

Maylords Orchard

Meeting: General scrutiny committee

Meeting date: Wednesday 22 September 2021

Report by: Cabinet member commissioning, procurement and assets;

Classification

Part Exempt

This report is open but the appendix is part exempt by virtue of paragraph 3, Information relating to the financial or business affairs of any particular person (including the authority holding that information) of the Access to Information Procedure Rules set out in the constitution pursuant to Schedule 12A of the Local Government Act 1972, as amended.

Decision type

This is not an executive decision

Wards affected

Central;

Purpose

To provide General Scrutiny Committee with an update in regards to the operation and future development of the Maylord Orchard Centre.

Recommendation(s)

That:

- a) **The Committee reviews and notes the update report on the Maylord Orchards Centre acquisition and future plans and determines any recommendations it wishes to make to the executive**

Alternative options

1. The paper has been drafted at the request of the General Scrutiny Committee, providing an update on the operation and proposed future development of the Maylord Shopping Centre. As such, no alternative options have been identified.

Key considerations

2. On 18 May 2020 the Cabinet Member for Commissioning Procurement and Assets took a decision to acquire the leasehold of Maylord Orchards Centre as a strategically significant site in the centre of Hereford ([Decision - Strategic Acquisition of a leasehold in Herefordshire and to award a facilities management contract post completion - Herefordshire Council](#)).
3. As outlined in the decision report, the council sought control of the site to provide the opportunity to develop it in line with the county plan priorities to enable economic growth. The report also identified a risk that if the council did not acquire control of the site a private investor may have purchased it, and it is unlikely that they would carry out any improvement or re-purpose the facility. This would have led to a large strategically important site at the heart of the city centre continuing to decline, with increasing empty retail units, becoming a blight on the city centre rather than contributing to the local economy.
4. To inform the acquisition the council commissioned an asset valuation appraisal of the site to ensure value for money in the proposed purchase. As a background paper this is attached in Appendix 1.
5. The council employed the services of a professional retail management company as a 'stop-gap' for an initial one year period to ensure that the centre continued to operate effectively whilst the council investigated and determined the future of the Maylord Orchards Centre. As part of their commission the agents developed a three year Business Plan which was approved in December 2020 ([Decision - Record of Officer Decision - Adoption of Business Plan: Maylord Orchard Shopping Centre - Herefordshire Council](#)) outlining short, medium and long term objectives based upon commercial principles. Short term objectives were to improve cleaning, toilet refurbishment and improved Christmas decorations. Medium term objective was to minimise the number of void units, costs and maintain income levels close to that at time of acquisition. Long term objectives are more strategic around footfall, investment, regeneration and other uses.
6. The short term objectives are complete. Medium term, the council is considering and evaluating how Maylord Orchards Centre is managed and optimise its performance in line with the County Plan aspirations. However, the Covid pandemic has accelerated the change in the landscape with the future of the high street more uncertain, and the need for all cities to urgently consider the regeneration/ re-purposing of city centres. The national picture is challenging with companies closing down (including long-standing national retail chains), down-sizing and re-gearing leases or going out of business.
7. With regards to the financial performance of the Maylord Orchards Centre in this challenging time, the council has sought to mitigate the effects of Covid 19. We have been successful in letting nine previously vacant units and five tenants have renewed leases. This includes support for new businesses to become established in the city centre, diversifying the retail offer and creating new employment opportunities. .
8. The Maylord Orchards Centre management contract was extended in June 2021 until end September 2021 to allow a longer term approach to the operational management

of the shopping centre to be determined. Accordingly, a Decision report ([Decision - Maylord Shopping Centre – Management Services - Herefordshire Council](#)) dated 10 August 2021 was approved by the Cabinet Member Commissioning, Procurement and Assets to engage Hoople Ltd to take on the operational management on behalf of the council. Regular meetings linked to the de-mobilisation and mobilisation of the arrangement are in place.

9. In line with council aspirations, an interim management business plan has been developed which provides a firmer basis for the management of the shopping centre as future development plans are established. The Interim Management Plan will be presented to Cabinet shortly.
10. In terms of future development, as per the original intention, the strategically significant site will be redeveloped to support the regeneration of the city centre as a whole. The redevelopment of the centre will create a range of cultural, skills, and employment support services at the heart of the city. This will establish a new mixed use focus, creating new social value reasons for people to visit, learn and work in Hereford as retail declines in line with the national trend as a primary footfall driver.
11. This opportunity has been recognised by the Hereford Towns Fund Board in their [Town Investment Plan](#). Through submission of the Plan, the Towns Fund Board has secured £22.4m of government funding to support the regeneration and growth of the city, including three proposed projects (totalling £4.5m) in the Maylord Shopping Centre. The Plan states that *'This ecosystem of inter-connected projects stakes out a transformational post-Covid future for our city. It repurposes the Maylord Shopping Centre at the heart of the city as the base for a new Library and Learning Centre, a new Digital Culture Hub, and an enhanced creative and performance space linked to the Powerhouse...which will attract footfall in its own right.'*
12. The proposed Towns Fund projects are also complimentary to DWP's new job centre currently being developed in a prominent unit in the shopping centre.
13. The long term redevelopment of the Maylord Shopping Centre site will also be considered in the City Centre Masterplan. The masterplan will establish a long term vision for the redevelopment of the city centre as a whole. The strategically significant location of the Maylord Orchards Centre site means it is well placed to play a key role in the long term redevelopment of the city for many years to come.

