

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	4 February 2021
<b>Subject:</b>	Bootle Strand Shopping Centre – Interim Update on the Impacts of COVID-19		
<b>Report of:</b>	Executive Director (Place)	<b>Wards Affected:</b>	Linacre Ward
<b>Portfolio:</b>	Cabinet Members: Regeneration and Skills; and Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

### Summary:

As has been widely reported, COVID-19 has had a significant impact on the financial performance of shopping centres across the UK and the financial returns in year to landlords and owners. As a result, the financial position of Bootle Strand (The Strand) shopping centre, owned by Sefton Council, will be impacted in the current year, 2020/21.

This impact has also created market uncertainty, which continues at the time of writing and which has delayed the production of a robust three-year forward forecast as required to inform a detailed update to the Business Plan for The Strand.

This report provides an update on the current financial position and potential financial scenarios for the financial year 2020-2021, in advance of the three-year Business Plan update (which will include outline strategy and short-term action plans).

### Recommendation(s):

It is recommended that Cabinet:

- Note the content of the report, and the factors that could influence and impact upon the financial returns to the Council from The Strand, and the action plans proposed to manage and mitigate these.

### Reasons for the Recommendation(s):

The council's objectives for the acquisition of The Strand in 2017 were to ensure that it was supported to continue its role in the local community, as a key asset at the heart of Bootle critical to the town's physical, economic and social regeneration.

Since the start of the spread of COVID-19 in the UK in March 2020, the regular weekly and monthly monitoring of the operations of The Strand have indicated increasingly severe impacts of the pandemic and associated government restrictions on the operations of and

financial returns from The Strand. Despite continued uncertainty, this report provides an update on impacts and potential scenarios for the current financial year.

### **Alternative Options Considered and Rejected:**

Continue as-is - this was discounted as it would have resulted in more severe impacts than implementing the proposed Action Plan.

Publish a three-year Business Plan now – this was discounted due to continued uncertainty on the economic and regulatory impacts of the pandemic and governmental and sectoral response, and continued impacts on The Strand.

### **What will it cost and how will it be financed?**

#### **(A) Revenue Costs**

All revenue implications are addressed in the report. As the report outlines there is still uncertainty as to the year end position for the reasons that are detailed. When this position is confirmed it will be reported as part of the year end outturn process as in previous years.

The latest updated position received in mid-January 2021 will be included in the budget monitoring position as at the end of that month and that in turn will be reported to cabinet as part of the monthly monitoring report. An initial estimate for financial planning purposes had been made within previous monitoring reports pending a full review as set out in this report, and this will be increased based on this updated forecast.

At this stage a deficit would not be covered under central governments cost sharing proposal around loss of income from fees and charges, therefore this will be part of the council's outturn figures and will be funded either through the normal general fund budget and / or one off sums provided for the council to support its financial position in response the issues caused by the pandemic.

#### **(B) Capital Costs**

None.

### **Implications of the Proposals:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b>
All resource implications are addressed within the subsequent annexes to this summary.
<b>Legal Implications:</b>
There are no legal implication arising from this report.

**Equality Implications:**

There are no equality implications arising from this report.

**Contribution to the Council's Core Purpose:****Protect the most vulnerable:**

The Strand provides essential amenities that are accessible for local people including the most vulnerable.

**Facilitate confident and resilient communities:**

The Strand provides essential amenities that are accessible for local people.

**Commission, broker and provide core services:**

Financial returns to the Council, as owner of The Strand, can provide revenue to contribute towards service provision.

**Place – leadership and influencer:**

The Strand is a key asset at the heart of Bootle critical to the town's physical, economic and social regeneration.

**Drivers of change and reform:**

Physical infrastructure (retail and other amenities) is a significant contributor to and enabler/catalyst for change.

**Facilitate sustainable economic prosperity:**

The continued success of The Strand is essential to maintain and increase its significant contribution to the local economy, including in terms of creating local employment and providing essential facilities required to help attract inward investment.

