



Market Hall Transformation Business Plan

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Contents

1. Executive Summary.....	3
1.1. The vision	3

1.2.	Key points.....	5
2.	Mission Statement	5
3.	Market Hall Concept and Design	6
3.1.	Concept	6
3.2.	Layout.....	8
3.3.	Diversity and Inclusion	9
3.4.	Accommodation Schedule	10
5.	Operations Plan.....	11
5.1.	Operating hours	11
5.2.	Proposed staffing structure	11
5.3.	Personnel plan	12
5.4.	Roles and responsibilities.....	12
5.5.	Staff and training.....	14
5.6.	Trader recruitment and retention	14
5.7.	Trader support	15
5.8.	Customer service	16
5.9.	Performance measures	16
6.	Financial Summary	17
6.1.	Sources and rationale	17
6.2.	Operating model assumptions.....	17
6.3.	Summary forecast	19
6.4.	Income	20
6.5.	Leases and tenant mix	21
6.6.	Tenant fit out	21
6.7.	Occupancy levels.....	21
6.8.	Professional advice	22
6.9.	Staffing costs	23
6.10.	Marketing.....	23
6.11.	Financial management.....	24
7.	Customer Base	24
7.1.	City Demographics	24
7.1.1.	Nationalities	24
7.1.2.	Population growth	24
7.1.3.	Age ranges.....	25
7.1.4.	Mosaic Analysis	25
7.2.	Target market segments	26

7.3. Competition	27
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1. Executive Summary

This business plan presents the proposal for the transformed Derby Market Hall which will provide a modern and vibrant market space combining street food culture with the artisan maker crafter concept, and a more traditional market offer. The project will secure the future of this Grade II listed building and create a flexible multi-use space incorporating a new hot food and drink offer, pop-up and themed markets, external trading areas, a Make and Trade Zone for new entrepreneurs, and space for events and activities. The building will also act to connect Derbion shopping centre with the Market Place and Cathedral Quarter, thereby drawing people into and through these key city centre areas.

1.1. The vision

This vision is based around 4 pillars:

Commercial Viability

- Efficient Operations – building functions and management
- Footfall Generation – increasing the flow of customers into the Market Hall and around the city centre area
- Diverse products and events programme – appealing to a wide and varying demographic thereby maximising the range and volume of visitors and tenants
- Mix of modern, traditional, and themed markets with a focus on seasonality
- Optimal opening times
- One-off and pop-up events; seasonal and themed food markets, vintage clothes, craft with ties in to Make & Trade
- High-quality food and beverage offer, to consume on site and to take away
- A cultural event programme e.g., exhibitions, workshops, and background performance to support footfall in the day as well as evening seasonal live events in the evening

A Key Destination

- Giving people a reason to visit – providing the right products and events, taking account of the needs of visitors, local residents, businesses and the environment
- Creating a comfortable engaging space with quality facilities
- Accessible products and services for all visitors
- A building that celebrates its heritage and market tradition, but also its modernity through contemporary markets and events
- Connectivity through the project and Public Realm to create an open and attractive journey through the city
- Effective and engaging promotional activity through website that promotes not only the market offer, but builds conversation with visitors, markets events and links to the city's tourism objectives

Entrepreneurial Space:

- First floor Make and Trade units with access to ground floor retail space
- Communal workshop space to allow demonstrations and classes with creatives

- Develop relationships with city centre partners to create a 'pipeline' that can bring creative businesses from concept, to creation, to retail, to career
- Community engagement to increase opportunity and aspiration in schools
- Promoting retail space to the city's wide range of cultural groups and encouraging new traders to consider a space in the Market Hall
- Linking with business support services to help start-ups develop their offer, and established traders grow

Alignment to the City Centre Ecosystem:

- Supporting hospitality and retail with a complementary offer
- Working with the BIDs to advocate for the location in the city and maximise regeneration impact
- Fostering relationships with cultural partners including Derby Theatre, Quad, Museums, and the Guildhall to make Derby a prime cultural destination
- Providing additionality and expanding the city's offer
- Links with museums to celebrate all things Derby

Venue Overview

Southern end (Osnabruck Square entrance):

- 21 perimeter stalls selling a range of ambient and chilled goods, zoning and exact mix to be determined
- Central flexible use area which can be used to host casual/longer term markets, events and cultural activity. Reconfigurable trading units will be available with access to power and data

Northern end (Guildhall entrance):

- All-new modern food court comprising up to 14 units employing a turnover rent model to encourage commercial behaviours to boost visitors. Operators to sell dine-in and click and collect
- Central food court seating area to the ground floor – non fixed so can be moved for events

First floor & balcony:

- Additional food court seating
- Bottle bar – no cellar facilities required
- Make and Trade Units that aim to incubate and develop creative businesses increasing their profitability with a view to moving into city centre retail units

Poultry Market:

- End use is still in development, but likeliest option is a drinks servery to the food court on the ground floor, and a communal space on the first floor for Make and Trade workshops, creative studio space and potential wellbeing classes. A retail expert is currently being consulted on this process

Operating Times

- Mon-Wed 8am-4pm
- Thu-Sat 8am-10pm
- Non-food court mandatory opening hours 10am- 3pm, Mon-Sat.
- Licensed bar 12pm-10pm Thu-Sat.
- Times will be reviewed and subject to change based on demand

1.2. Key points

Figures quoted in the cash flow forecast supporting this business plan have been calculated in consultation with a host of internal and external partners taking in to account market conditions, capacity, building condition and the requirement to create a venue that delivers against the four pillars of commercial viability, a key destination, entrepreneurial space, and alignment to the city centre ecosystem. The figures have been benchmarked against other market hall operators (pre covid) and consider the business plan information provided by Market Place Europe (MPE) in 2019. It is important to note that this operating model has been produced during a time of uncertainty and in the face of the long-standing effects of covid on retail and the high street. These figures will evolve as we learn more and progress closer to opening, but there is no better information currently available.

To that end, some key notes below: -

- The Market Hall will require a subsidy whilst it builds up its tenant numbers and events activity in the space
- It is hoped that the Market Hall will operate without a subsidy by year 3
- The figures do not include income from the Poultry Market pending further consultation with a commercial lettings expert. Figures will be adjusted when appropriate. Consequently, bar income is not factored in to the cashflow. It is recognised that this will generate income for the Market Hall, but is not included while options are considered
- A new, leaner staffing model has been developed with the Council's Facilities Management team and Connect Derby to efficiently manage building operations. This model is designed to combat lower income as the offer develops, maximise efficiencies through cross-departmental working, and provide resiliency to support the operations of the building
- Some figures are still being developed, but included as a statement of intent to running the venue better in future e.g., the inclusion of a sinking fund for asset replacement, and increases to NNDR
- The turnover-based rent model for the food offer is in line with successful markets elsewhere, charging a percentage of takings to encourage commerciality
- Fixed lets outside of the food court offer will be subject to the rent and service charge model
- Casual lettings will be charged on an all-inclusive fixed fee basis
- The fit-out costs will be at the expense of the tenant, who will be provided with an induction package setting out the criteria for quality and design of the fit out
- Payment relief will be provided to incentivise new tenants
- Staffing costs pre-opening are included to develop the offer and recruit traders to maximise occupancy prior to opening
- It is assumed the venue will be opening in Summer 2024 at this stage

2. Mission Statement

"To re-shape and re-position Derby Market Hall creating a **Key Destination** that is vibrant, flexible, visible, diverse and with enhanced connectivity to the city centre. To protect the heritage and history of the building and to showcase its magnificent architecture and splendour. To establish a strong identifiable Market presence on the high street"

3. Market Hall Concept and Design

3.1. Concept

The new Derby Market Hall will be a celebration of awe-inspiring Victorian engineering and architecture, showcasing the finest that Derby and its surrounding areas has to offer. A cathedral-like space designed to house fine produce and artisanal crafts, and a food and drink offer to rival Mackie Mayor and Altrincham Market. On entering the Market Hall visitors will be met by a breath-taking open vista with clear sight lines through the building from Osnabruck Square to the Market Place and beyond. It will be an inviting space that encourages visitors to explore and experience the sights, sounds and smells of a traditional market; where specialist traders can advise and guide, providing a personal and bespoke service rarely found on the high street.



