

Cheshire East Council

Cabinet

Date of Meeting:	12 th September 2017
Report of:	Executive Director - Place
Subject/Title:	Crewe Town Centre Regeneration Programme: Major Investment Decisions
Portfolio Holders:	Cllr Don Stockton (Regeneration) Cllr David Brown (Highways & Infrastructure) Cllr Paul Bates (Finance & Communities)

1. Report Summary

- 1.1 With the advent of high speed rail coming to Crewe there is a huge opportunity to use this as a catalyst to drive significant regeneration of the town centre. Conversely, it is essential to deliver a successful regeneration programme to attract the levels of inward investment required if we are going to deliver the ambitious economic growth targets outlined in the emerging Constellation Growth Strategy for the sub-region.
- 1.2 Moreover, the regeneration of Crewe will support the Council's strategic aim of protecting and enhancing the 'Quality of Place' in the Borough. A successful regeneration programme will not only deliver economic benefits, it will promote well-being for local residents and deliver a number of social benefits e.g. improved education, skills levels and reduced health inequalities.
- 1.3 In terms of its current position, Crewe town centre is at a pivotal point in terms of its future direction. Along with many other towns, it has struggled to adapt to the drain of retail occupiers from its high streets, and needs to forge a new role that is far more mixed-used in its approach, making it a place where more people want to visit and stay for longer. This requires a strategy based on more leisure uses, better facilities and a higher quality environment.
- 1.4 Crewe is well-placed; it has a growing population which is expected to increase further following the publication of plans for HS2 services to its planned hub station. It also has a growing catchment population in the wider south Cheshire area which spends a disproportionately low amount of disposable income in Crewe – 'leakage' that can potentially be drawn back into the town centre.

- 1.5 In 2015 the Council consulted upon a Regeneration Delivery Framework for Crewe town centre, which moved onto the development of a regeneration programme that is underway; the Council has already been successful in securing and delivering major projects including the £15m Lifestyle Centre and the £11m University Technical College that both opened in 2016. These and other investments in the town centre will be vital in promoting a strong 'sense of place' for our residents and businesses, and play a key role in driving new investment and jobs, both in Crewe and the wider area.
- 1.6 In April 2015 the Council invested £6m in acquiring the Royal Arcade properties, which include the current bus station. In November 2015 the Council committed to seeking a commercial development partner to lead in delivering a leisure-led, mixed-use redevelopment of the site. Following a robust procurement process, the Council selected a consortium comprising Cordwell Property Group and Peveril Securities as its preferred development partner. This report seeks approval to enter in a development agreement (contract) to deliver this scheme which will include a new cinema, restaurants, shops – funded through Cordwell/Peveril, as well as a new bus station and a multi-storey car park, which will be funded and owned by the Council.
- 1.7 Whilst the Royal Arcade redevelopment represents the most significant Council regeneration initiative, it is just one component in the town centre's regeneration. This report also includes proposals relating to the future of Crewe's markets, to ensure that they play a more significant role in attracting more people into the town centre, and keeping them there for longer. Similarly, the quality of town centre public realm – the design and materials of the streets, street furniture, lighting and public art - is also crucial. Proposals for investment in public realm also form part of this report.
- 1.8 If supported, these initiatives will act as a catalyst for wider regeneration, investment and growth. Already, commercial investors have started formulating plans which align to the Council's ambitions for Crewe and we can have confidence that further regeneration in the town centre will follow.
- 1.9 The regeneration programme is crucial to ensuring that Crewe is well-placed to benefit from the growth and investment that will emerge from its status as a HS2 hub. This has been the basis of the Council's recent bid to secure government funding towards town centre regeneration. As a result, £10m has been allocated to support these plans, and this report also seeks approval to accept the funding and associated contractual terms.

2. Recommendation

Cabinet is recommended to:

- 2.1 Subject to a formal decision by Cheshire & Warrington LEP, accept a grant of £10m Local Growth Funding to support the delivery of projects in the Crewe town centre regeneration programme (detailed below), with authority for entering into a formal funding agreement to be delegated to the Executive Director – Place, in consultation with the Portfolio Holder for Finance & Communities, Portfolio Holder for Regeneration and Portfolio Holder for Highways & Infrastructure.
- 2.2 Authorise the Director of Legal Services to enter into a development agreement with Peveril Securities Ltd to secure the redevelopment of the Royal Arcade site, to include a cinema, other leisure uses, retail uses, a new bus station, car park and public realm (area 1a and 1b) within the site. A lease of part of the site will be granted to Peveril Securities for a period of 200 years. Appendices 1-7 provide location plans and development proposals, including a summary of the provisions within the development agreement (Appendix 5).
- 2.3 Note that the redevelopment will be subject to planning and highways approval by the Council, as Local Planning Authority, at a later date.
- 2.4 Delegate authority for any decisions ancillary to the development agreement to the Executive Director – Place, in consultation with the Director of Legal Services, the Chief Financial Officer/s151 Officer and the Head of Assets and the Portfolio Holder for Regeneration and other appropriate Portfolio Holder(s), including to:
 - 2.4.1 negotiate and enter into all legal agreements required to support the delivery of the Development Agreement and the Head Lease to the development partner, including the final demise of the Head Lease and any agreements ancillary to the Development Agreement and the Head Lease and any variations required to the Development Agreement which fall within the scope of this contract award;
 - 2.4.2 take all actions required to facilitate vacant possession of the development site and in respect of undertaking the statutory process to dispose of any of areas of public open space within the development site and, in support of this, to note that the Council will not enter into any new agreements for occupancy of vacant units;
 - 2.4.3 as reasonably required, to:
 - a) take all actions necessary for the acquisition, extinguishment or otherwise rendering ineffective any third party interests over the Development Site or to appropriate such land so as to come within the provisions of section 237 of The Town and Country Planning Act 1990;

