Environment Agency), has been undertaken, as well as discussions with potential developers.
- 5.20. There are currently no dates identified to commence demolition works; it is not however, imminent. With the Riverside SDF and the demolition technical appraisal, both concluding by mid-November 2020, a progress update with an outline programme for delivery will be provided by 30 December 2020.
- 5.21. Various options are being considered for the phasing and sequencing of the demolition and subsequent redevelopment, to ensure the most cost effective and expedient solution is delivered; subject to extensive consultation programme under development.

6. Implications

- 6.1. The transformation of the shopping centres will support many of the ambitious aspirations for Shrewsbury, as articulated in the Big Town Plan. In this context Shropshire Council's ownership of the centres is considered a long-term strategic intervention that supports the delivery of a vibrant, sustainable and commercially successful town centre.
- 6.2. However, the Covid pandemic, as well as significant flooding in February 2020, and wider changes in the national retail market, has resulted in specific issues for the Jersey Property Unit Trusts and the Council, since becoming beneficial owner of the shopping centres in Shrewsbury; these include:
- some retailers having not renewed leases, resulting in empty units that increase the Council's void service charges, rates and insurance liabilities;
 - some retailers have entered into a Company Voluntary Arrangement (CVA), resulting in less favourable terms/position for landlords;
 - some lease negotiations have resulted in lower rents than anticipated and/or concessionary terms, including those with established retailers such as H&M and Topshop; and
 - several stores have entered administration resulting in an increase in bad debts for which there is currently a Government moratorium on pursuing non-payment of rent during the Covid crisis. This is making the collection of rent and service charge extremely challenging. It is probable several retailers, who are continuing to trade now whilst there can be no debt

recovery action, will cease trading and enter administration when pursued in due course for the outstanding arrears.

- 6.3. The above impacts are being mitigated through intensive property and asset management to maintain business viability, including sustained and regular negotiation with tenants via the Council’s appointed agents.

7. Conclusions

- 7.1. This year has and continues to be a significantly challenging and unprecedented, in terms of impact nationally to all retailers and town centres. The high street was already going through changes in shopping patterns, behaviours and function, however this has severely detrimentally impacted on retailers, along with the flooding in February, Shrewsbury has suffered significantly.
- 7.2. However, footfall continues to rise, and the town continues to perform well against the national picture. It is more important than ever that the Council continue to support through its asset ownership of the centres, the redevelopment, refocussing of uses and potential opportunities that the shopping centres provides. Without the Council ownership, it would be left to the market to determine the future of significant areas of retail space in the town. The Council had the confidence and vision to purchase the shopping centres and continues to work to ensure it supports the aspirations of the Big Town Plan and support the town to grow and flourish.

List of Background Papers-

Cabinet Reports December 2017, November 2018 and December 2018
Place Overview Committee report November 2019

Cabinet Member (Portfolio Holder)

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

Appendices – None