Contextual view of the Market Hall showing indicative food court seating

The food court will provide an eclectic mix of cuisines ranging from fusion cooking, to barista style coffee houses, to the classic British café ensuring a steady flow of customers throughout the day. Seamlessly moving from breakfast through brunch, lunch and into the evening, with feature lighting changing the atmosphere as the sun sets. Seating will be generous and plentiful, spreading out across the ground floor food court and along the balcony inviting people up to the first floor where a bottle bar is perfectly placed to provide liquid refreshment after a long day's shopping or some post work relaxation. The balcony seating will offer the perfect vantage point for people watching and provide a more intimate experience for those wanting to be slightly removed from the hustle and bustle of the Market Hall floor.



Bottle bar concept design

A range of make and trade workshops and trading units will line the balcony and will be home to some of Derby's renowned creative community who will be able to rent affordable space in a prime city centre location. Customers will benefit from the wider facilities on offer, while creatives will benefit from greater exposure, and this added dimension will enhance the Market Hall and add vibrancy and creativity to further animate the space.

The central trading area will be occupied by a range of beautiful, bespoke units that can be configured in multiple arrangements to suit the needs of the traders and will allow those wanting to expand to occupy larger areas and create expansive displays. Flexible, open trading positions work particularly well with fresh produce and allow traders to showcase their products, taking advantage of the natural light, and open flowing space.



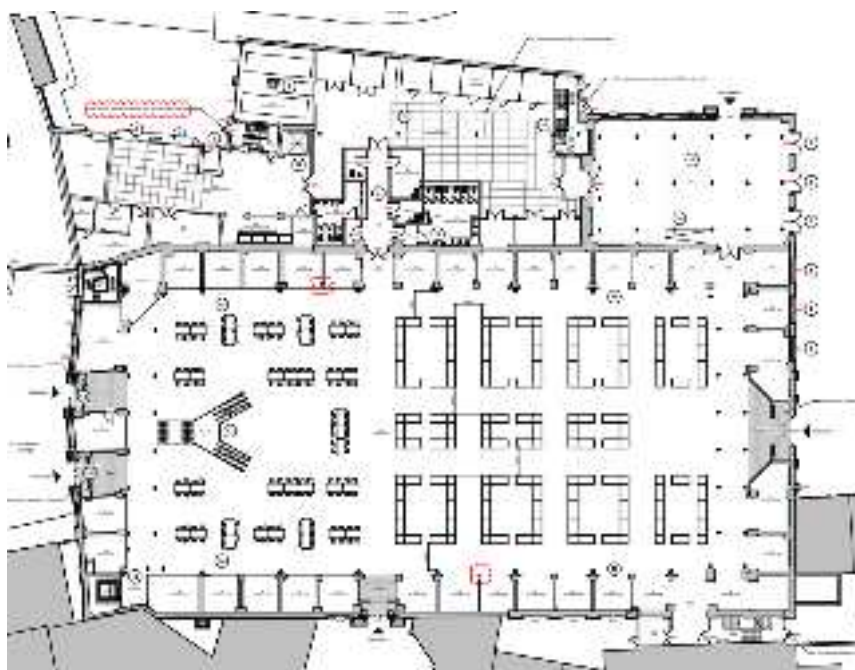
Contextual view of the Market Hall central trading area

The re-imagining of the Market Hall as a light, airy and highly distinctive space will enable the building to provide an historic backdrop for socialising, eating, drinking, and shopping, as well as allowing performances, exhibitions, and festivals. It is this built-in flexibility that will ensure the Market Hall can reposition itself as a sustainable attraction for the 21st century. The focus on flexibility means that the Market Hall will be able to adapt its look and feel in response to changing seasons, events, and provide a means of adding visual interest, allowing residents and visitors to engage with the building in new and surprising ways throughout the year.

Following the impact of Covid-19 it is widely recognised that high street retail has changed significantly, as such the decision to develop the Market Hall as a flexible space capable of reacting to the changing wants and needs of tenants and customers has been a sensible one. This flexibility means that the Market Hall is future proofed to a degree, capable of hosting a wide range of markets, fairs and events, protecting the investment in the building and ensuring that the Market Hall remains a focal point for the city's residents and visitors over the next 30 years and beyond.

3.2. Layout

The Market Hall has been zoned to maximise the impact of each area, exploiting the existing entrances and opportunities outside the building, and making the most of the magnificent interior space. The food court has been purposely located at the Guildhall end of the building to maximise benefits from its proximity to the Market Place, Guildhall, Quad and Cathedral Quarter. It will act as a natural meeting point for people heading to some of Derby's cultural and evening offers, and the Guildhall entrance can be animated through feature lighting, planting, and installations to draw customers in during evening trading hours. Further to this there is a natural 'break' across the Market Hall from the Lock up Yard to the market yard entrance allowing it to be sectioned off, operating independent to the rest of the building during evening opening. MPM also advised that 14 food court units were an almost ideal number, could be occupied to an acceptable level and had been shown to thrive in other market developments such as Sheffield Moor and Warrington.