**Greater income for social investment:**

The Action Plan includes the provision of opportunities and support for local people to launch and sustain micro enterprise within and around The Strand.

**Cleaner Greener:**

All development proposals will be compliant with the Building Regulations and other Planning and Habitat regulations meaning Sefton builds cleaner and greener.

**What consultations have taken place on the proposals and when?****(A) Internal Consultations**

The Executive Director of Corporate Resources and Customer Services (FD6274/21) and Chief Legal and Democratic Officer (LD4475/21) have been consulted and any comments have been incorporated into the report.

**(B) External Consultations**

There have been no external consultations.

### **Implementation Date for the Decision**

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting.

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### **Appendices:**

There are no appendices available for inspection.

### **Background Papers:**

There are no background papers available for inspection.

## **1.0 Introduction and Background**

- 1.1 In April 2017, Sefton Council acquired The Strand Shopping Centre to secure its future and support its continued role as a cornerstone asset at the heart of Bootle, critical to the town's physical, economic and social regeneration.
- 1.2 The Council remains fully committed to supporting and securing investment in The Strand for the short, medium and long terms to reverse the decline it was suffering in the hands of private ownership and to respond proactively to the challenges of a changing retail market that have been accelerated and increased by the impacts of COVID-19.
- 1.3 Therefore, the Council has been working on a long-term strategy for investing in and improving The Strand to: help address the challenges to trading that it (along with all similar centres across the UK) is facing; to help support the economic recovery of Bootle after the impacts of COVID-19; and to enhance its value to Bootle Town Centre.
- 1.4 The detailed plans for The Strand (and Bootle Town Centre more widely) will be developed in full consultation with local people and other local stakeholders.
- 1.5 Prior to the start of the spread of COVID-19 in the UK in March 2020, The Strand's operations and financial returns were performing as expected- a positive financial return had been achieved in each year and had allowed £1m to be allocated to support the councils budget.
- 1.6 As would be expected and as experienced worldwide, since the start of the spread of the pandemic, the regular weekly and monthly monitoring of the operations of The Strand have indicated increasingly severe impacts of the pandemic and associated government restrictions on the operations of and financial returns from The Strand. This has made clear the need for proactive management and mitigation measures in the immediate and short terms, along-side the more proactive improvements outlined above.
- 1.7 There is continued uncertainty in respect of the pandemic, the length and depth of its impact and implications for the economy and the sector, and government policy in respect of enforcement powers for landlords. It is therefore appropriate to delay the finalisation and publication of the full three-year business plan until the medium-term outlook is clearer.

## **2.0 Potential Financial Scenarios**

- 2.1 Nevertheless, focus remains on immediate financial impacts and scenarios. Regular detailed monitoring remains in place, with analysis and assessment arrangements to ensure the Council is fully informed of the issues, risks and requirements for intervention arising as a result of the impacts of the COVID-19 pandemic. This analysis is conducted at both an individual tenant level and for the overall asset.
- 2.2 Tenants are charged rent and a service charge based on the terms of a lease agreement. As a result of the pandemic, there is a significant proportion of businesses who have not paid these sums due. Government advice since the start of the pandemic is that landlords are not permitted to initiate recovery action for sums owed at this time.
- 2.3 An analysis of the potential impacts of the pandemic on operations for the remainder of the current financial year (to March 2021) has been produced. The extension of the embargo and the introduction of a second national lockdown will have a major impact on the council's ability to collect rent and services charges (and business rates); on the trading conditions for tenants; the levels of arrears; the number of vacancies and the number of insolvencies and Company Voluntary Arrangements (requiring rent and service charge reductions and holidays). These factors affect the whole sector, including the Strand. As can be seen, taking into account these factors present both an uncertain and ever-changing scenario and developing an informed estimate of the financial impact of the pandemic in the current year has not been possible until this point. This position changes, and will continue to do so between now and year end, as national and local restrictions change, with a clear example being the new national restrictions announced on 5 January 2021 by the Prime Minister having a further impact on retail across the country. This includes the Strand where the forecast outturn position has changed on the rise of that decision.
- 2.4 The impact of the embargo and the challenging trading conditions resulting from government restrictions affect different types of tenants differently. These two factors will also affect the value that can be achieved from potential new tenants in the short- and medium-term future. Tenant business model types include open for essential shopping (open even during lockdown); open for click and collect; open for take-away; and those closed during lockdown if non-essential shopping/business. Tenant business strength levels also vary according such factors as size, ownership, and ability to adapt business models as restrictions change.
- 2.5 The Council will continue to invoice for rent and service charges as normal, and would pursue all outstanding sums at the appropriate time. It will engage and aim to work collaboratively where possible with smaller affected tenants, on a case-by-case basis.

