

## **MEETING BEING SUBMITTED TO Cabinet – 18 October 2017**

**Report title: Future operation and management of the Market**

**Submitted by: Executive Director Regeneration & Development**

**Portfolio: Town Centres, Property & Business; Finance, ICT & Customer.**

**Ward(s) affected: Town (and wider borough catchment)**

### **Purpose of the Report**

To provide Members with the outcome of a recent tendering exercise to enable necessary decisions to be made regarding the future operation and management of the Market.

### **Recommendations**

- (a) That the offer from Market Place Management is accepted.
- (b) That officers be authorised to take all the necessary steps, in consultation with the relevant Portfolio Holder(s), to execute the new Market management arrangements at the earliest opportunity.

### **Reasons**

The award of a contract for MPM would represent the best outcome from the recent tendering exercise from both a service delivery and value for money perspective. In addition the company's proposals are considered to represent the best prospects for improving the fortunes of the Market for the benefit of the wider town centre economy.

## **1. Background**

- 1.1 At its meeting in March 2017 Cabinet considered the current performance of the market in Newcastle town centre and options for its future. The options presented were that the Council continued to run the market itself and invested in an improvement programme or that officers conducted a tendering exercise to seek an external operator to take control of the operation and management of the Market. Members made a resolution reflecting the latter and officers were duly authorised to conduct a tendering exercise.
- 1.2 A tender pack was prepared with the support of relevant officers and it was also discussed by the Economic Development and Enterprise Scrutiny committee prior to issue.

## **2. Issues**

- 2.1 The tender opportunity was extensively advertised and the evaluation process confirmed that Market Place Management (MPM) would provide the best overall outcomes from both a value for money and qualitative perspective.
- 2.2 The main issue is for the Council to consider the proposal against the current in-house arrangement taking account of a range of considerations, notably in relation to service delivery and financial implications.

## **3. Options Considered**

In view of the outcome of the tendering process there are two options to consider:

3.1 Option 1 - Contract with Market Place Management  
To contract with Market Place Management as the company who provided the best all-round offer in the recent tendering exercise. This option has the benefit of bringing a fresh and more commercial approach to managing the market, including the introduction of new market-based specialist events. In addition the company would be taking on the operating and commercial risks but with a realistic and focussed business plan it would be hoped that they could improve the performance of the market. Market Place Management has a significant motivational factor in revitalising Newcastle market in the interests of maintaining its reputation as an award winning leading provider of market services.

3.2 Option 2 - Continue with the in-house delivery arrangement  
Members could opt for a continuation of the existing in-house delivery of the activity. This option has the benefit of experienced officers who have prepared an Improvement Plan in an attempt to improve the Market's fortunes although this would need to be resourced at a time when the wider organisational needs and financial context is very challenging. Any commercial and operational risks would remain with the Council.

#### **4. Proposal**

4.1 On balance it is proposed to accept the offer from Market Place Management taking account of all material considerations including the medium to long term prospects of the Market, the potential effects on the town centre's economy and the financial implications and risks for the Council. Most importantly the proposal represents a real prospect of delivering a reinvigorated and sustainable Market offer that will optimise the prospects of it remaining a significant feature of the town's retail economy well into the future.

#### **5. Reasons for Preferred Solution**

5.1 When reviewed across the five-year term of the intended contract the proposals from Market Place Management provide the best prospects for delivering the overall desired outcome of a stronger, improved and more sustainable Market whilst representing the most economically advantageous option for the Council compared to the in-house service delivery option.

5.2 Importantly Market Place Management will be working co-operatively with the Council to review the market operation. MPM propose to take on the Market on an "as is" basis for an initial 3/4 month period before considering any changes. They have confirmed that any proposed modifications to fundamental aspects will be reviewed with Traders and the Council and agreed as part of the execution and monitoring of their Business Plan. The latter would be monitored on a quarterly basis through formal contract monitoring meetings and the Business Plan would be refreshed on an annual basis by agreement between the parties. Such monitoring meetings would include a review of defrayed expenditure on the company's investment plan.

5.3 MPM are proposing a range of actions associated with a professionally run market. Such actions include introduction of a customer charter and Real Deal initiative; a schedule of market based events to enhance the market year and activities to capitalise on seasonal themed activities and promotions. Additionally Market Place Management will introduce a full range of marketing, promotional and media activity to attract customers and traders to the market.

5.4 Market Place Management has demonstrable experience of working with wider town centre partners in the delivery of events and initiatives that will enhance town centre vitality; accordingly it is considered that they would be able to support the market element of any town centre events co-ordinated by Newcastle BID.

5.5 Subject to the passing of any Cabinet resolution it will be necessary to complete due legal processes including TUPE consultation with affected staff. Consequently the earliest realistic date to execute the handover of arrangements would be around early February 2018.

5.6 It should also be noted that the company is a Living Wage employer, consistent with the values of the Council.

## **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. Financial and Resource Implications**

7.1 Given that the MPM proposal has been prepared on the basis of a 5-year business plan and contract period it has been considered appropriate to assess the in-house option over the same time period. It should be noted that whilst a detailed financial analysis has been undertaken it has been based upon trends relating to stall occupancy and income levels. In order to provide necessary comparative data for the in-house service this has required professional judgements and forecasts to be made based on historical data over appropriate time periods. On that basis the MPM proposal has been assessed as achieving a better financial outcome and representing the best value for money overall. Commercially sensitive and confidential information in this regard has been shared with Cabinet Members in advance of the publication of this report.

7.2 If the market were to be contracted out the Council would no longer incur budgeted costs in relation to employees, premises, supplies and services (note that the staff involved in the direct delivery of the market service have the right to TUPE transfer to the external market operator). On the other hand the Council would lose the income derived from stall fees. Although the latter would be offset in part by the payment of an annual licence fee. In addition the Market Place Management bid includes an investment offer over the 5 year contract period. As part of the overall assessment it is noted that no budgetary provision has been made to enable the in-house service to invest in further service improvements.

7.3 It should be noted that whilst the MPM offer is considered more financially advantageous than the Council's in-house service over the five-year contract period it would still create a budget pressure in the context of the Council's MTFS.

## **8. Major Risks**

8.1 As set out in the issues section above, principally:

- Reputational
- Decline of the market
- Financial
- Adverse impact on wider town centre economy

## **9. Earlier Cabinet/Committee Resolutions**

9.1 March 2017:

- (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.

10. **Background Papers**

- 10.1 Tender documents (confidential).