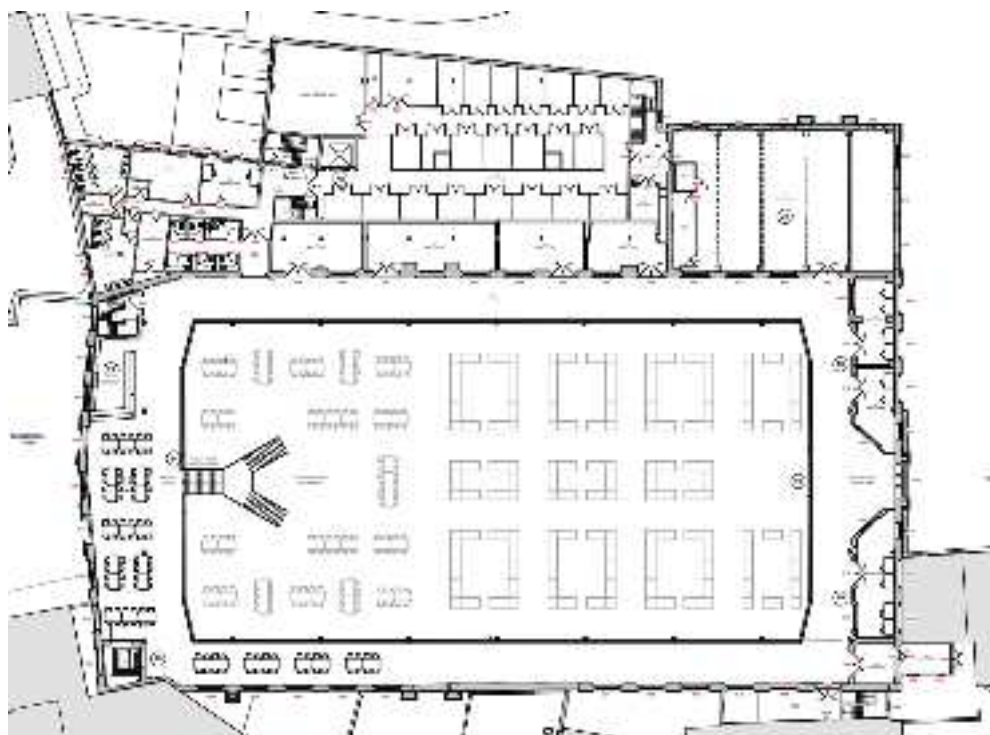
Ground Floor Layout

At the Osnabrick Square end of the hall the peripheral units will be suited to a range of traditional food and non-food stalls, particularly where traders may want to extend their displays or offer services that are more suited to a shop like environment. These units will provide traders with shuttered security, allowing them to set up fixed displays, and may be more suited to traders with higher value stock.

In addition to the food court and retail areas the Poultry Market provides a large prominently positioned unit that opens out onto the Osnabrick Square/Tenant Street area and into the Market Hall, providing a key entry point. There is a significant opportunity to develop this space into a characterful food, drink, or indeed retail offer. Further design work will be carried out following further consultation with retail letting experts and once a tenant has been secured as the specific requirements for fit out of this space will need to be defined by the end user.

The feature staircase will be reinstated at the Guildhall end of the building, leading visitors up to the balcony level seating, bottle bar, and Make and Trade units. Reinstating the staircase in its original location will open sight lines through the building and draw people up to the balcony level bottle bar and generate footfall to the Make and Trade units.

Back of house areas will be retained at both ground and first floors, and additional welfare facilities will be installed at ground floor to accommodate the increased visitor numbers during normal trading and events.



First Floor Layout

3.3. Diversity and Inclusion

During the course of the brief development, and design carried out to date there have been various consultations with the Access Hub and Voices in Action where the need to maximise accessibility into and within the venue for tenants and visitors has been emphasised and under continued scrutiny.

Consultation will continue to be carried out throughout the course of the design stages to ensure that requirements have been considered within the wider plans for the building. In addition, a review of designs will be carried out to establish compliance with the Equalities Act 2020.

Specific items that have been discussed include:

- provision of gender-neutral toilet facilities. This was discounted on the basis of wishing to retain protected spaces within the building
- Changing places – a changing places facility will be available to all tenants and visitors on the ground floor
- Provision of a fire lift or use of proposed lift in this respect – options explored regarding the ability to use the existing lift in an emergency. Additional fire evacuation measures will be confirmed during later stages of the design including use of specialist evacuation devices
- Level or low gradient access into and out of the Market Hall – this will be a feature of the design
- Level floor across the central trading area and into the non-hot food peripheral stalls – a step will be retained in the hot food stalls however these trading units will be offering counter and table service and any adaptations needed by incoming tenants will be made by the Council to ensure the spaces are accessible to all tenants

In summary the design has been conceived to ensure the following:

There will be a more flexible and legible space with clear routes given to Changing Places toilets. Lighting signage and colour contrast in floor and wall materials will be engaged. Fixtures to be mounted on walls to avoid ground hazards where this fits with the requirements for the listed building. Unnecessary street furniture which could be hazardous will be removed and levels/floor materials rationalised for legibility and accessibility; also, external lighting and signage will be delivered to assist legibility at all times of day/year. The above issues will be taken into management plan to ensure that this is continued over the lifespan of the future Market Hall

3.4. Accommodation Schedule

The scale of the Market Hall means that there is great scope for reconfiguring the space and letting out substantial areas to single traders or for special events. Table 1 shows the accommodation schedule used to inform the cashflow forecast, however there is some flexibility to this as the central trading positions are not entirely fixed (there will be data and power points that dictate position to some degree, but the units themselves are modular and mobile), and there is scope for up to 30/32 central trading positions. Additionally, a number of the Make and Trade units (as shown in the first floor layout) could be subdivided and the rental structure adjusted depending on demand for the space. The accommodation schedule used for cashflow calculations does not exploit these opportunities.

Accommodation type	Number of units	Total square footage
Ground Floor Trading Units - South	21	2991.28
Ground Floor Central Stalls - South	22	1,598
Ground Floor Food Units - North	14	2001.36
Make and Trade Units	7	2,098.2
Bottle Bar - First Floor	1	215.2
Poultry Market - Ground Floor	1	2,303
Community / Workshop Space - First Floor	1	2130.48
Total	67	13336.8

5. Operations Plan

The transformed Market Hall will operate over both ground and first floors, with distinct zones for general retail (both long term and casual tenants), hot food serveries and drink offer, make and trade businesses, and a larger scale café/bar/restaurant (end use to be determined by market demand). The ground floor central trading area is being designed with maximum flexibility in mind, capable of hosting a range of events and temporary/specialist markets. Trader facilities including storage, walk in chillers and preparation spaces will be provided back of house, and new welfare facilities including a changing places provision will be incorporated into the ground floor design.

5.1. Operating hours

As the Market Hall will provide a variety of retail, service and leisure offers it is proposed that it will operate 6 days a week, and the building itself will need to be operational and staffed between the following hours:

Market Hall Operational Hours

Mon – Wed 9am-4pm

Thurs – Sat 9am -10pm

Sun CLOSED

The market will have 4 tenant groups who will be required to operate between the following core hours:

Market traders and Make and Trade

Mon – Sat 10-3pm

Sun CLOSED

Food court

Mon – Wed 11-3pm

Thurs – Sat 11-9pm, some variances to be negotiated based on product mix e.g. cafes, ice cream/smoothie bars

Sun CLOSED

5.2. Proposed staffing structure

A new management structure and philosophy are critical in maximising the opportunities diversity and potential that the redeveloped Market Hall building presents. The management structure needs to operate in a more efficient and streamlined way that provides for more multi-tasking and greater flexibility where reward is measured by success. In addition, while current procedures need reviewing and maintained, the team needs to be far more forward thinking and should invest in staff that are employed to directly develop and enhance the Market Hall. The development of the service requires new skills to support the Market Hall Manager in championing the markets in marketing, event planning, social media, development of existing traders, targeting and attracting new traders.

The new team will be required to work differently. They need to be externally focussed with a commercial bias, reaching out to new traders, introducing new ideas and innovative initiatives that

increase awareness, footfall and to develop a concept that attracts a far wider customer base across a wide demographic. Whilst the management team may not be responsible for a significant number of employees, they are responsible for the estate management of potentially 100 small businesses and a diverse range of activities.

