

**COUNCIL
23 MARCH 2022**

Part 1

TITLE OF REPORT: Churchgate update

REPORT OF: Service Director - Commercial

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR ENTERPRISE, THE ARTS AND TRANSPORT AND THE EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY AND A BRIGHTER FUTURE TOGETHER

1. EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to provide Members with an overview of the Council's previous approaches to the Churchgate Shopping Centre in Hitchin, and to confirm the Council still supports the decisions taken by Full Council at its meetings on 11 February 2016 and 7 February 2019 and a Council led approach to regeneration.

2. RECOMMENDATIONS

- 2.1. That having considered the Part 2 information Full Council confirms that its position in respect of the future of the Churchgate Shopping Centre is: -
- (1) That in principle the Council should purchase the leasehold interest for the Churchgate Shopping Centre, subject to the economic case for doing so.
 - (2) That any regeneration of Churchgate and the surrounding area must be a viable investment that maintains a return to the Council.
 - (3) That a Council led approach should be adopted where following consultation with the public and other stakeholders, the Council will come to a decision on what it considers is most appropriate vision for the future of the site.
 - (4) That the Council then decides how to deliver that vision for the site and any necessary delivery partners for the work

3. REASONS FOR RECOMMENDATIONS

- 3.1 The previous developer led approaches for the regeneration of the Churchgate Shopping Centre, and often the surrounding area, have not produced a proposal that has met the aspirations of the Council to (at least) maintain its existing income through a sympathetically designed scheme that is financially viable and acceptable to the community. It has been the Council's position since 2019 that a different, Council led, approach is required. The recommendations also clearly state the Council's position to any other party who may be seeking to acquire the Churchgate leasehold. If the Council has control of the Churchgate Shopping Centre, combined with its existing freehold ownership of the centre and adjacent sites, it is uniquely positioned to control and bring forward deliverable regeneration proposals and has greater flexibility to determine what a suitable proposal should be.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Council could choose not to seek to purchase the shopping centre, but this is not recommended as it is likely to further delay any regeneration by any party.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 The Leader and Deputy Leader, the Executive Member for Enterprise, the Arts and Transport and the Executive Member for Finance and IT have all been kept up to date on this potential acquisition. The Leader of the Opposition has also received regular briefings. Political Leadership Board have been kept informed on key elements.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan, as this is a Full Council decision.

7. BACKGROUND

- 7.1. The Council was first offered the opportunity to buy the Churchgate Centre in June 1979 and the area was first identified as needing improvement in the mid-1980s. It was first identified as an area for development in the Council's Local Plan No.2 adopted on 20 July 1993, and again identified for development in the Local Plan No.2 with alterations adopted on 23 April 1996 and the draft (unadopted) Local Plan No.3 in December 1999.
- 7.2. Hammersmatch completed the purchase of the shopping centre in early 2001. A Hitchin Town Centre Strategy was adopted in November 2004 and a Churchgate Area Planning Brief adopted in November 2005.
- 7.3. A competitive dialogue procurement process was undertaken during 2008-2010 which led to the appointment of a development partner (Simons Development Ltd) who was under contract with the Council from 2010-2013. The development area for the procurement process was identified as the shopping centre, Hitchin Market and the car parks at Biggin Lane, St Marys, Portmill Lane East and West. A full history is available in section 7 of the report to Full Council of 31 January 2013 - see [https://democracy.north-herts.gov.uk/Data/Council/201301311930/Agenda/\\$att5179.doc.pdf](https://democracy.north-herts.gov.uk/Data/Council/201301311930/Agenda/$att5179.doc.pdf)
- 7.4. In recent years Full Council has decided to discontinue the approach based on the Churchgate Planning Brief (27 November 2014) and seek to buy the Churchgate Centre itself (11 February 2016 and 7 February 2019).
- 7.5. At the meeting of Full Council on 7 February 2019 the following was resolved with regards the Churchgate Shopping Centre: -
- (2) That Full Council approve the principle of purchasing the leasehold interest for the Churchgate Shopping Centre, subject to further consideration of the economic case for doing so.
 - (3) That Full Council agrees that any regeneration of Churchgate and the surrounding area must be a viable investment that maintains a return to the Council.

- (4) That officers are instructed to continue to consider a range of potential solutions in order to allow the flexibility needed to identify possible viable investments, subject to further Council decision in due course on the acceptability of any such solutions.