- b) use all reasonable endeavours as land owner to assist with any application for any Stopping Up Order as made by the Developer;
- c) release or procure the release of any rights, covenants and other interests over the Development Site insofar as it has the right to do so and provided that such release would not put the Council in breach of any obligation to a third party or parties; and
- d) take such steps, in relation to the open space within the Development Site under either S123 Local Government Act 1973 or Part IX Town and Country Planning Act, as will enable its disposal within the Development Agreement arrangements.

- 2.5 As part of the development agreement, to agree to transfer budgets into the Council's main Capital Programme from the Addendum allocated for the Crewe Town Centre Regeneration Programme as follows:
- 2.5.1 up to a maximum of £3.745m towards the cost of the development of a new Crewe town centre bus station, to be retained in the freehold interest of the Council;
 - 2.5.2 up to a maximum of £150,000 towards the costs of securing vacant possession of the Royal Arcade site, prior to the granting of a licence/lease to Peveril Securities Ltd;
 - 2.5.3 up to a maximum of £9.465m towards the cost of a new multi-storey car park (MSCP) within the Royal Arcade site, to be retained in the freehold ownership of the Council;
 - 2.5.4 up to a maximum of £4.1m towards the cost of public realm on Council land/highway in Crewe town centre in the area immediately adjacent to the Royal Arcade site (area 1b), and to agree to vary the original terms of its procurement to include up to this amount within the development agreement;
 - 2.5.5 up to £3.49m towards the cost of public realm on Council land/highway in Crewe town centre in the area around the Market Hall and other parts of the town centre (area 2), as indicated in Appendix 7, with authority for commencing procurement and entering into a contract for the these works to be delegated to the Executive Director – Place, in consultation with the Portfolio Holder for Regeneration and Portfolio Holder for Highways & Infrastructure.
- 2.6 This (2.5) will be subject to the final stage approval of the business case by the Portfolio Holder for Finance & Communities and the Director of Finance & Procurement.

- 2.7 Consider the alternative options for the future of Crewe's markets (Market Hall, Market Sheds and outdoor/on-street market), and to agree to:
- 2.7.1 endorse the recommended option for the future of Crewe Market Hall, in terms of its physical form, operation and governance, which will require remodelling and refurbishment of the interior, and some changes to its exterior façade (Phase 1);
 - 2.7.2 delegate a decision on the preferred option and to take all actions required, including negotiating and entering into any legal agreements and the servicing of notices relating to the current and future occupation of the defined market site in order to implement the preferred option, following public consultation in October 2017, to the Executive Director – Place, in consultation with the Portfolio Holder for Finance & Communities and the Portfolio Holder for Regeneration.
- 2.8 And agree, subject to 2.7.1 and 2.7.2, to
- 2.8.1 transfer a budget of £3.9m into the main Capital Programme from the Addendum allocated for the Crewe Town Centre Regeneration Programme, in order to meet the costs required to undertake the remodelling of Crewe Market Hall (Phase 1) and any subsequent works related to future decisions relating to Crewe markets (Phase 2);
 - 2.8.2 consider a potential requirement to use a proportion of the identified budget to secure vacant possession of the Market Hall, prior to any potential remodelling;
 - 2.8.3 commence the procurement of a service operator for all, or some of the Crewe market operations, currently undertaken on behalf of the Council by ANSA, to include consideration of legal, financial, property and HR implications;
 - 2.8.4 delegate authority for any subsequent key decisions over these Market investments, vacant possession and the appointment of a service operator to the Executive Director – Place, in consultation with the Portfolio Holder for Finance and Communities and the Portfolio Holder for Regeneration;
 - 2.8.5 a further report on additional changes (Phase 2) to Crewe markets (Crewe Market Sheds and street traders) to be considered, with a formal decision to be delegated to the Executive Director – Place, in consultation with the Portfolio Holders for Finance & Communities and Portfolio Holder for Regeneration;
 - 2.8.6 note that, in taking forward the proposals for the markets, the Council intends to work in close collaboration with Crewe Town Council and other key partners, as appropriate, as part of a

partnership-based approach to ensure that the implementation of the plans and future operations are undertaken with plans for other events and activities in the town centre.

- 2.9 Note that there will be additional revenue implications to the Council, and that these will be identified in the business case to be addressed in relevant base budgets during the Council's budget-setting and budget management process. These relate to:
- a) The cessation of income to the Assets budget for Royal Arcade, due to redevelopment of the properties;
 - b) Future costs of operating the new car park and revenue implications for other car parks in Crewe town centre;
 - c) Future costs of operating the new bus station;
 - d) Future costs for maintenance of public realm;
 - e) Potential loss of income during works to Crewe Market Hall;
 - f) Future costs for maintenance of Crewe Market Hall.
- 2.10 Note the development of a draft public realm strategy for Crewe town centre and Area 1 implementation plans, and to agree to consult with appropriate stakeholders prior to a decision on its final adoption, to be delegated to the Executive Director – Place, in consultation with the Portfolio Holder for Regeneration and Portfolio Holder for Highways & Infrastructure.
- 2.11 Note the development of plans for a History Centre to be located in the town centre, subject to securing external funding, which will also play an important role in the regeneration of the town centre and act as a key anchor project for the Civic & Cultural Quarter.