To maximise return on investment for the capital scheme it is essential that an effective management and operational team is put in place who can deliver the project vision and facilitate realisation of the benefits. The proposed staffing structure is below: -

5.3. Personnel plan

Market Place Management reviewed the previous Market Hall staffing structure and compared this against the future needs of the service, based on this advice and considering changes to the operational requirements of the building the following posts will be required:

Post Title	FTE
Markets Manager	1.00
Finance Manager	0.20
Accounting and Admin Officer	1.00
Regional FM Place	0.20
Caretaker (compliance)	0.40
Regional FM Cleaning	0.10
Cleaning Supervisor	0.15
Cleaners	3.37
Lettings Manager	0.20
Lettings Officer	1.00

Table 2

5.4. Roles and responsibilities

Market Hall Manager 1 FTE

- To provide strategic leadership in line with Market Hall key pillars of vision and align to the cultural strategy and city centre masterplan
- To ensure all processes and practices are delivered within health and safety guidelines, and that all staff, traders, and customers have a clean and safe working environment at all times.
- To manage and review budgets to ensure financial best practice, transparency and control measures that can be monitored easily.
- Develop a varied programme of activity to support the markets offer, through the introduction of seasonal markets and cultural events.
- Create, monitor, and evolve a fair letting and charging strategy that supports a high occupancy, reduced arrears and business growth.
- To increase audience diversity through the variety of activity and markets.
- Advocating for the venue both internally and externally to champion its presence as a local and regional attraction.
- To grow a thriving independent food offer that generates footfall and supports the trader economy
- Through trader engagement, to support the business development opportunities for individual traders to allow them to be sustainable and profitable.

- To create a supportive climate that allows staff and clients alike to be innovative and collaborate on projects and ideas that evolve the Market Hall's activity.
- management, development, and continuous improvement of an efficient and customer

Finance Manager – 0.2 FTE

- To oversee the setting up of rent rolls for each trader taking space at the market hall in line with their lease
- Oversee the recharging of other services the tenant may utilise in the building
- Support the market manager with budget setting and monthly monitoring by providing reports
- Oversee the arrears and debt management in line with council policy
- Oversee the day-to-day financial transactions i.e., payment of invoices and raising of internal and external orders
- Oversee the set up of suppliers and dealing with queries

Accounting and Admin Assistant 1 FTE

Will support the above role by physically undertaking tasks such as:

- Inputting rent roles
- Checking arrears and chasing debt with traders
- Raising invoices for other ad hoc services
- Help obtain quotes and support in providing evidence of cost variances
- Help code invoices and raise orders
- Check delivery notes of supplies delivered and deal with queries with suppliers
- Undertake basic admin for finance and lettings managers

Lettings Manager – 0.2 FTE

- Will pick up enquiries for market hall from whatever method the market manager implements i.e. through the website etc.
- Will make contact and discuss requirements of traders
- Undertake viewings of the space with the enquirer at the market hall
- Negotiate rent and service charge in line with markets policy (which markets manager will have implemented)
- Oversee the tenancy application and security checks process
- Oversee the lease generation, signing and sealing process
- Provide advice to the markets manager when they develop the various lease agreements with legal
- Undertake any lease renewal and new negotiations with existing traders
- Oversee end of tenancy process
- Oversee new business rates and VOA queries
- Work with estates and provide asset valuation information
- Refer any breaches to the lease to the market's manager so they can undertake enforcement activity

Lettings Officer - 1 FTE

- Will support the lettings manager by administering the tenancy application process and undertaking the relevant security checks
- Will arrange to have trader setup on oracle
- Log the tenancy on the asset management system Sam.Net
- Undertake all rent roles, start and end of tenancy process
- Undertake the building and fire induction with traders
- Support the lease renewals

- Ensure leases are signed and returned to legal
- Support with legal instructions
- Support with lease breaches and market policy breaches

Facilities Management comprising of the following:

- Regional FM Place – 0.2 FTE
- Regional FM Cleaning – 0.1 FTE
- Cleaning Supervisor – 0.15 FTE
- Cleaners – 3.32 FTE

They will oversee the following functions in the Market Hall: -

- Provision and maintained of a high-quality cleaning service in the Market Hall
- Building compliance checks and production of record-keeping
- Health and Safety including COSHH
- Maintenance, replenishment and supply of all cleaning materials
- Undertake regular cleaning and responding to cleaning incidents as they occur
- Waste management and disposal

The staffing structure is designed to meet all core functions in the Market in the leanest way possible by drawing on the expertise of departments in existence in the council as well as provide a collaborative Team Derby approach to maximising the performance of the Market Hall.

5.5. Staff and training

The transformed Market Hall will operate as a multi-functional space and will require staff to have a range of skills and knowledge. It may not be possible to recruit staff who already have these so a provision of £1k has been allowed for training. Many of the skills listed below will be provided through existing Council services which has allowed for a significant reduction in the training budget required.

Skills required (although list not exhausted):

- Leadership
- Team development
- Communication
- Sales
- Commercial development
- Marketing
- Finance
- Facilities management
- Property lettings
- Health and safety

5.6. Trader recruitment and retention

Intelligence from the National Market Traders Federation, and NABMA indicate that traditional market traders have been reducing in number, a phenomenon accelerated by the impact of Covid restrictions in 2020 and 2021. However, there is also a reported increase in event market traders (casual traders) and as such efforts to recruit and retain traders will be a significant focus for the Market Manager.

Examples of actions that can be undertaken to attract new traders:

- The creation of a strong brand
- Creating a marketing plan specifically for the recruitment of traders
- Generating interest in the redevelopment via media (Use both industry and non-industry press) and regular digital platform updates
- Sharing the vision to create excitement and anticipation
- Targeting entrepreneurs with incentives to trade and providing mentoring programmes to help them establish their presence
- Creating a trader information/application pack to include information about footfall, the vision for both Derby and the new market, stall dimensions, infrastructure, availability, and potential trader liability. The information/application pack should be promoted via multiple channels, both industry and non-industry specific
- Reach out to established local independent retailers
- Participate in job fairs, establish links with careers advisors, and job centres.
- Attend fresher fair at University
- Create database of producers who fit in with product mix – created targeted advertising, and establish direct contact
- Clear onsite advertising – provide simple set up information

Recruitment process

There will be a 2-stage recruitment process, the first being online or paper applications, followed by a panel interview where applicants will be scored against a range of criteria including, but not limited to:

- Proposals for the branding and design of the trading including costs and funding source
- Product and/or service range
- Relevant skills and experience
- Customer service policy including dealing with returns and complaints
- Existing traders would need to supply 3 years of audited accounts, along with a comprehensive and rationalised cashflow forecast.
- New traders would need to evidence commercial viability, and provide a comprehensive and rationalised 3-year forecast
- Clearly identified target audience

Only applicants meeting the minimum score should be allocated a place in the new Market Hall. This will help to ensure the Market Hall maintains a suitable trader mix, builds a reputation for positive customer experiences, and continues to attract future tenants. Where applicable historical records should be considered when making the final decision. including details of arrears, customer complaints, and failure to comply with rules and regulations.

