

<b>Report to:</b> Cabinet	Cabinet	<b>Date of Meeting:</b>	25 <sup>th</sup> July 2019
<b>Subject:</b>	Finance Monitoring Report Strand Shopping Centre, Bootle		
<b>Report of:</b>	Executive Director Sarah Kemp	<b>Wards Affected:</b>	Linacre/ Derby
<b>Portfolio:</b>	Cabinet Member- Regeneration and Skills Cabinet Member – Corporate Resources		
<b>Is this a Key Decision:</b>	<b>Yes</b>	<b>Included in Forward Plan:</b>	<b>No – Rule 27 applied</b>
<b>Exempt/ Confidential Report:</b>	<p>The report is not exempt.</p> <p>Yes, the Appendices to the report are NOT FOR PUBLICATION by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. The Public Interest Test has been applied and favours the information being treated as exempt.</p>		

### Summary:

This Cabinet report sets out an update for Members on the financial performance of Bootle Strand Shopping Centre and the presentation of a revised Business Plan including:

- i) The revised Business Plan for 2019/20 – 2021/22
- ii) The projected impact on the Strand Reserve;
- iii) Details of short to medium term proposals that will further enhance the Centre both operationally and financially.

### Recommendation(s): Cabinet be requested to:

- i) To approve the revised Business Plan
- ii) To note the contents of the report including the revised business plan projections for the years 2019/20 to 2021/22; and
- iii) To note that the proposal was a Key Decision that had not been included in the Council's Forward Plan of Key Decisions. Consequently, the Leader of the Council and the Chair of the Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services) had been consulted under Rule 27 of the Access to Information Procedure Rules of the Constitution, to the decision being made by the Cabinet as a matter of urgency on the basis that it was impracticable to defer the decision until Cabinet in September in order that targets within the business plan could be achieved.

### Reasons for the Recommendation(s):

Prevailing market conditions have adversely impacted on the current approved Business Plan for the Strand. A full analysis of those market conditions, tenancy schedule and anticipated costs and receipts for the next 3 years, has led to a re-cast of the Business Plan. Operational decision-making cannot be made outside of an approved Business Plan and Members are asked to consider the current position and tactical actions to improve that position and approve the re-cast of the Business Plan.

**Alternative Options Considered and Rejected:** (including any Risk Implications)

Not taking action is likely to lead to further vulnerability in the financial performance of the centre.

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

**(A) Revenue Costs**

There is no anticipated revenue implications for the Council. Debt repayments have been and will continue to be made, from income generated by the asset.

**(B) Capital Costs**

There are no capital requirements other than those reflected in the updated Business Plan.

**Implications of the Proposals:**

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> Capacity from members of the Council's Property and Building Services, Planning and Regeneration and Corporate Resources Teams.
<b>Legal Implications:</b>
<b>Equality Implications:</b> There are no equality implications

**Contribution to the Council's Core Purpose:**

<b>Protect the most vulnerable:</b> The acquisition of the Strand was partially based in generating additional Council income to contribute to the Medium Term Financial Plan. This is contingent on the Strand receiving an optimum Net Operating Income to support the operation of the Strand and create a surplus for the Council.
<b>Facilitate confident and resilient communities:</b> The Strand is an entrenched community asset visited by some residents as much as 3 times a week. With the transformation of the Strand to a Health and Wellbeing hub, the development of an Assistive Technology Showroom and the incorporation of Sefton@Work into the Centre, visitors to the Strand will find under one roof a variety of support systems and life-enriching products.
<b>Commission, broker and provide core services:</b> As above. Through moving Sefton@Work into the Strand, this service will have greater visibility to visitors to the Strand to aid residents in their search for work.
<b>Place- leadership and influencer:</b>

This important community asset provides 70% of the retail offer for Bootle and employs over 800 staff. It also provides a vehicle that when redeveloped, will catalyse town centre regeneration because of its unique location and community offer.
<b>Drivers of change and reform:</b>
<b>Facilitate sustainable economic prosperity:</b> The Strand employs over 800 people and offers many skills and training opportunities as well as promotion of community activity.
<b>Greater income for social investment:</b>
<b>Cleaner Greener:</b>

**What consultations have taken place on the proposals and when?**

**(A) Internal Consultations**

The Head of Corporate Resources (FD 5706/19) and Chief Legal & Democratic Officer (LD4830 /19) have been consulted and any comments have been incorporated into the report.

**(B) External Consultations**

Not applicable.

**Implementation Date for the Decision**

Contact Officer:	Sarah Kemp
Telephone Number:	Tel: 0151 934 4770
Email Address:	<a href="mailto:Sarah.kemp@sefton.gov.uk">Sarah.kemp@sefton.gov.uk</a>

**Appendices:**

**Appendix 1- Appendix 1 of Finance Monitoring Report, the Strand Shopping Centre, Bootle (Exempt)**

**Appendix 2- Revised Business Plan (Exempt)**

## **1. Introduction**

- 1.1 Prior to, and throughout the Council's acquisition of the Strand Shopping Centre, the Council's objective was to reverse the fortunes of a valued community asset, catalyse regeneration of Bootle Town Centre and to ensure that the costs of purchasing and operating the centre would be met by the income due from lettings and other income. This would facilitate where possible any surplus income generated from the Centre contributing to the Council's Medium Term Financial Plan. In advance of the financial year 2018/19, a £1m surplus had been generated by the centre and this is included in the Council's Medium Term Financial Plan and will support service provision
- 1.2 It is widely recognised that the retail industry is undergoing significant structural change which has not yet settled into a new "norm". This change is not cyclical as has previously been experienced, but is structural; a change anticipated at the time of acquisition and a motivating factor to address the halt the decline of this important community asset, through re-purposing and protecting the vitality of its current retail offer.
- 1.3 However, it should be noted that many retailers continue to trade strongly and the impact of CVAs and administrations has been greater in primary shopping centres, than within the community convenience and value centres, such as the Strand.
- 1.4 Whilst the industry as a whole is pushing back on the unfair and disproportionate loading of creditor renegotiations onto landlords in particular, it has been our experience that reluctant acceptance of the lease terms presented to the Council in order to prevent company administrations, has been insufficient to halt the inevitable closure of those businesses.
- 1.5 Action has been taken wherever possible to mitigate the landlord losses and a number of initiatives are proposed to continue to protect the commercial viability of the shopping centre.
- 1.6 In line with any asset the Council owns, valuations of the land and buildings are carried out in accordance with the methodologies and estimations set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations are carried out as part of a rolling programme and all properties within Sefton's property portfolio are valued by suitably qualified professionals.
- 1.7 With all assets, the value can go up and down depending on market conditions, the economic climate, and valuation methodology and therefore the figures for each valuation are always subjective to many factors.
- 1.8 The valuation for The Stand was £27.220m as at 31 March 2019, and we can reassure our communities that any change in valuation, whether it goes up or down, does not have an impact on the Council's overall financial standing, health or ability to fund services, as it is a notional adjustment. The most recent valuation was reported to Audit and Governance Committee in June 2019.