- 2.6 The potential outturn deficit for the financial year 2020-21, as a consequence of the impacts of the COVID-19 pandemic, is expected to be between -£2.65m and -£3.18m. However, there remain factors that will influence this outcome for the financial year, including uncertainty on the end of the current lockdown and the nature of any reopening of retail; the continued uncertainty on the moratorium on landlords' ability to pursue enforcement; and the ongoing pursuit of rent and service charge arrears.
- 2.7 The final position for the financial year will be addressed as part of the council's year end outturn process and will be reported as has been the case in previous years. At this stage it is not considered that any deficit will be covered by central governments cost sharing mechanism for the loss of fees and charges experienced by local authorities. As a result, this will be funded either through the council's general fund budget and / or via one off funding provided by government to support the council and the financial impact of the pandemic.
- 2.8 As an updated position on the potential year end position has been established as at mid-January 2021, this will be reported in the end of January budget monitoring report that will in turn be considered by Cabinet.

### **3.0 Mitigation Action Planning**

- 3.1 A COVID-19 impacts mitigation plan has been developed and implemented to manage and minimise the adverse effects of the pandemic on The Strand, which includes:
- 3.2 Immediate initiatives focused on: -
- 3.2.1 Maximising operating cost savings.
  - 3.2.2 Minimising vacancies to cover some costs when commercial tenants are not available.
  - 3.2.3 Reducing discretionary spend whilst returns on that investment are depressed.
  - 3.2.4 Proactive management of tenant arrears (in lieu of the ability to take enforcement action).
  - 3.2.5 Proactive initiatives to explore opportunities for lease extensions combined with re-gearing and relocations for key and anchor tenants.

3.2.6 Ongoing monitoring of operations and risks, including via the Council's risk register and associated risk management processes.

3.3 Medium-term plans may include (but not be limited to):

3.3.1 Enforcement action (when permitted) against 'non-struggling' tenants refusing to pay.

3.3.2 Consideration of consolidation of the utilised space (including offering advantageous relocations within the centre) and 'mothballing' unoccupied areas.

#### **4 Vision and Strategy for the future of The Strand**

4.1 Work continues developing the vision and strategy for the future of The Strand. This will be progressed in partnership with key stakeholders and communities, and will include wider engagement on Bootle town centre. A Bootle Task Group comprising key organisations from across the region has been convened to support with progression of that wider action plan for the town and its future.

4.2 Demolition is underway on the recently-acquired assets adjacent to the shopping centre. This is being progressed with financial support from the Liverpool City Region Combined Authority, from whom pre-development funding has also been secured to support strategy, masterplanning and consultation work from 2021.

4.3 Despite the impact of current circumstances, Sefton Council has worked in partnership with Make CIC to deliver the Bootle Festival of Ideas in 2020, from which a number of ideas and opportunities for The Strand and the wider Bootle town centre have emerged. The event is intended to provide a platform for continued engagement with communities and with current and prospective entrepreneurs in Bootle.

4.4 Work is also underway to ensure that meanwhile uses are in place for the Summer of 2021 in the areas where demolition works are taking place, adjacent to the canal. This will bring new uses and a new offer to the area in advance of the development of the longer-term vision. More information on this process will be provided as part of the Business Plan update, and as and when available.