5.7. Trader support

We will work to support traders in a number of ways to not only start trading at the Market Hall but also to sustain their tenancies, grow their businesses and where feasible facilitate their move into other city centre accommodation. The support offer will be developed during the months leading up to opening to ensure that we are engaging with a wide range of stakeholders and business support services in the city. It is anticipated that assistance will include:

- Rent reduction / incremental rent schemes for fledgling businesses
- Soft loans used to help businesses requiring high levels of capital investment for equipment
- Effective management of the Market Hall encouraging both tenants and visitors to inhabit the space

- Provide effective marketing and create a buzz through social media and other advertising channels
- Encourage tenants to create their own social media presence
- Develop trader advocates who will positively promote the market within the city and between other markets
- Introduce business incubation scheme, help to identify funding streams, and actively encourage tenants to submit applications
- Introduce buddy scheme where existing traders mentor new tenants
- Create package of support for first time traders to include:
 - Business banking information
 - Contact list for insurance
 - Buddy list
 - Business support advisors
- Host B2B events

5.8. Customer service

DCC is committed to improving and modernising public services to provide high standards to the people who live in and visit Derby, this extends to the Market Hall operations, especially as we know that good customer service is a major factor in the success of any business. When considering customer service reach it is important to recognise that there are two groups of customers: visitors and tenants, who have differing needs. However, at its core the Market Hall needs to operate within the following customer service parameters:

- Providing a team of friendly and knowledgeable staff
- Ensuring that effective and compliant complaints handling procedures are in place
- Ensuring traders comply with statutory returns policies
- Providing a clean, safe and functional space
- Providing an engaging and inviting space

5.9. Performance measures

A set of key performance measures (KPIs) will be developed to ensure that the Market Hall is delivering a service to the required quality. This will be fully developed during the construction phase, prior to opening, under the direction of the Market Manager and SRO. Performance indicators should be linked to the wider strategic business and organisational objectives so will need to reflect any recovery, or city centre plans in place in the lead up to and during opening. KPIs will be monitored at regular intervals and will have an early warning and escalation process in place. It is reasonable to expect that the KPIs will cover the following areas:

- Trading/opening hours
- Footfall
- Occupancy levels
- Number of events
- Operating surplus/deficit
- Rate of trader turnover
- Trader and visitor satisfaction
- Diversity of trader mix/events etc.

6. Financial Summary

6.1. Sources and rationale

The business plan and cashflow forecast has been compiled from various sources include business intelligence and reports provided by Market Place Management, discussion with Market operators, and input from DCC's finance and estates professionals.

Income will be generated through the letting of various types of retail, leisure and workshop space, and also through events and cultural activity. Further to the space available within the market hall there is also the opportunity to use surrounding public realm areas for spill out events and additional trading locations. The figures forecast in the operating model and cashflow are based on benchmarked rents charged at comparable markets in other UK cities, and the quality of the offer that will be provided to incoming tenants.

Savings have been made at an operational level but opting to use existing DCC functions to carry out lettings, administration, and facilities management functions. Additional posts created through the market hall staffing requirements will be focused on market and events co-ordination, relationship management with tenants, customers, and partnership organisations, and maximising the commercial viability of the venue.

To simplify the forecast at this stage rental figures quoted include any service charge element, however tenants with complex or higher-level service requirements will be subject to additional charges based on a fair calculation.

6.2. Operating model assumptions

The following assumptions have been made in relation to the operating model and form the basis for the financial forecast (inflation has not been allowed for within this model):

Income or cost line	Assumption
Income	
	Venue opens end of March 2024 – there remains a risk of programme extension throughout the design and construction period
Ground Floor Trading Units – South: Hot Food	Traders make on average £3.6k per week across the year
Ground Floor Trading Units – North: Standard	70% Y1 occupancy with 50% rent reduction, 80% (+20% occupancy with 50% rent reduction) Y2, 90% Y3
Ground Floor Central Stalls – North: Standard	22 trading positions allowed for; however, this could be increased to circa 32 depending on pitch size, and final modular stall design
Casual trader Markets- Internal and External	Assume a start in Year 2 once public realm works are complete
Licences- General and Entertainment	Totals carried over from previous budgets plus allowance for 16 EPOS licences
Community Room Hire- Workshops and Wellbeing	£4k p/a allowed if. However, this space could be incorporated into the Poultry Market ground floor unit let if a suitable tenant is secured. In that instance the income generated would increase

Refrigeration units	Charge estimated based on 5 cold stores – these are existing assets within the building and will be reconditioned as part of the construction contract (capital cost)
Back of house storage cages	Estimate based on MPM business plan
Electricity	Tenants will either have their own metered supply, or cost will be recharged where this is not possible (central stalls).
Balcony bar sales	Estimated turn over based on anecdotal evidence from other venues and in line with the hot food units
Make and Trade units	Achievable rent based on like for like space available in the city and occupancy level set at 70%, however anecdotal evidence suggests these units will be in demand so could achieve full occupancy
Service charge	Incorporated into the rental income estimates – final decision on incorporating or splitting this out will be determined by the incoming Market Manager in consultation with relevant DCC officers
Cost	
Salaries inc. NI, LGPS and insurance (2% increase each year)	DCC's Connect Derby and Facilities Management functions will provide a large proportion of the staff required to operate the venue. Additional posts identified as detailed in section 4.2
Utilities	Cost increased by 5% from year 2 to cover inflationary increases.
Cleaning	Taken from MPM business plan, but may be lessened as part of waste management with food court
Marketing	£35k allowed for from year 0 to provide suitable level of marketing pre-opening, then rolling £35k per year thereafter
Equipment purchase	Taken from MPM business plan with addition of £6.5k in Y0 to meet sundry costs prior to opening
Uniforms	Taken from MPM business plan
Stationery & Printing	Taken from MPM business plan
Pest Control	Taken from MPM business plan
Security services	Based on Wates estimate for security during pre-opening period, after which SIA for food court and evening opening has been allowed for
Software Licences	Taken from MPM business plan with addition of licenses for EPOS provision for 16 traders
Radio hire and phone devices	Taken from MPM business plan
Repairs and Maintenance	Estimate based on current information available. This figure will need to be re-evaluated post phase 1 works, and towards the end of phase 2 as operation and maintenance information supplied by the contractor will be used to develop the final costs
NNDR	In line with current costs pending decision from Estates
Subscriptions	Taken from MPM business plan
Conferences and Seminars	Taken from MPM business plan

Cultural Activities	£10k added
Inflation	Removed from model 10/09/21.

6.3. Summary forecast

In producing the cashflow forecast several assumptions have been made:

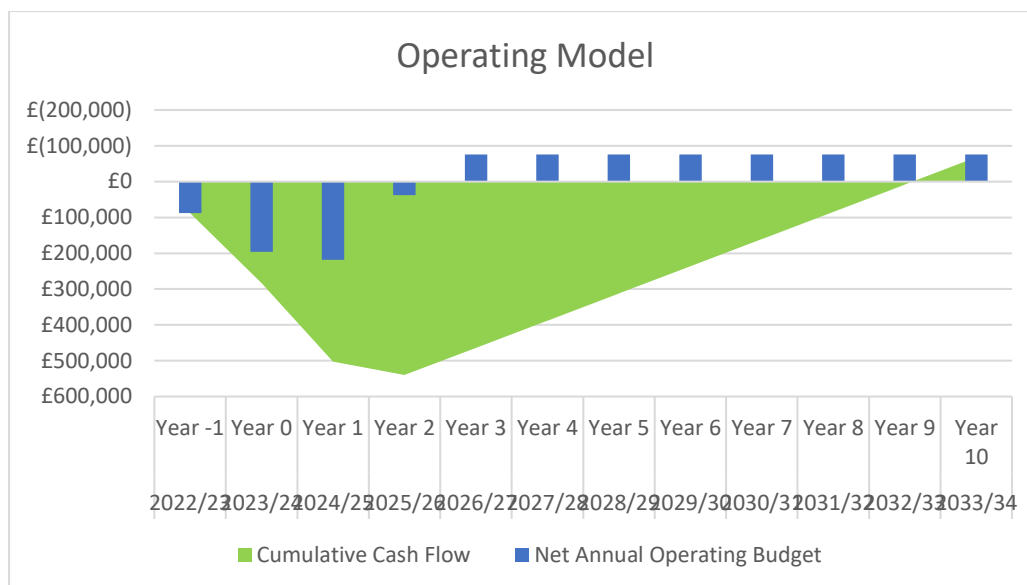
- Hot food unit occupancy would increase over the first three years of opening from 50%, to 65%, to 90%
- Peripheral standard trading unit occupancy would increase over the first three years of opening from 70%, to 80%, to 90%. In addition, the first year would return rental charges based on a 50% rental reduction to allow for capital costs incurred by traders in setting up their units
- Central trading position occupancy estimated at a consistent 70% from opening
- Tenants in ground floor and balcony peripheral 'fixed' units will be responsible for their own utility costs. Rental charges for central trading positions include a utilities element
- Community room hire included only if the Poultry Market is not let as a two-floor commercial space

Alongside these assumptions several operational considerations were factored into the uncontrollable costs including (but not limited to) provision of an adequate sinking fund, security services, software licences, utilities, and marketing.

