

COUNCIL CABINET
17 July 2019



Derby City Council

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Director for Corporate Resources

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Estates / Catherine Williams - Head of
Regeneration & Major Projects

ITEM 12

Allenton Market – Future Proposals

Purpose

- 1.1 To establish the Council's Strategy for Allenton market.

Recommendation

- 2.1 To note that Allenton Market has been in long-term decline in common with many general markets throughout the country , and has operated at a loss since 2012/13.
- 2.2 To declare Allenton Market surplus to general need and to include the asset in the Property Disposal Programme.
- 2.3 To consult with stall holders and stakeholders, on the potential closure of the market.
- 2.4 To provide an opportunity for traders, local community groups and businesses to make viable business proposals which offer a sustainable future for the market, by way of an Expression of Interest Exercise.
- 2.5 To agree that if no viable proposal is received, that the market be closed and the site sold.

- 2.6 To delegate authority to the Strategic Director of Communities and Place and Strategic Director for Corporate Resources, in consultation with the Cabinet Member for Governance and Licensing to:-
- i) Undertake consultation with stall holders and stakeholders.
 - ii) Undertake the Expression of Interest Process.
 - iii) Approve and agree the criteria for assessing the viability of any submitted business proposal which offers a sustainable future for the Market.
 - iv) Determine whether viable proposals have been submitted.
 - v) Approve the detailed terms for any disposal of the property, if no viable business proposal is submitted.

Reasons

- 3.1 To enable the Council to dispose of an unviable asset, the performance of which is not providing value for money and is adversely impacted by multiple factors outlined in this report.
- 3.2 The operation of the market is running at a loss and is causing a budget pressure.
- 3.3 To provide an opportunity for traders and local community groups to manage the market in a more sustainable manner.
- 3.4 To allow the closure and subsequent disposal of the Allenton market site to proceed and to deliver a capital receipt for the Council if no viable proposals are submitted.

Supporting information

- 4.1 The Council operates Allenton market, on the site shaded pink, fronting the Osmaston Road (B5144), close to its junction with, "Spider Island", in the Alvaston Ward, on the plan attached at Appendix 1.
- 4.2 The premises comprise a mix of fixed stalls and open pitches, totalling 90 units in all, dating from circa 1980. Car parking is contained on site.
- 4.3 A market has operated at this location since 1961. Markets are held on Tuesday, Friday and Saturday, the latter days being considered the primary trading days. Tuesdays are essentially operated as a car boot / flea market.
- 4.4 Traders occupy stalls on a pay as you go basis and do not benefit from any security of tenure provision.

- 4.5 Due to the limited capital investment in the market premises, the buildings and stalls market appear very 'tired', which is adversely impacting on its appeal to prospective traders and customers.

The Trading Environment – An Holistic View

- 4.6 The retail trading environment has experienced significant structural changes in the last few years, with a number of challenges within an already dynamic business sector, including the emergence of specialist discount retailers, increasing competition, and pressure on margins.
- 4.7 Markets too have faced challenges, having declined in popularity since the 1970s because of increased competition from supermarkets, changing demographics and consumer preferences

4.8 Financial Performance and Occupancy Levels

The overall financial performance of the market is poor. Since 2012/13 the market has generated an income for the Council, however, the operating costs exceed income generated by a significant margin. This is not a sustainable business model. Whilst operating costs have been reduced, this has not been sufficient to generate a surplus.

The level of losses occurred for the period 2012-2020 are shown below:

| Financial Year | Loss Incurred* |
|---|-----------------------|
| 2012-13 | £ 4,320 |
| 2013-14 | £ 2,946 |
| 2014-15 | £ 7,088 |
| 2015-16 | £ 6,699 |
| 2016-17 | £22,653 |
| 2017-18 | £ 7,518** |
| 2018-19 | £10,556** |
| 2019-20 (Projected Outturn at 31 May 2019) | £10,658 |

Note: –

* Figures shown exclude uncontrollable costs.

**Following a reorganisation of the Markets team in 2017 /18, there is no member of staff specifically responsible for the day to day operation of Allenton Market. This figure includes a provision £18,642 in 2017/18 and 2018/19 years to reflect the salary costs properly attributable to Allenton market, and which were allocated elsewhere within the market's budget.

- 4.9 Whilst there has been an increase in usage in 2017-18 this has not been sufficient to generate a surplus in income.