3. Reasons for Recommendation

- 3.1 Crewe is now at a crossroads; it can either continue to hope for change, or it can set out on a path to revival. Aligned to the vision of the Crewe Town Centre Regeneration Delivery Framework for Growth and the Council's Quality of Place strategy, the town is at a key point which this report seeks to address by investing in key strategic interventions on Council-owned assets to act as a catalyst for regeneration and further investment.
- 3.2 The timing is crucial, particularly considering the opportunity presented by investment in a new HS2 Hub Station, expected to open in 2027. As a strategic priority for Cheshire & Warrington Local Enterprise Partnership, the Council has been successful in being allocated a £10m grant towards its regeneration proposals. This report seeks to secure this funding, which the Council will manage alongside the use of resources within its own capital programme (addendum), and to delegate approval to consider acceptance of the terms on which it is to be awarded, which will be considered by C&WLEP later in September.

- 3.3 In terms of Crewe's position, there are several factors to consider from a strategic perspective:
- a) It is apparent that Crewe is punching below its weight. Commercial property specialists Knight Frank identify that the Crewe area has a solid, captive catchment of over 591,000 residents, with limited local competition but relatively high leakage of consumer expenditure of 91% with scope for clawback achievable through an improved offer. Their research also identifies that the area itself has a significantly higher proportion of residents in certain social groups (ACORN Profiles) than the rest of the UK, including 'Comfortable Seniors', 'Young Hardship' and 'Executive Wealth' and yet the town centre offer is evidently failing to significantly tap into this existing potential market;
 - b) The town and surrounding area is already experiencing major growth, with large-scale housing developments in a number of locations; it is imperative that new, as well as existing residents, are served by - and attracted to - a thriving town centre. The designation last year of the Crewe 'CW' postcode area as the 'Best Residential Location in the UK' by commercial property journal 'Property Week' is a strong endorsement of the town's latent potential;
 - c) The planned HS2 investment will deliver a transformational scale of growth, which requires a buoyant and growing town centre in order to ensure wider economic and social benefits are realised;
 - d) Through the procurement process for a development partner, the Council has learned more of the plans of investors and occupiers, both nationally and locally, and believes that the approach outlined will be successful in revitalising the town centre, drive further investment and attract more visitors to use the town centre – not just to shop, but as a leisure destination and a place to socialise with friends and family;
 - e) Other adjacent commercial areas, in particular Grand Junction Retail Park, continue to thrive and draw in a wider demographic that the town centre aspires to. Recognising the success of Grand Junction, and strengthening connectivity between it and the town centre, will play an important part in the town's regeneration;
 - f) Responses from the 'Crewe: Your Town –Your Choice' major public consultation in 2015 indicated an overwhelming ambition for town centre investment and regeneration, including more leisure and retail investment;
 - g) Feedback from recent events and consultations locally have demonstrated a need and appetite for cultural development, and a recent report commissioned by the Council evidenced the growing

'creative and digital' sector around Crewe which now forms part of the Council's Creative and Digital Strategy.

- 3.4 Following the publication of its Regeneration Delivery Framework, the Council has taken a three-phase approach to regeneration:
- a) implementing short-term improvement initiatives with local stakeholders including, in particular, Crewe Town Council, over a period from 2016-2017;
 - b) developing a medium term regeneration programme, focusing on major capital investments which form the basis of this report, over a five year period (2016-2021);
 - c) masterplanning longer-term options for the town centre and wider Crewe, directly linked to the growth and regeneration anticipated to arise from investment in a new HS2 Hub Station (2016-2040).
- 3.5 In the Council's medium-term programme it identifies four key areas within the town centre that can each play a different role in town's regeneration. We have prioritised two of these for investment because they are the most well-defined and, largely being in the Council's ownership, are relatively less complex to deliver. These are:
- 3.5.1 Royal Arcade: The 1.95 ha (4.81 acre) site, most of which it acquired in 2015, which includes the current bus station, the former BHS store and retail premises along Queensway, Victoria Street and Delamere Street. It is central to the town, playing an important role in connecting one of the main arrival points (bus station) to the retail core, being directly adjacent to the Victoria Centre and less than a minute's walk from the indoor Market Shopping Centre;
- 3.5.2 Civic & Cultural Quarter: This area in the east of the town centre includes major built assets including the Municipal Buildings, Lifestyle Centre and Lyceum Theatre as well as high quality public spaces. The Market Hall is in a key location in terms of its proximity to the Grand Junction Retail Park and plays a vital role in this area's regeneration as will the future redevelopment of the former library and Civic Centre car park, which currently acts as a major barrier to movement around this area. Clearance of the former library site has been identified as a key intervention and, although it is not included within the redevelopment proposals in this report, is identified in a linked report relating to plans for a new History Centre in Crewe, which would act as another key anchor within the Civic & Cultural Quarter;
- 3.6 The major investment decisions in this report form part of a joined-up strategic approach, but stand up to an appraisal of their individual merits. It should be noted that the recommended approach is that Cheshire East

Council, uses its own and other public funding to invest in regeneration which demonstrably 'levers in' private sector investment, rather than to directly invest in the commercial control of all development.

