

## **COUNCIL**

**21 JULY 2022**

### **ADDITION TO THE CAPITAL PROGRAMME FOR THE REDEVELOPMENT OF DEBENHAMS**

Portfolio Holder: Councillor Alan Jarrett, Leader of the Council  
Councillor Adrian Gulvin, Portfolio Holder for Resources  
Councillor Jane Chitty, Portfolio Holder for Planning, Economic Growth and Regulation  
Councillor Rodney Chambers OBE, Portfolio Holder for Inward Investment, Strategic Regeneration and Partnerships

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#### **Summary**

This report requests an addition to the Capital Programme, to facilitate the redevelopment of the former Debenhams site, which requires Full Council approval. The regeneration of the former Debenhams building provides a valuable opportunity to proactively diversify the high street, providing an active frontage and residential development in the heart of Chatham.

The report was considered by the Cabinet on 5 July 2022. The Cabinet decision is set out at section 5 of the report.

#### **1. Budget and policy framework**

- 1.1. It is the responsibility of Cabinet to ensure that expenditure for each capital scheme remains within the budget approved by the Council but it remains the responsibility of Council to approve schemes for inclusion in the capital programme.

#### **2. Background**

- 2.1. The Chatham Future High Street Fund (FHSF) was added to the Council's Capital Programme. Full Council added the full element of the Future High Street Fund (£9,497,720) on 18 February 2021 (minute number 749/2021).

- 2.2. Cabinet approved the acquisition of the Debenhams site on 24 August 2021 (decision number 97/2021). Cabinet also approved the use of Compulsory Purchase Order (CPO) powers, if required, on 8 February 2022, decision number 20/2022).
- 2.3. Within the FHSF grant funding there is an allocation for the acquisition of the former Debenhams site, which has now been purchased. A key output of the FHSF is the regeneration of the ground floor unit, increasing vibrancy and footfall to the high street. The aim of the FHSF is to renew and reshape town centres and high streets in a way that drives growth, improves visitor experience and ensures future sustainability.
- 2.4. The redevelopment of Debenhams will unlock a key strategic site in Chatham high street. It will enable a currently vacant brownfield site to be brought back into use and increase the provision of much needed residential and diversification of commercial space. It is proposed that residential development is delivered above the ground floor commercial space. It is envisaged that the options for the site will be reviewed with Medway Development Company Ltd (MDC), utilising their expertise and advice on delivery.
- 2.5. In order to deliver the redevelopment of the entire Debenhams building estimations for the works are estimated to cost £17,878,916 to facilitate the delivery of ground floor and above units, as outlined in the exempt appendix.

### 3. Options

- 3.1. The FHSF business case outlines the Council's ambition to acquire the underutilised former Debenhams building, for mixed use development, with the ground floor providing active frontage. This approach will support sustainable live-work opportunities within the City Centre.
- 3.2. Option 1 - Cabinet could have declined to recommend to Full Council the addition to the Capital Programme.
- 3.3. Option 2– Cabinet could have recommended to Full Council the addition to the Capital Programme, as outlined in the exempt appendix. This option was agreed by the Cabinet on 5 July 2022.

### 4. Advice and analysis

- 4.1. Option 1 would have significantly put at risk the grant funding. It is unlikely that a suitable tenant will bid for the space, without the Council investing in the ground floor, due to the substantial size of the unit (2,250sqm). If the outputs of the grant funding are not met, this could result in funds being returned to The Department for Levelling Up, Housing and Communities (DLUHC). Investing and repurposing this key high street asset is a significant step towards the aspirations for Chatham and to encourage further investment in the high street.

- 4.2. Option 2 was recommended to Cabinet, as this will help regenerate Chatham by bringing this underutilised property back into use, which will result in further active frontage in the town centre.
- 4.3. Option 2 complements Medway’s overall strategy for Chatham and supports a holistic approach to living and working within Medway, providing residential development in the centre of Chatham, increasing the footfall and potential spending power directly into the town centre and supporting the economic regeneration of Medway.

## 5. Cabinet

- 5.1. The Cabinet considered this report on 5 July 2022 and agreed the following:
- 5.2. The Cabinet agreed to recommend Full Council to approve the addition of £17,878,916 from short-term borrowing (to be repaid from future capital receipts generated by the site) to the Capital Programme for the redevelopment of the former Debenhams site.

## 6. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Additional capital funding is not secured	If additional funding is not added to the Capital Programme, the Debenhams building will remain vacant, discouraging further investment in the high street. If the FHSF outputs are not met, this creates a risk to the grant funding	The capital additions request is added to the Capital Programme	B1
FHSF project objectives not being met within the allocated timescales	The repurposing of the ground floor unit, needs to be delivered by March 2024	The approval of the capital additions request would enable the project to be delivered within programme	B3

## 7. Climate change implications

- 7.1. The re-purposing and re-development of underutilised brownfield sites to provide residential and commercial units is supportive of minimising the impact of housing/commercial provision on the environment. The development will look to include urban greenspaces where possible and increase the energy efficiency of the building.

## 8. Financial implications

- 8.1. The £17,878,916 addition will be funded from short-term borrowing which will be repaid by future capital receipts from the sale of the residential units above the ground floor.

## 9. Legal implications

- 9.1. Additions to the capital programme are a matter reserved for Full Council and this report asks Council to agree that an addition is made to fund the redevelopment of this site.
- 9.2. The site has formed part of the wider Future High Streets programme and therefore a failure to deliver on this could result in a breach of the conditions contained within the Grant Determination Agreement for that grant, which could potentially mean that it needs to be repaid.
- 9.3. Although the potential for repayment of the grant is a significant factor it would not have prevented the Cabinet from exercising option 1 and declining to make the recommendation to Full Council if they had not been satisfied with the information contained within the exempt appendix.
- 9.4. As noted above this activity is being undertaken utilising the Council's powers in respect to economic regeneration and therefore there is a focus on the development reaching a cost neutral position rather than securing a profit.

## 10. Recommendation

- 10.1. The Council is recommended to approve the addition of £17,878,916 from short-term borrowing (to be repaid from future capital receipts generated by the site) to the Capital Programme for the redevelopment of the former Debenhams site.

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### Appendices

Exempt Appendix - Viability review and redevelopment costs

### Background papers

[Cabinet paper 24 August 2021- Future High Street Fund- Property Acquisition](#)