REASONS FOR RECOMMENDATIONS: The Council has been seeking to regenerate the Churchgate Centre for a number of years and a number of different proposals have been considered during that time, with none of those proposals progressing to a successful conclusion. The lessons learned from those previous unsuccessful attempts to regenerate the Churchgate Centre and surrounding area show that having control over the whole site (including the Churchgate Centre by owning the long leasehold interest) and being flexible as to potential solutions would increase the chances of success.

- 7.6. Since the termination of the contract with Simons various developer led approaches have been made to the Council, without success.

8. RELEVANT CONSIDERATIONS

- 8.1 Following coverage in the local media over recent months on the future of the Churchgate Shopping Centre and the potential sale of its leasehold (the part 2 report provides an update on this and the Council current position), it was felt important for the Council to consider its position and whether its position remained as previously decided in February 2019.
- 8.2 Whilst much has changed since 2019 it remains the case that a developer led approach to the regeneration of Churchgate has not worked. If the Council is able to secure the leasehold for the shopping centre it will ensure the Council has full control of the asset and, aligned with existing property interests, provides the Council with the best opportunity to fulfil its long-term aspirations. Control of the site allows a Council led approach where it decides what should be delivered by way of regeneration and chooses who it wishes to work with to deliver that. Failure to secure the ownership of the leasehold interest almost inevitably means the Council having to deal with a developer led approach that has failed to deliver for twenty years.
- 8.3 Any purchase needs to be supported by a robust business case. If the Council successfully purchases the leasehold, the Council led approach essentially positions the Council as master developer –deciding what it wants to deliver and deciding who it wants to work with to deliver the regeneration. Recognising the expertise and resource required to manage and deliver a project of this nature, suitable professional consultants will be appointed as required, answering directly to the Council. A cross party project board of members and officers would provide oversight.
- 8.4 The Council fully understands the public interest in Churchgate and its regeneration, given its location in Hitchin town centre. Therefore, if successful in purchasing the shopping centre, early and ongoing engagement would take place with the public and other stakeholders to ensure their opinions are fully considered as regeneration proposals are developed.

9. LEGAL IMPLICATIONS

- 9.1. Full Council's terms of reference as per section 4.4.1 (v) are *"to authorise the acquisition of land or buildings where the purchase price, premium or initial annual rent (after the expiry of any rent free period) exceeds £2,500,000"*.
- 9.2. Specific legal implications will arise regarding recommendations 2.1 (2) & (3) above, although are likely to include procurement, contracts, property, planning and licensing issues. Otherwise, see Part 2 report.

10. FINANCIAL IMPLICATIONS

- 10.1 The Council's leasehold interest currently generates an income of around £143k per year. In financial terms the aim is to (a least) maintain this level of net income on an ongoing basis. This avoids putting further pressure on the Council's future budget position.
- 10.2 The Council currently has capital reserves that it uses to fund capital expenditure. Current forecasts mean that the Council will need to borrow to fund its capital programme from 2025/26. The acquisition of the leasehold interest would be a capital cost. It is also likely that a regeneration project would incur capital expenditure, unless an alternative funding model was used. Additional capital expenditure would bring forward the point at which the Council would run out of capital reserves. Subject to some restrictions, the Council can borrow to fund capital expenditure. Purchasing the leasehold with the intention of carrying out a regeneration project would be compliant with borrowing rules. The Council would incur revenue costs linked to any borrowing, and these would be considered as part of any business case.

11. RISK IMPLICATIONS

- 11.1 Any regeneration of the Churchgate area is likely to create some risk for the Council, whether developer or Council-led. A Council acquisition and Council-led project would add more risk, but also gives the Council more control and therefore put in place more measures to mitigate those risks. A regeneration project would be over-seen by a Project Board and would incorporate a full risk log as part of the process.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. There are no direct equality implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and "go local" requirements do not apply to this report, but would apply to any relevant procurement and or contract.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report, although there is likely to be some in relation to the regeneration.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 As detailed in paragraph 8.3, if the Council was successful in purchasing the leasehold then it would engage professional consultants to support the development and delivery of a regeneration project. However, there would still be significant additional work for Officers, which would have to be prioritised against other activities. There would also be additional work from a developer-led project, as the Council would want to protect its income and also seek to influence the proposed design.

16. APPENDICES

- 16.1 None.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1 Previous reports identified in the body of the report.