Leisure

- 3.7 Crewe town centre has a very mixed quality leisure offer, with a weak evening economy apart from the success of the Lyceum Theatre and the recently opened Lifestyle Centre. These operate in isolation, with visitors arriving and departing the town centre with limited dwell time and benefit to the wider town centre economy. There is clear evidence of demand for additional cinema screens that needs to be met urgently to prevent further leakage due to competition from other towns. Nationally, consumer expenditure in restaurants and cafes has continued to grow in spite of household budgets tightening; this is evidenced by the opening of restaurants at Grand Junction Retail Park. There is further evidence that this sector has significant potential to grow in Crewe, particularly if it is clustered around a strong leisure anchor, such as a cinema.

Retail

- 3.8 The retail offering of the town centre is also limited. This is due, in part, to the lack of appropriately sized retail units and the lack of 'anchors' to act as a major draw for visitors, such as a major retailer or leisure offer. Dialogue with investors indicates that failure to provide suitable retail space will lead not just to stagnation but more rapid decline, as existing retailers seek alternative locations where they can expand and benefit from the agglomeration effect of other key 'anchor' uses. This is evidenced by the move of Marks & Spencer to expand at Grand Junction Retail Park.

Crewe Bus Station

- 3.9 Crewe Bus Station is in a state of disrepair and is visually unappealing. The site is inefficient and includes derelict bus sheds/garages that are a major eyesore. A modern replacement is needed to better serve the needs of passengers and bus operators, and drive up patronage to support increased footfall in the town centre and more sustainable travel.

Car Parking

- 3.10 There is strong evidence to suggest that Crewe is over-supplied in terms of car parking, although it is recognised that this is in relation to the current numbers of visitors to the town centre from the surrounding catchment. However, the dispersed nature of existing car parks and the lack of information to guide visitors is a hindrance, as is the fact that most are small surface car parks making it difficult to justify further investment in operational improvements such as 'pay on exit' and increased security. A new multi-storey car park providing over 450 spaces will act as the 'premier' car park in Crewe, both in terms of location within the Royal

Arcade site, as well as its quality. Leisure and retail occupiers place a major emphasis on this as a vital component of their success, and it is expected that this will be a major factor in securing new occupiers across Crewe town centre, not just within the redeveloped Royal Arcade.

- 3.11 This is a key obligation for the Council and initially modelling indicates that the current car parking regime will not drive sufficient income to cover the costs of the Council's investment. Therefore, rather than this being considered as a commercial investment, this should be seen as providing a catalytic intervention in the town centre which will drive regeneration and other economic benefits for the town.

Public Realm

- 3.12 'Quality of Place' is vital to all our towns, setting the tone for investors, businesses and visitors, and creating an environment in which people want to spend leisure time, whether it be socialising or attending events. Whilst there are some foundations on which to build (e.g. Memorial Square, Lyceum Theatre and the Lifestyle Centre), there is much room for improvement in terms of design, materials, pedestrianised areas, lighting, planting, street furniture, public art and event space. This report identifies the development of a new Public Realm Strategy which incorporates a staged approach to public realm improvements, focusing on one area in and around the Royal Arcade site (area 1a and 1b), and a separate area (area 2) around the Market Hall and other parts of the town centre.

Markets

- 3.13 As with many markets in similar towns, Crewe's market traders have struggled as discount retailers target town centres and other retailers have migrated elsewhere. In developing a new vision for our markets, it is proposed that the Council takes a phased approach, focusing initially on the Market Hall, which has witnessed a steady decline in terms of occupancy, income and the quality of offer to shoppers. The location of the market between the Royal Arcade site and the Grand Junction Retail Park will play an important role in connecting the two as part of a 'linked trip' for thousands of new visitors.
- 3.14 Other towns have taken the stance that market buildings, often steeped in heritage and civic pride, should be at the heart of town centre regeneration with a role to draw in consumers lost to other locations. The preferred option identified, subject to consultation, is that the Market Hall is refurbished to a high standard with a focus on its food offering; that is, food retail (butcher, greengrocer, fishmonger, etc.) that sell high quality produce, alongside food consumption (independent 'street food', cafes and bars). This would be located within two rows of permanent units along each side of the building, with the central area remodelled to accommodate temporary stalls which will be managed as independent stalls geared around particular themes or events. The proximity to the

Lyceum Theatre provides some major opportunities for synergy. Subject to consultation, the Council will seek to commission a service operator who will be pro-active in identifying and securing suitable tenants and ensuring that they play a role in the vitality of the market. In the longer-term, once the new market model has a demonstrable track-record of success, the Council may seek to procure an operator on the basis of a concession management lease.

3.15 The Market Hall will become a prized asset in the town once more, becoming a destination for visitors, both during the day and the evening. It will provide more opportunities for a more diverse range of local people and it will help energise other parts of the town centre.

3.16 In taking forward the proposals for the markets, the Council intends to work in close collaboration with Crewe Town Council and other key partners, as appropriate, to ensure that the implementation of the plans, commissioning arrangements and future operations are undertaken with plans for other events and activities in the town centre.

4. Other Options Considered

4.1 Several strategic and individual options have been considered, which are detailed in business cases, but summarised in Table 1 below.

