

To: Scrutiny Committee
Date: 4 December 2018
Report of: Economic Development Manager
Title of Report: The Impact of Westgate Shopping Development

Summary and recommendations	
Purpose of report:	Brief: A consideration of how the opening of the Westgate retail and leisure centre has affected the local economy, local traders and visitor numbers. The scope also includes to what extent the development has delivered on its objectives and targets.
Key decision:	No
Executive Board Member:	Councillor Mary Clarkson
Corporate Priority:	A Vibrant and Sustainable Economy
Policy Framework:	The Oxford Economic Growth Strategy West End Area Action Plan
Recommendation: That the Scrutiny Committee resolves to note and comment on the report	

Appendices	
Appendix 1	Oxford and UK footfall analysis

Introduction and background

1. The Westgate reopened in October 2017 following a £445m two year redevelopment programme. The 800,000 sq. ft. development (470,000 additional) hosts over 125 stores and restaurants, alongside a cinema and roof top terrace, as well as 59 apartments and 1,000 parking spaces. The Centre is one of the largest redevelopment projects in the City in recent years.

2. The Committee's consideration of this issue is concerned with how the opening of the Westgate Shopping Centre has affected the local economy, local traders and the number of visitors to the City. The scope also includes to what extent the development has delivered on its objectives and targets. Now the Centre has been open for 12

months, it will be timely to review available information to understand the emerging picture.

3. It is important to consider the impact of the Westgate within a dynamic context including the impact of changing consumption patterns and channels, economic issues such as income, consumer confidence, business rates re-evaluation, and labour market issues.

Wider economic and social factors affecting High Streets

4. The current macro-economic climate and changing shopping habits have led to a structural shift on the high street, evidenced by numerous well-known brand names disappearing from UK highstreets. There have been closures of some local stores, with more change expected. There are a number of factors driving this.

5. Squeezed incomes - a fall in discretionary spending has been spurred by inflation and weak wage growth. A near 15% fall in the pound since the Brexit vote has pushed inflation over 3%, primarily due to the cost of imports. Wages have been rising at a slower pace than inflation so shoppers have less disposable income. By volume, retail sales have continued to grow but at a much slower rate, leading to weaker growth in sales than retailers had anticipated. Oxford has been somewhat sheltered from the latter issue due to its wider economic success, with a 2.0% growth in disposable income locally last year and 1.3% projected this year (Carter Jonas 2018).

6. The shift to online shopping and changing tastes: Providers like Amazon and other platforms like eBay have had a huge impact on the high street as more consumers see online shopping as cheaper and easier. The overall market has not grown significantly but the relative share of the market between online and high street has changed affecting the viability of bricks and mortar operations. Furthermore, numerous retailers whose offer hasn't evolved with consumer tastes have ceased to trade.

7. Rising business overheads: As well as having to deal with inflationary pressures and its impact on costs, the retail sector has been facing other cost pressures. The recent business rates revaluation has substantially pushed up costs. In addition some retailers will have to find additional revenue to cover the National Living Wage costs.

8. With trading conditions tight, retailer chains cannot afford to have underperforming outlets. Yet, many companies over-expanded in more confident times for the High St, leaving them dangerously exposed. The model of measuring success in terms of how many outlets a chain may have may have come to an end resulting in many chains rationalising sites.

Westgate's Performance

9. A presentation will be provided by the Westgate Management Team at the Scrutiny meeting highlighting commercial success, performance indicators and local benefits.

The role of the City Council and benefits accrued to the public sector

10. The City Council has had a significant role in the Westgate through the planning process. The Westgate Centre is a key part of the regeneration of Oxford city centre as

identified in the West End Area Action Plan, creating high quality buildings designed by world-class architects.

11. The proposals were developed by the Westgate Oxford Alliance - a partnership between Land Securities and The Crown Estate. The Alliance worked closely with Oxford City Council and Oxfordshire County Council to unlock the potential of this important redevelopment site.