The forecast cashflow table below shows the progression of Market Hall operations from year -1 while construction works are underway through to year 3 where occupancy levels are expected to have peaked. Costs during years -1 and 0 will include security, maintenance, and staffing. Costs from year 1 onward will be significantly higher as the building will be operational, however revenue will be generated through letting the space. Based on achievable but challenging occupancy targets it is expected that the Market Hall operations will produce a profit in year 3 post opening after reaching a steady state.

	Year – 1 (22/23)	Year 0 (23/24)	Year 1 (24/25)	Year 2 (25/26)	Year 3 (26/27)
Revenue	0	0	(535,048)	(715,914)	(829,606)
Expenditure	87,810	195,673	753,627	753,627	753,627
Net operating budget	87,810	195,673	218,579	37,713	(75,979)
Cumulative cashflow	87,810	283,483	502,063	539,776	463,796

Table 3



Graph 1

6.4. Income

Income will be generated through the rental of space to tenants, casual traders, and event hosting. Baseline figures, provided by Market Place Management, have been used to inform much of the cashflow forecast, with some amendments following venue design revisions carried out in response to a value engineering exercise.

Calculations for the rental averages have been reached by considering the viability of the units based on stall type. There are two main reasons for this; as per the MPE report, applying a consistent charge process doesn't address the financial capabilities of the stallholders and would create a commercial imbalance. It would also make some lettable spaces inviable. Secondly, through RICS guidance, charging needs to demonstrate fairness and consistency, and flat charges remove allowing for size of unit, purpose, and location. The positions below reflect this but will need to be a moveable feast that is continually reviewed against the performance and usage of the Market Hall.

Average rental figures have been calculated based on square footage, location and the rental model applied. The following are indicative average rents for each trading position type:

Rental averages per stall type	Average rent per week (£)	Average per month (£)
Ground Floor Trading Units – South: Hot Food*	502.48	2,177.41
Ground Floor Central Stalls – North: Standard	145.67	631.25
Ground Floor Trading Units – North: Standard	242.27	1049.85
Balcony - Make and Trade Units	97.99	424.64
Balcony – Bottle Bar*	507	2197
Poultry Market *	1500	6500

*rent calculated as 15% of turnover

Table 4

Other income will be generated through events, and large-scale lettings of the space. An indicative figure of £30k has been included in the cashflow forecast from year 2.

Income estimated for the bottle bar and Poultry Market are derived from conservative turnover forecasts with the assumption that these will be leased to tenants rather than operated as DCC interests. However, the Poultry Market presents a distinct challenge in that the unit can only be fitted out beyond shell and core standard once a tenant has been secured as the range of requirements are likely to be highly specific to the particular operation. As it is not possible at this stage to estimate what the fit-out costs would be and therefore what incentive or contribution DCC may wish to make towards securing the tenant for this area the full cost implications cannot be factored into the cashflow forecast.

6.5. Leases and tenant mix

It has been recognised in the MPM Business Plan, the consultation with stakeholders and through benchmarking, that the food court will be a driver in both income and footfall, supporting the non-food traders within the Market Hall and increasing dwell-time with customers. The Tenant food mix will need to reflect the diversity of the city, street food culture and cater for the traditional market audience to meet public demand. A daytime traditional café be an important asset, as will the street food offer to attract a younger demographic, particularly students from the colleges and the city. The ability to appeal to families will be an important consideration in the product mix e.g. ice cream parlours or slushy stations. It's important to note that until the recruitment process starts the offer is speculative, but these themes will be considered throughout the process. In addition will be the desire to retain the historic strength of the market offer through the sale of fresh fruit, meats, and breads.

Non-food traders will need to support the look and feel of the market offer. The ambition to synergise between the upstairs make and trade zone and the ability to sell craft goods should support both trading strands within the hall. Creating the opportunity to sell goods created onsite supports the principles of the Make and Trade Zone, creating a pipeline that supports the development of creative business to commercial success. A vibrant offer will require the ability to develop relationships with emerging traders and successfully integrating them into the offer.

Lease length is a great way to ensure continuity and develop these relationships. Practically speaking, it is also the best way to give traders reassurance that investing in and developing the fit out of the unit is worth the outlay. Leases will as a principle be three years of length of fixed units with release clauses after 18 months upon agreement from both parties. The induction process will also involve a three-month rent relief to support the building of the business in its infancy. In conjunction to that will be the need to establish the viability of the business through either previous trading figures or the proposed business plan.

6.6. Tenant fit out

The tenant fit out is being scoped to a level of shell and core to allow for flexibility in the design and look of the unit. The fit-out works will be arranged through the trader themselves with an agreement to maintain the equipment therein to an acceptable standard. The monitoring of this process will be defined and agreed by property services and monitored through the lettings function. The fit out will need to be agreed in advance to ensure it complies with the criteria for the listed building and is sympathetic to its heritage. It is also important to note that for the works to be approved, accreditation from the trade person is supplied in advance. Any adaptations to the unit will also need to be approved with potential penalties for unauthorised works carried out.

6.7. Occupancy levels

A range of occupancy scenarios have been modelled to understand the impact of voids and tenant churn on Market Hall's revenue potential, and a prudent approach applied to the forecasting. While

some experts have suggested that 100% occupancy levels are achievable a more conservative approach has been taken. The table below details the unit type and occupancy level considered achievable:

	Y1	Y2	Y3	Y4	Y5
Ground floor – hot food	50%	65%	90%	90%	90%
Ground floor – peripheral retail	35%	80%	90%	90%	90%
Ground floor – central retail	50%	50%	50%	50%	50%
Balcony – Make & Trade	70%	70%	70%	70%	70%

Table 6

6.8. Professional advice

Assumptions relating to occupancy levels and achievable rent are based on market sector advice from MPE, and input from DCC's Estates Team.

MPE specialise in providing market consultancy services and have drawn on over 70 years of experience in delivering market events to advise on this development.

DCC's Estates Team have considerable previous experience in dealing with retail premises. This includes developing, refurbishing and letting shopping centres, dealing with letting strategies and lease negotiations, setting the tenant mix, agreeing tenant's fit-out, service charge, letting food courts on turnover rents and premises management. The team have further experience in development consultancy; development management of retail, leisure and mixed-use town centre/out of town schemes including major food stores; advising developers, local authorities, regeneration agencies, financial institutions and retailers.