Table 1: Options

Element	Alternative	Evaluation
Overall Programme	a) Focus redevelopment on other sites in Crewe town centre	The identified sites are in the Council's control and are the most commercially viable sites within the town centre.
Overall Programme	b) Focus leisure and retail investment around planned HS2 station area.	Would result in terminal decline of the existing town centre, with financial and social consequences.
Overall programme	c) Do nothing	Would be likely to result in terminal decline of the existing town centre, with financial and social consequences
Royal Arcade	d) Focus on use of site for retail uses rather than leisure.	Would require an anchor retailer for the scheme requiring significantly more public investment and/or a larger development footprint. Higher risk, given retail sector shift to larger centres/out-of-town and online.
Royal Arcade	e) Seek other leisure uses without cinema.	Most urban centres of Crewe's size require a cinema to anchor a leisure scheme that encourages longer dwell time.
Royal Arcade	f) Incorporate residential uses within scheme.	Tested through procurement process. Residential values currently too low in Crewe town centre and require an improved town centre offer to act as a catalyst.
Royal Arcade	g) Incorporate office uses within scheme.	Tested through procurement process. Office market values currently too low in Crewe town centre and require an improved town centre offer to act as a catalyst.
Royal Arcade	h) Incorporate hotel within scheme.	Tested through procurement process. No hotel operator interest currently, although operators recognise future potential.
Royal Arcade	i) CEC to fund Royal Arcade development without commercial	Considered at earlier stage and tested through procurement process. Taking a JV approach with a development partner represents better value to the Council and significantly de-

	development partner.	risks it.
Royal Arcade	j) Do nothing – manage as currently.	Retail units do not meet modern occupier requirements. Building maintenance costs will increase. Overall, declining condition of the site would not meet requirements of investors, occupiers or visitors.
Bus Station	k) Alternative locations within town centre.	15 other locations tested in original study. This site offers the best location in terms of centrality and ability to support north-south bus movements throughout the town centre.
Multi-Storey Car Park	l) No new car park – use existing car parks only.	Tested through procurement process. Occupiers require a large quantity of higher quality car parking within a single site and within immediate proximity to their location. Would hamper potential to redevelop other current car parks in the future.
Multi-Storey Car Park	m) Larger multi-storey car park.	Feasible, but would provide an over-supply of central car parking, so uneconomic except for peak times, and could create congestion at peak times.
Multi-Storey Car Park	n) Smaller multi-storey car or surface park.	Feasible, but would fail to meet occupier requirements and hamper potential to redevelop other current car parks in the future.
Markets	o) Implement both phases at once.	Further consultation and consideration of potential phasing options need to be considered for Phase 2. A focus on Phase 1 is practical and financially viable.
Markets: Phase 1	p) Fully open Market Hall building.	Reduces some historic features and would lose mezzanine floorspace, would fail to offer best solution for catering units.
Markets: Phase 1	q) Retain fixed stalls to one side (Shambles)	Technical deliverability issues (joinery), would fail to offer best solution for catering units.
Markets: Phase 1	r) Operate and maintain 'as is' and/or within an operator modification.	Would be likely to continue to decline in terms of occupancy and fail to deliver occupancy mix required in terms of regeneration impact.
Public realm	s) To deliver public realm in a different location.	This would weaken the impact and 'offer' of the new development, as it would sit within the current poor quality setting.
Public realm	t) To spend less on delivering public realm.	This would reduce the quality of the public realm and/or reduce the physical extent of it within the town centre, reducing its beneficial impact significantly.
Public realm	u) To spend more on delivering public realm.	This could represent a challenge to the Council in terms of compliance with procurement legislation and would be likely to require another contractor, requiring more controls and safeguards around managing two overlapping works contracts.
LEP Local Growth Funding	v) Not to accept the grant funding, or the terms of it.	This would result in the Council being required to invest more of its own capital resources.

5. Background/Chronology

5.1 It is evident that Crewe Town Centre is currently performing below its potential both in terms of the range of quality of its 'offer' to residents, and its environmental quality. In 2009, following several years of developing plans for a retail-led redevelopment in the town centre, the commercial developer, Modus, went into administration, their assets were sold on, and other planned acquisitions fell away. The Royal Arcade area was central to the plans, but the subsequent owner, Redefine International, did not advance any plans in the years subsequent, despite encouragement from, and dialogue with the Council. The Council's decision to acquire the site from Redefine was formed

largely on its confidence that it could deliver a regeneration scheme on the site, albeit of a different type and scale to that envisaged by Modus.

- 5.2 As many towns across the country found, the retail sector was in a major state of flux. Retail expenditure in the recession was declining and consumers looked to discount operators for competitively-priced convenience goods and towards online retailers for comparison goods. Retailers adjusted by focusing more on larger urban centres. Smaller towns needed to react, and a number of national initiatives followed such as those led by Mary Portas, not all of which were successful. Part of that reaction was to find a new role for town centres, away from dependence on large multiple retailers. The growth of the leisure sector, particularly the restaurant and café elements, grew significantly but were driven by a mix of local entrepreneurialism, affluent communities and a quality environment. Crewe Town Centre struggled in this respect and started to fall behind other towns which had taken a more proactive approach, despite the testing of a number of initiatives.
- 5.3 Looking forward, the Cheshire East Local Plan Strategy expects that 7,700 new homes will be developed in the Crewe area over the period 2010-30 and, over the same period a further 20,600 homes will be developed in other south Cheshire towns. With an assumed average household size of 2.36 per home (based on the previous Census) this equates to a total population growth across all our southern towns of over 68,000 between now and 2030 (i.e. excluding those that have moved into new homes in the earlier part of the Local Plan period). Combining this growing population, and the untapped potential of Crewe's 'natural' catchment in surrounding towns and villages, it is evident that there is significant potential for investors and commercial occupiers, across the leisure and retail sectors, to thrive.

