

MEETING BEING SUBMITTED TO Cabinet

MANAGEMENT OPTIONS FOR NEWCASTLE MARKET

Submitted by: Assets Manager

Portfolio: Town Centres, Property & Business

Ward(s) affected: Town

Purpose of the Report

To set out options for the future management of the town centre market and seek a Cabinet decision on the preferred option.

Recommendations

- (a) That Members agree to an external partner being sought to operate and manage the Council's town centre Markets and that officers be authorised to prepare a tender pack at the earliest opportunity and to take all the necessary steps to procure such an operator.**
- (b) That officers be authorised to prepare an outcome-based specification for the service in consultation with the relevant Portfolio Holder(s) taking account of the views of the Economic Development and Enterprise Scrutiny Committee.**
- (c) That the results of this tendering exercise be reported back to a future meeting of Cabinet with a view to appointing an external market operator for Newcastle town centre market as soon as practically possible.**

Reasons

To enhance the prospects of achieving an improved and sustainable town centre market by creating the opportunity for a specialist market operator to revitalise this key part of the town centre economy. In addition it would enable the Council to reduce the direct cost of running the town centre market as well as transferring the associated risks.

1. Background

- 1.1** The operation of an effective and attractive market is an important issue for the economic vitality of the town centre and also for the Council in terms of management of the asset. Following the Council's significant investment in the new market stalls and pedestrianisation of Hassell Street (completed in September 2014) it is now appropriate that the Council reviews the operation and management of the market.
- 1.2** Markets are a retail function and, like many other retail functions, they have experienced structural change arising from changes in customers' shopping habits and preferences; notably such changes have meant a general move away from the traditional High Street offer. Evidence from a national survey (undertaken in 2015) demonstrates that market traders are an ageing group and there is a lack of new and younger traders entering the sector. The survey found that over 70% of traders are aged over 50 and only 11% are aged below 40; Newcastle's market traders are consistent with this national trend.

1.3 Following the refurbishment project the performance of the market, in terms of both stall occupancy and income, showed signs of improvement from its pre-refurbishment level. However there is evidence that the market is not performing as well as the Council might have hoped (commercially sensitive information in this regard has been provided in a separate briefing report to Members). Consequently Cabinet needs to consider whether the Council should take action directly itself to implement a markets improvement plan or whether it should seek a specialist third party operator to run the markets on the Council's behalf.

2. **Issues**

2.1 Currently the Council runs the market directly itself on four days a week. An external licensee operates and manages a market for two days a week. The arrangement with the licensee is a long standing arrangement (that has been operating since the mid 1990's with periodic renewal of the licence period).

2.2 Over the past 12 months officers have been reviewing management of the market in consultation with the Portfolio Holder (and key members of Cabinet) and during this time officers have introduced software to replace the traditional paper based records as a small step towards modernising the management of the market. In addition officers have been working with the Portfolio Holder over this period of time to develop an action plan of more ambitious measures to improve the market's performance. At a summary level the key actions proposed in the improvement plan include:

- I. Investing in the promotion of the market both to potential customers and to new traders;
- II. Reducing the amount of cash transactions by encouraging market traders to pay their stall fees using non-cash methods;
- III. Consideration of re-formatting the market week, for example reducing the number of days that the general market is run or by trialling different market formats that may appeal to different audiences (this action would require some market research to support its implementation);
- IV. Updating market policies in line with modern market practices;
- V. Closing or reformatting the farmers market;
- VI. Introducing a 'grow your own' business support model for new start-up market traders;
- VII. Working with the BID and other local partners to develop and promote the market for the benefit of the wider town centre;

2.3 In addition officers have been supporting a piece of review work being undertaken by the Economic Development & Enterprise Scrutiny Committee which is considering ways to improve the market. The aims of this review are to:

- Find cost savings in the running of the market
- Increase revenue generation from the market
- Increase the volume of stall holders attending the market, which will contribute to increased revenue from the market.

At the time of writing, it is understood that the report of the Scrutiny Committee was being prepared and any final comments ought to be taken into account in any future service specification.

2.4 However the challenges around driving up performance and attractiveness of the market are considered to be much more fundamental. The main point being that the diminishing patronage of the general market is not specific to Newcastle town centre, it is consistent with the kind of challenges facing all market trading and there is a perceived need to invest in this

form of retail trading with a view to step-changing the offer to include more innovative arrangements than might be possible with a continuing management of the operation by the Council. In addition the more case-specific considerations for the market's performance in Newcastle have been set out in a confidential briefing report for members.

- 2.5 There are examples in other parts of the country where declining markets have been revitalised; this has been achieved by increasing the amount of resources and increasing the level of focus on the operation. Officers consider that if the Council does not take decisive action to revitalise the market there is a serious risk of it falling into a long term trend of decline and this will have a detrimental effect on the town centre as a shopping destination and damage the economic performance of the centre as a whole.
- 2.6 The key question is whether the Council considers it appropriate to continue with an in-house service delivery approach, which would be charged with implementing the improvement plan summarised above or whether the Council wishes to formally explore the option of contracting out management to an external specialist operator. Officers have undertaken some soft-market testing regarding the latter and there is evidence of appetite from such operators.
- 2.7 It is anticipated that were an external specialist market operator to be appointed then it would be on the type of licence arrangement that is typically operated elsewhere. This can be summarised on the basis that the operator is given the opportunity to manage such day to day issues as trader selection, stall allocations and stall charges directly themselves. As such the Council would remove itself from the day to day running of the market once an external specialist market operator is appointed. An outcome-based specification would be prepared setting very broad objectives, as opposed to a detailed service specification approach, because this should provide any commercial operator with the greatest scope to shape the form and content of the future markets thereby improving its attractiveness and popularity.
- 2.8 Further to the latter point and in consideration of the evolving role of outdoor markets as a retail destination – taken together with the potential change that a large amount of student accommodation will bring to the town centre – there is potential that any externally appointed specialist market operator may, in future, wish to re-organise the market offer both in terms of the market layout and the schedule to revitalise both the vitality of the market itself and also to contribute to the vitality of the wider town centre.
- 2.9 Finally it is worth noting that the current and planned investment in and around the town centre – including the above-mentioned student accommodation, the planned redevelopment of Ryecroft and the older persons' residential scheme under construction on the former Maxims site – should stimulate confidence in a future market operator that there is significant opportunity to grow customer patronage of the market.