12. The development leads to additional income for the exchequer and local government as outlined below

- Old Westgate Rateable Value (RV) April 2010: £6.2m.
- Based on that RV, the 2018/19 rate yield would be c£3m.
- New Westgate: still awaiting all assessments. To date the aggregate RV of all the units that have been brought into rating to date is £22.5m
- Best estimate of eventual total RV of Westgate stands currently at £27.5m. If all the assessments were rated from 01/04/18, the gross rates income for 18/19 would be all £13.5m
- Oxford share of 40% on the two figures above would be: £4.45m and £5.43m.
- Council receives £2.45m in Ground Rent annually – which takes into account lost income from the old Westgate carpark.
- An affordable housing contribution (off-site) was provided.

Employment Impact

13. Westgate was promoted as a major employment creator. At present the picture is as follows

- 3,600 headcount, 2,000+ FTE jobs created
- 124: The number of unemployed people into employment
- £29m: The amount of wages generated at Westgate. The Westgate Centre is a Living Wage employer. Tenants dictate their own pay levels but many pay more than neighbouring locations.
- A well regarded construction and end use Community Employment Plan, that met its key targets
- Ongoing community partnerships with Aspire, Oxford Homeless and local schools.

Travel and Sustainability impact

14. Parking utilisation has increased at all park and rides and the fears over congestion have not been realised. The Green Travel Plan put in place as part of the planning conditions has been viewed by officers as a success. This can be demonstrated in that parking usage at the Westgate, Oxpens and Worcester St is below expectations. Yet, footfall is beyond expectations (appendix 1). There has been an 8.2% increase across all Oxford Bus and Thames Travel services in Oxford city centre across all services in Oxford city centre comparing Oct to April 16/17 with the same period post opening. 24 hour traffic flow at Oxpens is comparable with 1999 levels and has increased slightly from the previous year. Other access points to the city are relatively unchanged.

15. In line with planning conditions, cycling facilities and pedestrian signage have been installed with one further cycling site to be completed. Moreover the building design performs well from a carbon reduction perspective, provides good permeability for pedestrians, and offers much needed public space at Leiden Square. Westgate also claim 100% of all waste is diverted to landfill.

City-wide occupancy levels

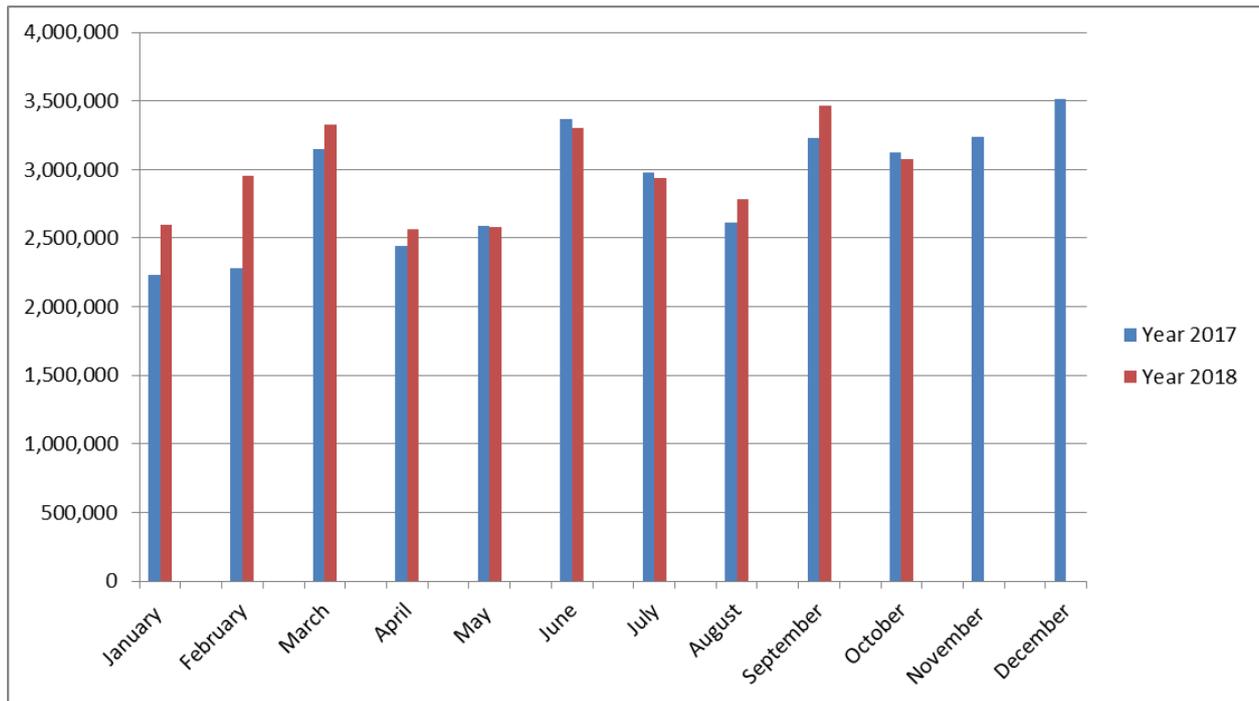
16. The most recent city centre occupancy levels were counted in November 2017 and November 2018 by officers. The key findings are below;