6. Wards Affected and Local Ward Members

- 6.1 The regeneration proposals all fall within Crewe Central Ward (Cllr Irene Faseyi), although the nature of the recommendations is relevant to all wards, members and residents in Crewe and surrounding wards. Local Members have been engaged previously on key aspects of the regeneration programme and will be consulted on an on-going basis.
- 6.2. A Local Members briefing has been arranged for the Council's Crewe members in advance of this report's publication. This will be followed by engagement with key local stakeholders, including Crewe Town Council prior to the Cabinet meeting of 12 September.
- 6.3 In developing the original Regeneration Delivery Framework vision and objectives, local members and other stakeholders were extensively consulted through surveys and engagement events. Responses from the 'Crewe: Your Town –Your Choice' major public consultation in 2015

indicated an overwhelming ambition for town centre investment and regeneration, including more leisure and retail investment.

- 6.4 Other key stakeholders, including Crewe Town Council, have been apprised of progress in development of some aspects of the proposals, and their comments have contributed to the Council's plans.

7. Implications of Recommendation

7.1 Policy Implications

- 7.1.1 The proposals in this report relate directly to three key outcomes identified in the Council's Medium Term Financial Plan:

Outcome 2: Cheshire East has a strong and resilient economy. Cheshire East is a place which is open for business. We will invest in the building blocks that will allow business to grow, give our residents the right skills to secure employment and attract inward investment in to the Borough. By working together with business and our residents we will enhance the quality of place and create prosperity for all;

Outcome 4: Cheshire East is a green and sustainable place. Cheshire East's rural and urban character is protected and enhanced through sensitive development, environmental management, transport and waste disposal policies;

Outcome 5: People live well and for longer. Local people have healthy lifestyles and access to good cultural, leisure and recreational facilities. Care services focus on prevention, early intervention and physical and mental wellbeing.

- 7.1.2 The proposals in this report also align strongly to the adopted 'Cheshire East Local Plan Strategy' (2017), 'Crewe Town Centre Regeneration Delivery Framework for Growth' (2015), which set out a strong vision for the future of Crewe town centre with supporting objectives. It also relates directly to the Council's emerging Cultural Strategy, which identifies the crucial relationship between culture and regeneration in order to deliver the Council's aspirations for 'Quality of Place'. From a sub-regional perspective it also aligns to the Cheshire & Warrington Strategic Economic Plan (2017).

7.2 Legal Implications

- 7.2.1 Throughout the process of procuring a development partner for the Royal Arcade scheme, internal and external legal advice has been provided to ensure compliance and consideration of any legal risks. Nonetheless, the following legal implications are identified:

- 7.2.2 Entering into a development agreement – including the proposal to include publicly-funded public realm works adjacent to the development site;
- 7.2.3 The Council has undertaken a competitive dialogue procedure in accordance with the Public Contracts Regulations 2015 (“the Regulations”) to secure a development partner and the Development Agreement is being entered into in accordance with the outcome of that formal procurement process;
- 7.2.4 Further works, which were not included in the original procurement, are to be included in the development agreement. Advice has been sought on the application of Regulation 72 of the Regulations which allows for variation or modification of contracts. There are two grounds which the Council could use to argue strongly that it would be permitted to make these proposed changes to an executed development agreement and by extension prior to entering in to such an agreement:
- (i) that the variation is not “substantial”; and
 - (ii) that the variation would be of low value. The advice obtained concluded that on the basis of the facts and works values and provided that the additional works are consistent with, and not a major departure from, the development as originally conceived, the risk of a successful challenge, on the basis of the additional works being included, is low.
- 7.2.5 The Development Agreement will contain a number of obligations on the part of the Council. A summary of these is provided in Appendix 6.
- 7.2.6 The Development Agreement will also contain funding obligations on behalf of the Council in relation to public realm works outside of / adjacent to the site;
- 7.2.7 The Council has the power to grant a lease of the site pursuant to s123 of The Local Government Act 1972 subject to it being at the best consideration that can reasonably be obtained;
- 7.2.8 As there is public open space within the site, then it will be necessary to follow the appropriate procedures alternatively under s123 of The Local Government Act 1972 or Part IX Town and Country Planning Act 1990. These may involve advertising the proposed disposal of any land acquired for planning purposes and then considering objections, or if land is not held for such purposes following the procedures to refer the disposal to the Secretary of State. Any objections and/or representations received as a result of the advertising process will be considered by the Director of Place in consultation with the Portfolio Holder for

Assets or alternatively the Secretary of State for Communities and Local Government prior to any final decision being made in respect of the proposed disposal of the land;

7.2.9 The General Disposal Consent 2003 authorises the disposal of land for 7 years or more at less than best consideration if the undervalue is £2million or less and subject to those powers being exercised in line with public law principles. If the undervalue is more than £2million then the consent of the Secretary of State is needed prior to disposal. The Council will also consider the option to appropriate land;

7.2.10 The Council has a fiduciary duty at all times to the taxpayers and must fulfil this duty in a way which is accountable to local people;

7.2.11 The Localism Act 2011 introduced the General Power of Competence, which allows the Council to do anything an individual can do, provided it is not prohibited by other legislation. These powers have replaced the previous wellbeing powers, however, the use of these powers must be in support of a reasonable and accountable decision made in line with public law principles;

7.2.12 The Council will need to ensure that all funding to be provided in respect of the bus station, car park and additional public realm works complies with the rules on State aid. The Council is taking steps to identify and address any State aid risks, including obtaining external advice.