3. **Options Considered**

In-house Improvement Programme

- 3.1 The Council has the option of investing resources, in terms of capital and revenue funding as well as staff time, in order to accelerate delivery of a proposed improvement programme for the market (along the lines summarised above). The key point to note is that any improvement actions need to be delivered in a timely manner to minimise the risk of the market going into an irretrievable decline. The actions proposed include those that are in line with Council initiatives; for example reducing the amount of cash handled by the Council. As such the work programme would require input from a range of internal departments. In addition support from external partners such as the BID would also be required.

Seek an External Partner to Run the Market

- 3.2 The Council has the option of seeking an external partner to take responsibility for the day-to-day management and operation of the market. A carefully selected market operator will have the necessary specialist knowledge to deliver this type of retail offering and provide the necessary resources and focus to drive its success, whereas for the Council it is one of many competing priorities within the wider service delivery programme. Additionally, a specialist external provider would have the flexibility and resources to promote the market, attract new traders and change the format of the market if required. The other potential benefit for the Council is that it would remove the majority of direct costs in providing this service, thereby contributing to the wider corporate agenda around ensuring the long term resilience of the Council from a service and financial planning perspective.

4. Proposal

- 4.1 That Members agree to an external partner being sought to operate and manage the Council's town centre Markets and that officers are authorised to both prepare a tender pack at the earliest opportunity and to take all the necessary steps to seek an external operator for the Newcastle town centre market. As part of this process an outcome-based specification would be prepared in consultation with the Portfolio Holder taking account of any comments made by the Economic Development and Enterprise Scrutiny Committee.
- 4.2 That the results of the tender exercise are reported back to a later meeting of Cabinet with a view to appointing an external provider as soon as practically possible.

5. Reasons for Preferred Solution

- 5.1 A private sector operator will have the specialist expertise in the delivery of this type of retail function and will be solely focused on delivery of the market rather than splitting resources across a number of priorities (as would be the case if the Council were to pursue its own improvement programme); thereby improving the prospects of achieving a viable and attractive market offer to the benefit of the town centre economy.
- 5.2 Licensing out the market will remove from the Council the majority of direct costs in delivering the market service thereby reducing the financial liabilities and improving the Council's budgetary resilience.
- 5.3 The Council does not have sufficient internal resources both within the direct market team or the support services to deliver an in-house improvements programme. The Council would therefore need to consider buying in external support however there is no budgetary provision for this. Licensing out the market will reduce time demand on internal support departments that would be needed to support an internal market improvement programme. This can be re-directed to other corporate priorities.

6. Outcomes Linked to Corporate Priorities

- 6.1 The delivery of an effective market supports the Corporate Priorities of a Borough of Opportunity and a Co-operative council delivering high quality, community driven services.

7. **Legal and Statutory Implications**

- 7.1 The Council has an ancient right to operate a market within Newcastle. This is supported by provisions within Part III of the Food Act 1984. As part of any future improvement plan it is intended to complete a review of the Market Byelaws and follow the necessary processes to get changes approved.
- 7.2 The licence period for the external licensee that currently operates the Tuesday and Thursday market expires on 31 March 2017. It will therefore be necessary to offer a limited time extension to this license to cover the period until the results of the proposed tender exercise are known.
- 7.3 It is anticipated that the staff involved in the delivery of the market service may have the right to TUPE transfer to an externally contracted market operator.

8. **Equality Impact Assessment**

- 8.1 There are no identified equality issues as the improvement plan will seek to improve the service to all customers.

9. **Financial and Resource Implications**

- 9.1 Summary-level financial and performance information has been provided in a separate briefing note to members. It is hoped that the Council will be able to not only offset risk by engaging a commercial operator but also reduce the net cost to the Council of operating and managing the markets. At this stage such information is not known; this would be reported at the next stage of the procurement process.
- 9.2 Were the Council to invest in a market improvement plan itself it would need to commit financial and staffing resources to achieve this in a timely manner. Whilst this has not been quantified precisely a key consideration is the dependency upon staff in a range of support services where there is insufficient available capacity which would mean having to buy in specialist advisors, for which there is no budgetary provision.
- 9.3 In accordance with current Council policy it is proposed that a requirement be made in any transfer of the market operation to a commercial provider such that a "Living Wage" is payable to all staff involved with the operation. This may have an adverse, albeit minor, effect on the income level which could be derived by the Council.

10. **Major Risks**

- 10.1 The market is at risk of going into further decline with a potential loss of traders and resultant reduction in stall income. This would adversely affect the vitality and viability of the town centre and would be damaging to the Council's medium to long term financial resilience. It is therefore appropriate that the Council seeks to make improvements to the delivery of the market.

11. **Key Decision Information**

- 11.1 It is anticipated that there would be a financial saving if the market is contracted out to an external party.

11.2 The town centre market is in the Town ward; however market customers will be drawn from a wider area of the Borough (and beyond).

12. **Earlier Cabinet/Committee Resolutions**

12.1 None directly relevant to the matters raised in this report although Members will recall the past decisions to invest in the physical improvements to the market.

13. **List of Appendices**

13.1 None.

14. **Background Papers**

14.1 None.