A prudent approach has been taken when considering achievable rental income and occupancy levels in the new Market Hall. Following the impact of Covid-19 it is widely recognised that high street retail has changed significantly. Points considered when developing the forecast are listed below:

- Market trading is a relatively niche occupation, and every opportunity should be taken to engage with specialist makers, traders, and hobbyists, and those looking to start up a business or test the market with a new product or offer
- Shopping trends were changing pre-Covid with a notable shift towards online retail. Successful high street retail is now more experience based and the Market Hall will need to provide added value in this respect to tenants and visitors
- Turnover rents are being adopted across a range of commercial property sectors as flexibility is required to secure and retain tenants
- The retail sector is in a state of flux, and indications are that cheaper low risk tenancies will be in demand for those seeking alternative premises or looking to test the market with a new business idea
- While there are notable opportunities for the Market Hall given the points above there is also risk in that predictions are being made from an uncertain and changing starting point

The original concept for the Poultry Market through the MPM business plan was to consider a private rental as a two-floor bar space that would provide a return to DCC as part of the income for the Market Hall. As design options were explored, it became clear that there were three significant issues to this approach; the cost required to not only develop the space as a two-storey let without the promise of a future tenant, but the prohibitive cost also required to fit the significant floor space of the units out by

a potential tenant, and the comparatively low capacity within the units making the proposition inviable as a private let. We are consequently engaging a hospitality letting expert to consider the best use of the space.

It is also important to note that the development of both floors of the space is necessary to comply with the funding criteria or the Future High Streets Fund.

The current thinking is that the ground floor will be a servery for alcohol and/or brewery. If a servery, the hours will reflect the opening of the food court, if a brewery, it will fall in line with the market trader opening hours. The option being currently developed for the upper floor of the Poultry Market is a community space. This current option is in response to the feedback received from creative stakeholders that a communal studio space is vital for the proliferation of creative businesses. It also considers the opportunity to use the space for wellbeing classes that further stimulate activity in the Market Hall.

These options will be reviewed as part of the consultation process.

6.9. Staffing costs

Costs for a market manager have been included from year -1 (2022/23) as they will be a key part of the project delivery team during the construction and fit out stages, helping to ensure that the Market Hall project delivers the required outputs, outcomes and benefits, and shaping the tenant mix, programme of events, and advance marketing of the venue.

Many of the roles required to operate the Market Hall will be covered through existing DCC functions provided by Facilities Management and Connect Derby. Resourcing the Market Hall in this way helps reduce costs as fractions of FTE posts can be applied, reduce difficulty in filling posts (again due the hours required), and allows the market manager to focus on commercial activity rather managing a full team of direct reports. Utilising existing DCC functions in this way also provides resilience as absence is more likely to be covered by the larger team.

	Year -1	Year 0	Year 1
Total per year	£65,310	£131,673	£258,397

Table 7

6.10. Marketing

To maximise the Market Hall's commercial and regeneration potential it is essential that an effective, targeted marketing strategy is rolled out. Activity needs to start at least 12 months pre-opening to attract tenants and generate interest in the new offer. An annual budget of £35k has been allocated which will fund:

- Designing and delivering media content for a range of advertising channels – identifying suitable target audiences and producing and disseminating content in the most cost effective and impactful ways
- Working with a third party to develop the Market Hall website – including creating content
- Developing and managing an events programme that supports traders and reinforces the new Derby Market Hall brand - in consultation with the Market Manager
- Carrying out satisfaction surveys
- Identifying new trends, using this data to inform tenant mix and event strategies
- Maintaining media/information systems

Marketing activity will be carried out by the Council's in house Communications and Marketing Team.

6.11. Financial management

The financial management of the building will be enforced and delivered through the Connect Derby officers working in the Market Hall. As such, the policies and processes for the key functions of managing the space will be adaptations of the Connect Derby processes for the Market Hall in conjunction with the new Market Manager. These policies will cover the following: -

- Enquiries
- Tenancy responses
- Incentives for induction
- Deposits and exit processes
- Payment and direct debits
- Set-up fees
- Loading arrangements and expectations
- Debt management and arrears inc. bailiff access
- Code of conduct

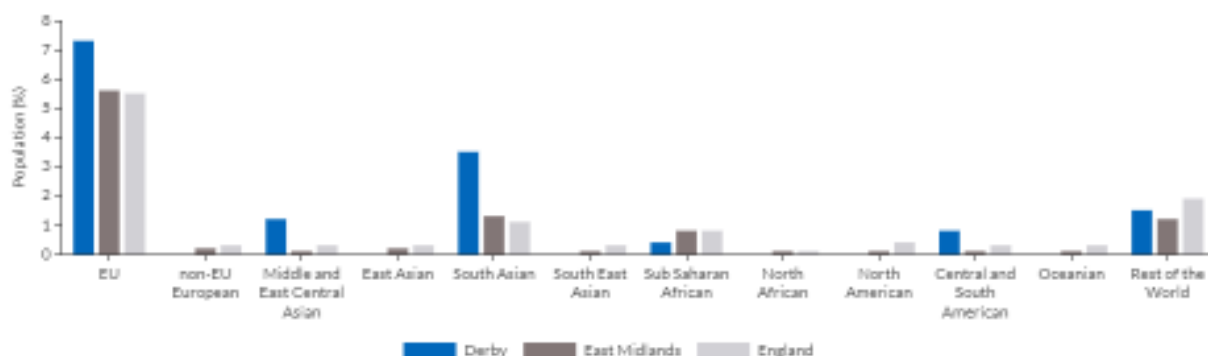
Financial processes will comply fully with DCC's financial governance, procurement and contract procedures. Budget reporting and financial monitoring will take place on a monthly basis, with an annual performance report to communicate information on occupancy, voids, bad debt and compliance.

7. Customer Base

7.1. City Demographics

7.1.1. Nationalities

Derby has a wide spread of nationalities represented in the city which need to be reflected in the new Market Hall offer to ensure that the market products, offers, events, food and drink encourages engagement across the city. It will be important to actively engage with groups who would not usually consider becoming a tenant or casual trader as culturally specific markets have proved successful in other areas such as Oldham and Birmingham and have helped to augment the range of specialist markets that can be hosted and encouraged a wider range of communities to engage with city centre activities.



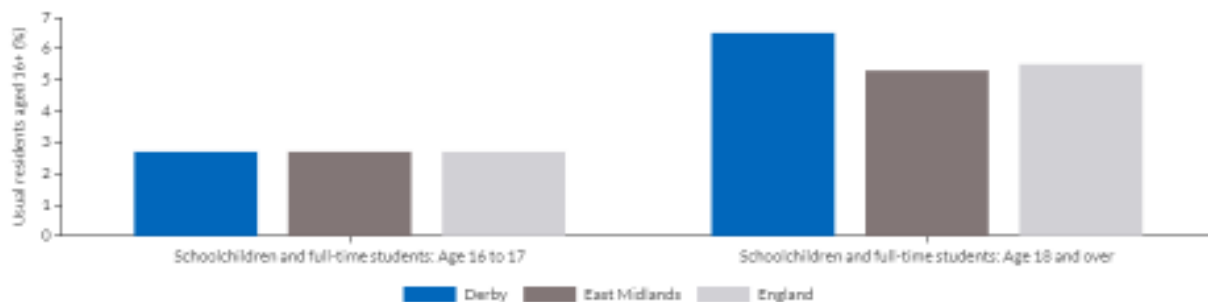
Graph 2

7.1.2. Population growth

Derby's population is predicted to grow from 257k in 2020 to 265k in 2030, an increase of 8 thousand people; a natural opportunity to increase footfall into the Market Hall and city centre which can be enhanced through the right offer.