7.3 Financial Implications

7.3.1 Prior to the current financial year, the Council's Medium Term Financial Strategy, included capital budgets for Crewe Town Centre Regeneration. This programme has previously funded the acquisition of the Royal Arcade Properties, investment in a range of short-term initiatives and capitalised costs related to staffing, professional advice, etc. associated to the recommendations included in this report.

7.3.2 Capital funding is now required to be brought into the capital programme for 2017/18 – 2020/21, including external Local Growth Funding from C&WLEP. Indicative cost and allocation of these is summarised in Table 1 below:

Table 1

Element	Commercial investment (£m)	CEC investment (£m)	LGF investment (£m)	TOTAL (£m)
Commercial elements	23.646			23.646
Bus Station			3.745	3.745
Multi-Storey Car Park		9.465		9.465
Public Realm Area 1a	(a)	(b)	(b)	(a) + (b)
Public Realm Area 1b		0.845	3.255	4.10
Public Realm Area 2		3.49	0	3.49
Crewe Markets Phase 1 & 2		0.9	3.0	3.9
TOTAL	23.646	14.7	10.0	48.346

- (a) NB Commercial Investment of £0.645m related to public realm around the commercial elements of the scheme (Area 1a) is included within the commercial investment figure of £23.646m.
- (b) NB CEC and LGF Investment of £1.226m related to public realm around the MSCP and Bus Station (Area1a) is included within the CEC investment of £9.465m and LGF investment of £3.745m.

7.3.3 Table 2 below provides a breakdown of the expenditure profile by year for the Capital Programme is identified below:

Table 2

Crewe Town Centre: Additional Major Capital Investments (2017/18 - 20/21)												
Element	2017-18		2018-19		2019-20		2020-21		TOTAL		TOTAL	
	Capital investment (£m)											
	CEC	LGF	CEC	LGF	CEC	LGF	CEC	LGF	CEC	LGF		
Bus station						3.745			0.000	3.745	3.745	
Multi-storey car park							9.465		9.465	0.000	9.465	
Public realm works (Area 1a)									0.000	0.000	0.000	
Public realm works (Area 1b)		0.300				1.450	0.845	1.505	0.845	3.255	4.100	
Public realm works (Area 2)					1.500		1.990		3.490	0.000	3.490	
Crewe markets		0.300		2.700	0.900				0.900	3.000	3.900	
TOTAL	0.000	0.600	0.000	2.700	2.400	5.195	12.300	1.505	14.700	10.000	24.700	

7.3.4 As identified in 2.910, there will be ongoing revenue implications that the Council needs to consider and which may require services to create budget growth bids to offset the impact of these, in particular:

- Cessation of income to the Assets budget for Royal Arcade, due to redevelopment of the properties;
- Future costs of operating the new car park and revenue implications for other car parks in Crewe town centre: Initial advice indicates that, on the assumption that the Council would prudentially borrow the capital required to fund the car park at 3% pa, but without allowance for repayment of the capital, there will be an annual revenue pressure to the Council the extent to which would be dependent on the

Council's future car parking strategy for Crewe. It should be noted that the Council's investment in the car park is not to derive a commercial return but, rather, to stimulate regeneration and additional footfall, leisure/retail expenditure and boost investor confidence in the town centre;

- c) Future costs of operating the new bus station: This is expected to be offset by income generated through any lease and/or departure charges to bus operators;
- d) Future costs for maintenance of public realm: An additional revenue budget of £20k per annum for the maintenance of street furniture/soft landscaping within area 1a (excluding the area leased to Cordwell Property Group and Peveril Securities) area 1b and area 2 is likely to be required to manage and maintain the new public realm in good order to ensure it continues to meet its objectives, and extend the period of time before which further capital expenditure is required. The cost of this maintenance programme should be considered in light of additional income generated by the development. The cost of road sweeping and clearing of litter bins, etc. is not included within the additional revenue budget of £20k per annum figure. Other alternative mechanisms for maintenance are also being explored with Crewe Town Council;
- e) Potential loss of income during works to Crewe Market Hall: During the period of any works to the Market Hall, it is likely that there would be a shortfall in markets income and potentially additional revenue payments resulting from the closure of the market hall and relocation of traders;
- f) Future costs for maintenance of Crewe Market Hall: Whilst the building will require some on-going maintenance, it is expected that at least some of the responsibility for costs will be borne by leaseholders / concession management leaseholders as part of the terms agreed by the Council, and off-set by income.