- 4.10 In 2014, the Council commissioned a Preliminary Performance Assessment report on Allenton market by external consultants, "The Retail Group". The report assessed occupancy levels on the peak trading days of Friday and Saturday, as only circa 55% & 58% respectively.
- 4.11 Traders occupy stalls on a, "rent one, get one free" basis. This incentive has been implemented since 2014, and has effectively halved the regular stall fee, whilst doubling occupancy levels, creating the perception of a thriving market, distorting true vacancy levels at full fee. When taking account of the incentive scheme, the current effective adjusted occupancy levels at full rent are: Tuesdays – 22 %; Friday – 49 % and Saturday - 46%. Tuesday's occupancy levels are very poor, with trading activity at the market usually ceasing by 3pm.
- 4.12 Given Allenton market has operated at a loss, consideration has been given to determine what actions could be undertaken to eliminate this operating loss, and improve the short and long term viability and sustainability of the site.
- 4.13 The main areas considered were :
- Can the current levels of income be increased?
 - Can the current levels of expenditure be decreased?
 - Investment in the existing infrastructure.

4.14 It is considered unlikely any action would materially improve the viability and sustainability of Allenton market in the immediate and longer term.

The key reasons are as follows:

- Evidence demonstrates that occupancy levels are now lower than in 2014, showing that the, " rent one, get one free" incentive has not significantly improved the take up of stalls by the traders.
- On Tuesdays, the market operates at less than half capacity - demonstrating a lack of demand for stalls and pitches at existing heavily incentivised levels.
- Operating losses have been incurred over many years, and despite the letting initiative and a reduction in operating costs this trend, until recently, has been at a consistent level.
- There has been no increase in stall charges for the last three years.
- The Markets Team has been restructured, minimising the number of staff employed to effectively manage the market.
- The UK retail sector has witnessed significant structural changes in recent years, with retailers facing increased financial pressures and financial failures. There is no indication this situation, which is beyond the control of DCC, will change materially in the near future.

4.15 It is considered that the majority of the factors listed above would also impact on any third party commercial operator's ability to run the market, on the current site, in a sustainable manner which would result in the generation of profits at a commercially acceptable level.

4.16 An alternative option considered was the possible relocation of the market to the adjoining Allenton District Centre and whether it could be operated by a third party operator. Independent research commissioned by the Council undertaken by Urban Space Management in 2015 considered the possibility of relocating Allenton market to a council-owned car park in the Stamford Street Area, or the pavement at the District Centre.

4.17 The scenarios modelled included operation of the market by the Council, and a private operator, based upon a comparable effective occupancy level. If operated by the Council the projected annual loss depending on various occupancy rates ranged from c£23,000 to c £44,000. If operated by an external third party these losses would increase to between £29,000 to £50,000.

These projections exclude the significant initial capital expenditure required to implement these schemes – e.g. acquisition of new stall structures etc.

4.18 The creation of a market within the vibrant Allenton District Centre could have a detrimental impact, given the possible significant loss of parking space and the blocking of access/visibility of the existing retail units at the Centre.

4.19 These indicative schemes illustrate that even if the market re-located, losses would still arise from its operation, and the losses would be greater if the re-located market was operated by a private provider.

4.20 The conclusions drawn from these studies are that:-

- The Council's operation of Allenton Market is not viable and that the Council should cease operating the market.
- That the issues currently affecting the market make it unattractive for a commercial operator to take over the site.
- That it would not be viable to relocate the market to a site within the Allenton District Centre.

Expression of Interest Exercise

4.21 Recognising that Traders and Local Community organisations may have alternative proposals which offer a sustainable future for the market, it is proposed to undertake an "Expression of Interest" (EOI) exercise. This process would take place for 8 weeks and will allow any interested parties to submit their proposals in a consistent and structured way.

4.22 The EOI exercise will require parties to submit their proposals on the following basis :-

- Any parties submitting a bid must have either links to the market- i.e. existing traders or to the Allenton area (Local community organisations).
- That they take an occupational lease of the Allenton Market. Our preference would be to grant a lease term in the range of 3-5 years. The lease will be subject to an annual rent. Any bidder will be required to operate the site as a market.
- The Tenant to be responsible for undertaking full maintenance and management of the site and buildings and all the costs associated with this.
- Any offers will be subject to the existing tenancies/ rights over the site.