Community impact

14. The council's county plan 2020-2024 includes support the growth of our economy as a strategic priority. The wider Herefordshire economic vision sets out an ambitious framework for economic growth within the county and is supported by the core strategy. Delivery of the core strategy and economic vision will rely on significant investment in a variety of developments across the county. The purchase of the Maylord Orchards Centre in June 2020 supported this aspiration.

15. As above, the proposed mixed use social value focussed redevelopment of the shopping centre will provide local residents with access to enhance skills, cultural and public services located at the heart of the city centre.

Environmental Impact

16. The environmental impact of any development proposals will seek to minimise any adverse environmental impact and will actively seek opportunities to improve and enhance environmental performance through the service specification and includes appropriate requirements on the contractor/delivery partner to minimise waste, reduce energy and carbon emissions and to consider opportunities to enhance biodiversity.
17. One of the key ambitions of the centre is to create a sustainable zero waste hub, There are a number tenants including Cult Vintage, a vintage clothing store, a playwright library in Powerhouse and Make It Happen Creative Dreams who teach sewing skills and sell haberdashery so that people can repair and reuse items rather than disposing of, already helping to contribute to this ambition.

Equality duty

18. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows: A public authority must, in the exercise of its functions, have due regard to the need to -
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
19. The decision does not discontinue services and has no detrimental impact for eligible service users. Facilities have already been improved, with the reopening of the toilets which is having a significant positive impact on those with children, carers and those with parental responsibilities
20. Should any improvement or refurbishment of the property be required, the council will not only ensure that it is compliant with the provisions of the Equality Act 2010, but we will work with user groups to ensure that the design improves access for all, and achieves the highest possible level of accessibility.

Resource implications

21. Capital funding was used for the acquisition, from the Development Partnership budget in the capital programme funded by allocating £4,147,079 of the capital receipts reserve to cover all costs including external and internal fees associated with the purchase. Any surplus revenue income is to be retained in a specific reserve for

maintaining the asset, the reserve fund open balance at the start of 2021/22 was £202.5k. The rent and service charge arrears at the end of August 2021 was £475k.

22. The previously reported yield is 10.43% although this is awaiting an update from Montague Evans. Forecast maintenance are subject to clarification with Montague Evans as part of the transition to new providers which is set for the 1st October 2021.
23. Normal shopping centre management principles include a service charge that is designed to recover costs shared in common by the tenants, including overall management of the site. Service charges for void units have to be covered by the Maylord Shopping Centre budget and non-domestic rates are also payable on void units by the Maylord Orchards Centre budget.
24. The mobilisation costs for Hoople to take on the operational centre management will be sourced from existing retained reserve fund.
25. The council, Powerhouse and Rural Media are currently developing full business case submissions for their respective Towns Fund projects. The business cases must be submitted by end of June 2022.

Legal implications

26. There are no direct legal implications arising from this report or the recommendations.

Risk management

27. The key risks associated with the options outlined in the paper are as follows:

Risk / opportunity	Mitigation
The COVID-19 pandemic and the longterm impact leaves a number of questions about the future of rental income, business rates, economic stability, growth, cash flows, both short term and long term.	The proposed redevelopment of the shopping centre will create new mixed use social vlaue focussed services, supporting the regeneration of the shopping centre as a wholw.
Council does not have the experience or capacity to run a shopping centre	Third party company have been contracted to run a full facilities and tenant management service at the site
The council fails to secure Stronger Towns Funding to establish the new Learning Resource Centre.	The proposed project has initially been selected for government support through the Town Investment Plan. The council has procured a range of technical support providers to develop a robust full business case.

28. Risks are managed according to the council's performance risk management framework, and recorded on a service risk register, being escalated to the directorate or corporate risk register according to the significance of the risk.

Consultees

29. Consultation has taken place with Cabinet Member Commissioning, Procurement and Assets (TBC)
30. This paper and the recommendations contained within it incorporate comments received during the above consultations.

Appendices

Appendix 1 – Asset Valuation Report - EXEMPT

Background papers

None identified

Please include a glossary of terms, abbreviations and acronyms used in this report.