Other Financial Implications

7.3.5 *Capital receipt:* upon completion of the development the Council will benefit from a capital receipt of £100k from the developer (Headlease premium);

7.3.6 *Car park and Bus Station income:* The Council is funding the car park and bus station. The Council will retain the freehold control of these assets. Whilst the operational model for these is to be determined, the Council could receive an income as a result of car parking charges and bus operator departure charges. The

Council's contribution is to be funded from prudential borrowing of which the ongoing revenue impact will be detailed in the business case;

- 7.3.7 *Business rates income from Royal Arcade site:* Currently the Council retains approximately £60k pa business rate income from the site. It is estimated that following the proposed development and full occupation of the site the Council would retain approximately £300k pa business rate income;
- 7.3.8 *Asset release:* Potential release of some existing car park sites for disposal after the completion of the new car park. Sites will be considered on their own merits;
- 7.3.9 *Asset Value enhancement:* As a major property owner in the town centre, the Council would be likely to derive uplift in values of these assets as a result of the redevelopment, since it will make Crewe town centre a significantly more attractive location from the perspective of investors and occupiers.

7.4 Equality Implications

- 7.4.1 There are no direct implications of the recommendations, although there are indirect implications, in particular:
- a) Public transport, and Crewe Bus Station, is disproportionately used by older passengers/residents and those with disabilities. This is an important consideration in the design, specification and location of the new bus station. The proposed approach follows earlier consultation with bus users;
 - b) It is also recognised that people without access to private transport (particularly young people, older people and people with disabilities) use town centres more than out-of-centre locations that are less well-served in terms of transport, seating, etc.

7.5 Rural Community Implications

- 7.5.1 None directly, although it is recognised that there is a strong relationship between small-medium sized towns and their rural hinterland, from the perspective of both consumers, retailers and businesses in their supply-chain.

7.6 Human Resources Implications

- 7.6.1 It should be noted that whilst the investment proposals included in this reported are expected to create over 300 new jobs as well as jobs during the construction phases, there will inevitably be implications for tenants within the current Royal Arcade properties

and Crewe Market Hall. This could have a negative impact on their operations if they are unable to identify suitable alternative premises from which to trade. Whilst the Council, Crewe Town Council and the Skills & Growth Company will offer advice to assist those businesses affected, there is a shorter-term risk that some jobs will be lost in those businesses affected.

7.6.2 Given that the Council is considering seeking a new operator for Crewe Market Hall, there is a possibility of implications for staff currently employed by ANSA to operate the market on a day-to-day basis. This will be identified further following public consultation on the preferred option.

7.7 Health and Wellbeing Implications

7.7.1 All demolition and development works will be undertaken in accordance with legislative requirements and building regulations.

7.8 Implications for Children and Young People

7.8.1 None

7.9 Overview and Scrutiny Committee Implications

7.9.1 None

7.10 Other Implications (Please Specify)

7.10.1 None

8. Risk Management

Royal Arcade

8.1 The delivery of major redevelopment proposals are complex and involve many commercial, technical, legal and practical issues being satisfactorily addressed.

Mitigation: The Council has an internal Project Team comprising all the relevant professional disciplines, supplemented by specialist external professional advice. The delivery of the Royal Arcade scheme will continue to be managed in accordance with the Council's policies and procedures.

8.2 The Council is required to deliver a staged 'Vacant Possession' for the Royal Arcade site, which will involve displacing existing tenants who may experience difficulty identifying suitable alternative premises.

Mitigation: Information and advice for those businesses affected will be provided through Crewe Town Council and the Skills & Growth Company.

Crewe Markets

The recommended option for Crewe Market Hall will:

- 8.3 Necessitate the displacement of existing tenants/licensees, including but not limited to market traders and a business operating on the street-front.
Mitigation: Relocation to the market sheds or stalls could be a solution for some;

- 8.4 Be likely to require the procurement of an alternative market operator for Crewe markets which will necessitate a variation to the Council's existing contract with ANSA, together with consideration of the application of TUPE for some ANSA staff.
Mitigation: The current contract with ANSA envisaged that there might be future changes which would mean that management of the markets might transfer to another party. Discussions would need to take place with ANSA to understand if any employees are wholly or mainly assigned to the management of Crewe markets and if so, ensure that the procurement of an alternative operator includes details of the likelihood of a TUPE transfer.

General

There are generic issues/risks to the Council, in terms of:

- 8.5 Potential risk of breaching State Aid, for example by using public monies which places a commercial operator in a financially advantageous position.
Mitigation: Internal and external legal advice has continued throughout the procurement process, and will be provided as part of the final business case development, setting out The Council's position with regard to State Aid;
- 8.6 The construction processes having a disruptive impact on the town centre over an extended time period, which could have a short-term negative impact on footfall and expenditure.
Mitigation: Benchmark standards for constructors will be required as part of all works in order to minimise disruption. Further initiatives/events to maintain footfall in the town centre may be required;

9. Access to Information/Bibliography

- Appendix 1: Plan of Royal Arcade site within Crewe Town Centre.
- Appendix 2: Boundaries of Royal Arcade site within Crewe Town Centre.
- Appendix 3: Proposed layout of new Royal Arcade development (subject to finalisation and planning consent).
- Appendix 4: Indicative visual impressions of Royal Arcade development scheme.
- Appendix 5: Summary of provisions with the development agreement.
- Appendix 6: Summary of Council Obligations in relation to the Development Agreement.
- Appendix 7: Indicative location of public realm improvements.

10. Contact Information

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