4.23 Any bidders not fulfilling these requirements will be discounted from the process. Any remaining bidders will have their bid assessed on three categories:-

- Financial viability
- Sustainable business plan
- Demonstration of experience/understanding of managing a complex site

It is anticipated the overall financial impact on the Council in comparison to disposing of the site should be broadly neutral.

4.24 The indicative time line for the EOI process is set out below:-

| Action | Milestone |
|--|-------------------------|
| Community/ Trader engagement | July 2019 – August 2019 |
| EOI process starts | August 2019 |
| Bid submission deadline | October 2019 |
| Decision regarding whether any viable bids submitted | November 2019 |

4.25 If at the end of this process no viable proposal is received, it is recommended that the market be closed and the site disposed of.

4.26 In this situation, recognising the disruption this decision will cause to the various traders, it is proposed that we work with traders to help minimise the impact upon them. This may include establishing a date of closure of the market at a point in time which will provide a reasonable period in which traders can find alternative trading locations; or the offering of introductory incentivised terms for stalls in the Market Hall in the city centre.

Disposal of The Site

- 4.27 The closure of the market and subsequent land disposal will release a valuable capital receipt, and provide regeneration opportunities for the locality, whilst simultaneously reducing the current budget pressure arising from an underperforming asset. The disposal could potentially generate a capital receipt in the range of £500k-£800k, subject to the necessary due diligence being undertaken and assuming no adverse findings.
- 4.28 In the Derby City Local Plan the site is identified as part of Allenton District Centre as defined, and could potentially support a mixed-use development, or other compatible uses, such as retail or leisure subject to the receipt of any necessary planning consents.
- 4.29 The commercial property market has recognised that Allenton market is an under-utilised asset with potential for more viable alternative uses. This is reflected in various expressions of interest being received for redevelopment / regeneration proposals.

Public/stakeholder engagement

- 5.1 The undertaking of the proposed EOI process will allow Traders and the Local community to bring forward viable proposals for the market.
- 5.2 Consultation will be undertaken with stall holders and stakeholders, along with an Equality Impact Assessment.
- 5.3 If no viable proposals are received and the market closes, it is our intention to manage the closure process in a structured and sensitive manner, to minimise the impact on existing traders.
- 5.4 We will work with existing stall holders to help minimise disruption to their business.
- 5.5 As part of the Council's disposal process, Local Ward members are informed of potential disposals of land and property. Given that the Alvaston, Sinfin and Boulton Wards intersect at, "Spider Island", and the sensitivity of the site, it is proposed to notify members of all three wards of the proposals.

Other options

- 6.1 Given the persistent level of losses being incurred, combined with the failure of the, "rent one, get one free" initiative to improve performance, intervention is clearly required, and, "doing nothing" is not an effective response.
- 6.2 The other options considered are set out in the main body of the report.

Financial and value for money issues

- 7.1 The disposal of this asset will generate a capital receipt in the range of £500k - £800k. This will be used to support the Council’s capital programme.
- 7.2 In revenue budget terms, once the service provided from Allenton market site has ended and the site sold, there will be an on-going revenue budget pressure of £11,323. This is due to the market having a net revenue income budget of £17,673, but this will be partially offset by planned and reactive maintenance savings of £6,350 leaving an income pressure of £11,323. The £11,323 will be managed within Communities and Place Budgets.
- 7.3 Any expected minor holding costs (such as key holding, CCTV maintenance costs and utility standing charges) will be met by the property services rationalisation budget whilst the market is in the process of being sold.

Legal implications

- 8.1 The Council has an overriding obligation under Section 123 of the Local Government Act 1972 to obtain the best consideration reasonably obtainable on the disposal of its Assets. The Council manages this requirement by disposing at market value; advertising properties on the open market and taking independent valuation advice as required.
- 8.2 The EOI process to be applied is provided for by the Localism Act 2011.

Other significant implications

- 9.1 There are no adverse staffing implications as for the last two years, the operation of Allenton market has been covered by existing Markets team members.

