

## Questions by Members of the Council under Procedure Rule 10.0

Council – 14 July 2020

### Questions from Councillor Bell Received on 9 July 2020

**Question:** When did the Mayor learn the extent of the Problems that John Lewis were having?

#### **Answer**

Although it was known that John Lewis was looking at adapting its operation at a national level from press speculation, it only became apparent that its Watford store would not be reopening on 2<sup>nd</sup> July following discussions between intu and the John Lewis Partnership. This was reported to the Mayor by senior Intu representatives.

The John Lewis Partnership has a 999 year sublease, giving John Lewis a 'Virtual Freehold' on its site. This arrangement means John Lewis Partnership pays no rent on its site. This was agreed when the Harlequin Centre opened in 1990 and approved by the previous council's administration. John Lewis has not paid business rates from March 27<sup>th</sup> 2020, along with all other businesses across the country because of the government's temporary Business Rate Holiday introduced by the Chancellor.

**Question:** How many meetings had the Mayor had with the managing director of John Lewis since it was known it was in financial trouble?

#### **Answer**

The Mayor has met with senior representatives of John Lewis since it was known that talks had broken down with centre operator intu. Intu, as the centre's operator, leads on all negotiations with retailers within its centre, as is common practice across the retail sector.

The Mayor also has an upcoming meeting with the Partnership's Chairman Sharon Lewis to encourage the John Lewis to stay in the town.

**Question:** When he was elected in May 2018 what was he told of the trading position and finances of INTU?

**Answer**

The Mayor and the Council have been aware of the recent issues that Intu at a national level have been facing financially and have been closely monitoring the situation to ensure they can continue to support the town centre.

The financial performance of Intu Watford continues to be a strong one and the shopping centre is profitable. Intu Watford is in the top 20 retail destinations in the country in terms of footfall and the centre has made all of its quarterly rent payments to the local authority.

**Question:** There has been continued speculation nationally about INTU finances and their debts for the last 2-years since the new Charter place was opened-What action did the elected Mayor take to safeguard Watford Council's interest in the site considering the Council's commercial rent interest from INTU?

**Answer**

Intu's financial difficulties were driven by significant corporate debt at a national level. This was not due to problems related to their trading at Watford, which has been successful.

Intu have long leasehold interests over the Intu Centre. The length of the leases means that they are marketable to another company in the event that Intu might wish to leave the centre. The lease does contain the usual covenants that allow the Council to step in, in the event of insolvency, protecting the centre and the council's interest in it.

The council owns a freehold on the Intu site. This means that unlike many councils, we both generate a regular income to reinvest in local services from the rental income we receive from the centre and can control future development on the site. If we did not, it would mean the council would have no say in any future developments at the centre.

The Council employs leading independent property experts Lambert Smith Hampton to advise on the management of its commercial property portfolio, including the Intu centre, to ensure good value for money for local residents.

**Question:** How many meetings did he have with INTU management since May 2018 regarding the financial worries concerning INTU?

**Answer**

The Mayor has met with senior intu Management in Watford 37 times since being elected in May 2018 and has corresponded with them 182 times between May 2018 and July 2020.

**Question:** What agreements were signed by the previous Mayor if any with INTU management about INTU's future when the council agreed to INTU taking over and developing Charter Place?

**Answer**

The previous Mayor did not sign any agreements with intu, all legal agreements are signed on behalf of the council by officers under the terms of the council's constitution. All decisions relating to the redevelopment of Charter Place were taken by Cabinet. Full details of this are available in the Cabinet reports of 18 June 2012 and 8 October 2012. Both these meetings were attended by Cllr Bell. There had also been an all member briefing on 27 September 2012. These reports set out in detail the proposed transaction with intu.

Essentially the council granted intu a temporary lease of the land it owned to enable them to undertake the development. It also entered into an agreement that on the completion of the redevelopment the Council would take on the freehold of a number of units owned by intu that were part of the redevelopment area. It would then have the freehold ownership of the whole area of land comprising the redevelopment, whilst giving intu a long lease. This gives the council a regular income from the site as well as control over its future.

The Council also agreed to make a Compulsory Purchase Order to acquire the land necessary to redevelop Charter Place. Intu entered into an indemnity agreement with the Council to cover the costs of the compulsory purchase and any compensation claims arising from it. This was also agreed by Cabinet on 9th March 2015.

**Question:** What legal agreements do we have with INTU?

**Answer**

As stated above we have a long lease with them for Charter Place and two long leases for the remainder of the Intu Watford Shopping Centre. We also have an indemnity agreement with them to compensate us for our costs and any compensation we may have to pay as a result of the Compulsory Purchase Order.

For information our leases are with WRP Management Limited and Intu Watford Limited neither of which are in administration and are still trading.

The indemnity agreement is also with WRP Management Limited.

**Question:** Once the Mayor knew the problems at Intu long before the recent lockdown, did he and his administration ask senior council officers to draw up a Plan A and Plan B based on the worst case scenario of the 2 major stores John Lewis and Debenhams pulling out of our main shopping centre?

**Answer**

The Mayor and the council are constantly planning and investing in the long term future of our town centre and have been doing so over a number of years. There has been retail interest in vacant units in Intu and the Council will continue to work with Intu to support their efforts to find retailers for these sites.

Intu Watford has the highest occupancy rate of any Intu centre in the country according to its 2018/19 Annual Report and Watford High Street still has one of the highest retail occupancy rates in the country.