Retail Survey 2017 - Primary frontages	Retail Survey 2018 – Primary frontages	Retail Survey 2017 – secondary frontages	Retail Survey 2018 – secondary frontages
Retail (75%)	Retail (78%)	Retail (49%)	Retail (45%)
Offices (11%)	Offices (7%)	Offices (8%)	Offices (6%)
Food and Drink (13%)	Food and Drink (12%)	Food and Drink (31%)	Food and Drink (40%)
Vacancies 8.4%	Vacancies 8.8%	Vacancies 6.8%	Vacancies 10.3%

17. Centre for Cities published data in June 2018, which provides a useful sense of how this compares against other centres with an average 16% vacancy rate in England and Wales. The best performing locations (Cambridge, Brighton at 8%) experience similar rates to Oxford, with the worst experiencing around 28% (Newport).

Footfall and Visitor numbers

18. The City Council monitors footfall at 3 locations across the city centre. Officers have provided comparative monthly figures for the year to date from January. The figures have been up month on month, with a slight dip in October 2018. This is a notable contrast with the UK picture, and footfall has reduced every quarter since January 2018 (See Appendix 1). This is course does not translate to spend in any obvious way, so footfall can only be seen as a partial proxy for the health of local trade.



Emerging signs of change in the city centre

19. An element of churn creates opportunities for new investment and renewal in both property and occupancy terms. It would be expected that a major injection of retail space would create some displacement, and in turn lead to new investment in those premises that have become vacant. A brief review of new planning permissions in and around the city centre (outside Westgate) has revealed the following over the last 12-18 months;

- Applications to convert three A2 (financial and professional) units to A3 (food and drink)
- Applications to convert one A1 (retail) unit to an A2 (financial and professional services) unit
- Two major hotel applications (C1) converted from office and industrial uses
- Student accommodation permissions across five sites in the city centre
- A new commercial offer on Cornmarket linked with educational uses (owned by Jesus College).

Long-term change in the city centre

20. Given the major development sites that are part of the West End of the City, Oxpens, Island Site, Oxford station and potentially Osney Mead, there will be a further expansion and dynamic picture in the city centre over the coming years, with the creation of over a thousand university related accommodation units and 500 homes at Oxpens. Circa 6-8,000 additional jobs might be created in the city centre as wider office and R&D developments take shape.

21. Key uses and requirements pushed out of the city centre are that of residential and office uses. Both of these will form the major element of forthcoming developments. In their own right they will bring both residents and workers into the city centre that will create a greater pool of potential customers for city centre businesses.

Conclusion

22. The early signs are positive in terms of the impact of this major new development. Whilst concerns over vacant units are understandable, it appears new investments within the older stock and new occupiers are likely. A change of occupier profile across the city will also continue. This will be a long-term process of change and should be kept under review as the picture becomes clearer.

23. It is a fact that there are a range of dynamic factors at play and the Westgate Centre cannot be isolated as the only factor impacting the trading environment within the city centre. Officers will continue to work closely with all stakeholders through the City Centre Task Force and Talk of the Town grouping of businesses to support optimum functioning of and a shared vision for the city centre.

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Background Papers: None	
1	Or - list all background papers
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