This report has been approved by the following people:

| Role | Name | Date of sign-off |
|----------------------------|---|-------------------------|
| Legal | Olu Idowu | |
| Finance | Toni Nash | |
| Service Director(s) | Dinesh Kotecha | |
| Report sponsor | Don McLure | 27 June 2019 |
| Other(s) | Catherine Williams Head of Service Regeneration | |

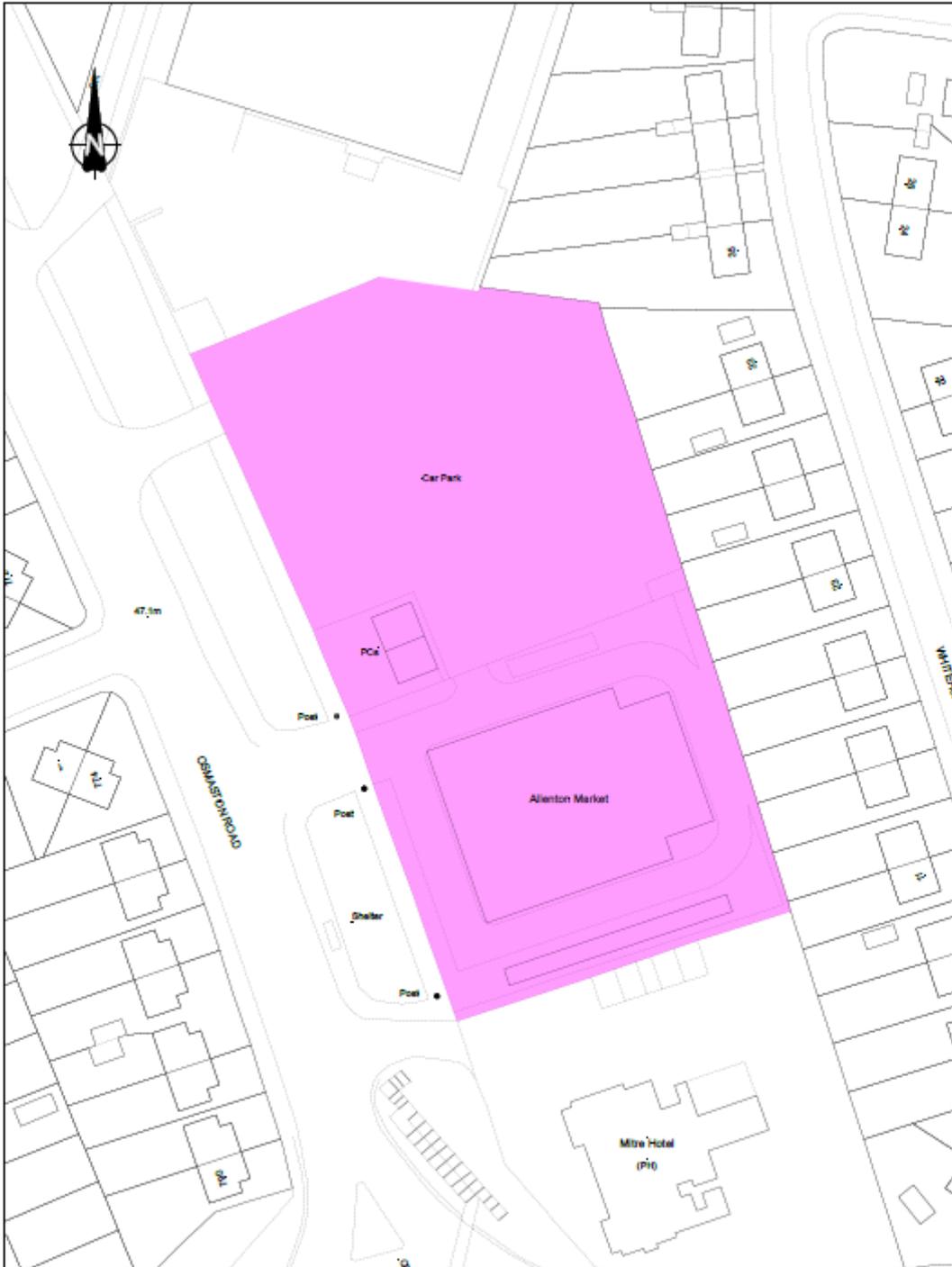
Projects; Jayne Sowerby - Warrington Head of
Service Strategic Asset management and Estates.

Background papers:

List of appendices:

Appendix 1 Plan of the Site

Appendix 1



**Asset number 7
area 6146msq**

Drawing No:
Date: 19/02/2015
Map Scale: 1:800

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