

9. THE ORCHARDS SHOPPING CENTRE

REPORT OF: HEAD OF CORPORATE RESOURCES
Contact Officer: Peter Stuart, Head of Corporate Resources
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Wards Affected: All
Key Decision: Yes
Report to: Cabinet
17th October 2016

Purpose of Report

1. An opportunity to buy back the head lease from the Council's tenant of the shopping centre, Friends Provident Life, has arisen. This would provide benefits from unifying the interests of the leaseholder and freeholder into one ownership, and provide a revenue stream that would help towards the ambition of the Council to become financially independent. It also offers the potential to improve the economic wellbeing of the district.
2. This paper sets out some key facts and context within which such a decision should be considered

Recommendations

3. **Cabinet is recommended to :**
 - (i) **Indicate its support in acquiring the centre through the bidding process;**
 - (ii) **Ask Council to agree any such purchase at its next meeting, with full particulars and financial forecasts included.**
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Background

The Centre

4. The shopping centre is the major retail destination in Haywards Heath and is located between South Road and Church Road, Haywards Heath, and comprises circa 40 retail units, cafes and a fitness suite and around 31 private dwelling flats on the first floor. The major tenants are Marks & Spencer, Next and Superdrug. The centre also has around 425 car parking spaces and sits on a site of 9.2 acres.
5. The lease area is shown below in Appendix I on the plan outlined shaded blue. The Council's landholdings are outlined in red. Merging the Council's interests will bring added value to the investment portfolio, and allow the Council to attract investment funding into the Centre to provide an improved retail and leisure offer and bring new shops and restaurants in to the town.

The underleases

6. The majority of tenants are on short to medium term leases pending negotiations to complete and grant them new and longer leases. The average lease length remaining is 6.7 years.

Centre Management

7. Successfully running a shopping centre requires operational management on a day to day basis. These costs need factoring in to the overall cost of the business revenue as shown in the exempt appendix.

The future of the centre.

8. Our retail advisor has offered an initial opinion as to how the shopping and leisure offer could develop were further investment available. This is consistent with the Town Centre Masterplan that was adopted in 2005 which proposed improvements to the 'shopping quarter' (pages 38/39). This should be read in conjunction with the Haywards Heath Neighbourhood Plan which is going through the process to being adopted.

Financial matters and specialist advice

9. The exempt appendix contains the financial particulars of the sale. It is likely that there will be a number of bidders, although our covenant and the relatively short term of the Head Lease does give us a good position from which to bid.
10. This would be a significant purchase for the Council. We will need a full forecast of the revenue and capital cashflows in financing the purchase and how to structure that over the short, medium and long term. .
11. To that end, we have engaged professional services companies to report on the purchase and the bidding process. We would utilise both these companies to help prepare our bid and assist with the negotiations which would almost certainly be necessary.

Further reports

12. Council next meets on 2 November. If the sale of the centre proceeds as expected, we may be in a position to report an outcome to Council at that meeting.

Policy Context

13. Increasing our revenue streams fits it with the aspirations of the Council to be more financially independent.

Other Options Considered

14. None. It is considered that this approach best fits with the aspirations of the Council..

Financial Implications

15. None at present. If the actions recommended within this report reach fruition, the implications will be discussed within a report to Council.

Risk Management Implications

16. This report presents no risk however were the actions recommended to reach fruition, the report would present a full risk log. Some factors to be considered are future rent defaults, loss of key tenants and town centre geographic drift. Mitigation is therefore available for all of these risks but Members should not expect there to be no surprises when self-managing a shopping centre.

Equality and Customer Service Implications

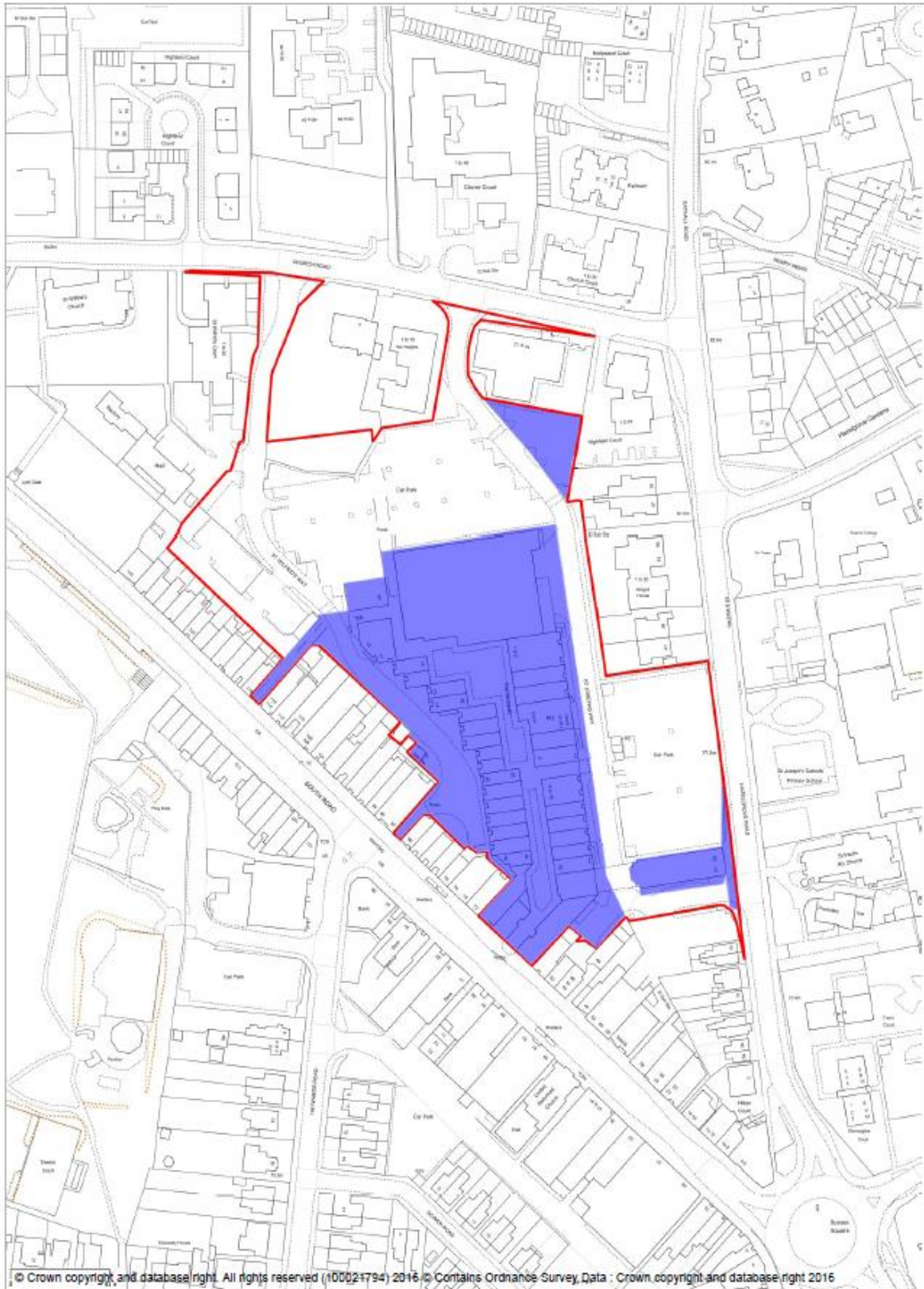
17. None.

Other Material Implications

18. None.

Background Papers

19. None



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Map Centre (Easting:Northing): 533252:123774

Scale: 1:2000