7.1.3. Age ranges

Derby also has a significantly higher proportion of students than either regionally or nationally. It will be essential that the new Market Hall offer provides the right offer to attract these people both as tenants and customers. The food court offer is likely to appeal to younger groups who want a great place to meet up with friends and enjoy a social occasion, while the mix of casual and longer-term trading spaces provides a relatively low risk space for start-ups to establish themselves in a city centre location.



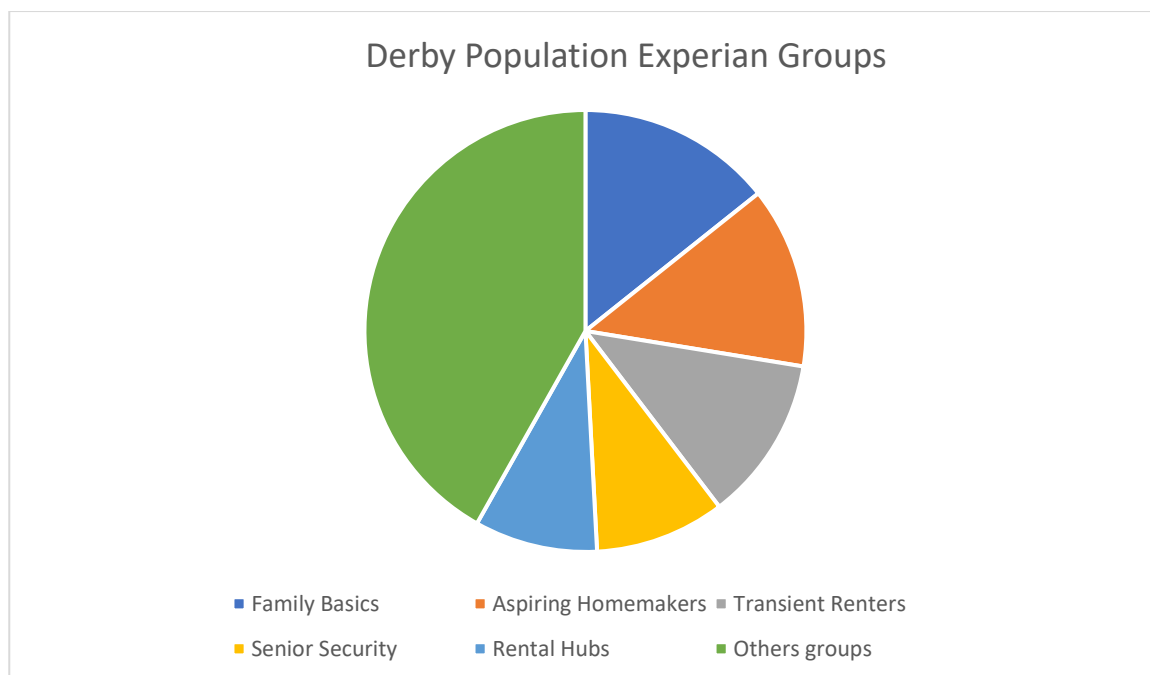
Graph 3

	Derby	Derby	East Midlands	East Midlands	England	England
	Count	%	Count	%	Count	%
Schoolchildren and full-time students: Age 16 to 17	5400	2.7	100502	2.7	1163148	2.7
Schoolchildren and full-time students: Age 18 and over	12910	6.5	196370	5.3	2348197	5.5

Table 8

7.1.4. Mosaic Analysis

Experian Mosaic analysis shows that Derby has significantly higher population percentages in several key target market groups:



Graph 4

14.3% Family Basics – Families with limited resources who budget to make ends meet: 36-45, £30-39999k, lots of kids, generation x, council/HA tenants

13.27% Aspiring Homemakers – younger people settling down in housing priced within their means: 26-35, £40,49999k, order takeaways, families with young children

12.07% Transient Renters – single people renting low-cost homes for the short term: 26-35, income range £20-29999k, full time employment

9.52% Senior Security – elderly people with assets who are enjoying a comfortable retirement: income range £20-29999k, Sainsbury's shopper, National Trust member, age 66+, has solar panels

9.01% Rental Hubs – educated young people privately renting in urban neighbourhoods: income range £40-49,999k, single, university educated

While the new Market Hall offer will be able to cater for a very diverse range of people it will also be important to effectively target key market segments to ensure that it develops into an economically viable operation. The groups identified above represent 58.17% of Derby's population and should be considered and consulted with when making any further decisions regarding trader mix and events programming.

7.2. Target market segments

Targeted marketing needs to be carried out to maximise pre-opening exposure to potential tenants and generate excitement in the new offer. Marketing will be focused on the following target audiences:

- Traders – to encourage them to continue trading now and post redevelopment and to attract new traders
- Artisan Makers and Producers – to encourage consideration to Derby Market Hall as a business environment and opportunity for growth

- Council employees – to reinforce the brand and encourage them to engage with and use the Market for events and initiatives, and to act as ambassadors
- Councillors – to encourage them to promote the market and to consider how it responds to the objectives of the Derby City Centre Master plan 2030. To reinforce the diversity of the Market Hall, social inclusion and the message of ‘Everything Derby’
- Stakeholders - including BID groups, University of Derby, Derby College, Assembly Rooms, Makers Museum etc. to raise awareness of the Market Hall and the innovative activity it leads on that will benefit the city, encouraging them to use the space for community/ business activity. To reinforce the diversity of the Market Hall, social inclusion and the message of ‘Everything Derby’
- Local people – to remind them of the retail and leisure experiences at the Market and encourage them to shop locally and to tap into the existing high quality independent / artisan retail offering. Encourage participation in the events programme post redevelopment. To reinforce the diversity of the Market Hall, social inclusion and the message of ‘Everything Derby’
- Local businesses – to encourage them to engage with and use the Market now and post redevelopment, to raise awareness of the diverse range of opportunities that the facility will offer
- Local families – raising awareness of the market as a shopping, eating and leisure experience destination for the whole family
- Derbyshire wide and national media- to raise awareness of the unique product offer, community engagement opportunities and to encourage media buy-in
- Leisure/tourist visitors – to raise awareness of the Market Hall and Derby as a shopping and leisure destination
- Coach operators/tour guides - to raise awareness of the Market Hall and Derby as a key destination

7.3. Competition

The new Market Hall offer will face competition from a variety of sectors:

- Fast food outlets throughout the city centre
- Restaurant and bar outlets in the city centre
- Online shopping deliveries and future digital trends
- Supermarkets – competing fresh food, and general retail
- The Eagle Market and other markets in the city/area
- Low-cost workshops/office space in the city

To counter this the offer will need to focus on key elements that drive footfall, encourage loyalty, and attract new visitors. These include:

- Quality offer – great products and services at great prices
- Convenience – the building needs to be easy to find, easy to get into and easy to use (for both customers and tenants)
- Look and feel – Interior decoration and lighting, the layout of the hall, the quality of merchandising at each stall, acoustics, warmth, all factor into the look and feel and need to be managed on a daily basis
- Seasonality – make sure the offer fits the season. Introduce events and marketing campaigns tailored to the time of year, or key events

- Move into the street – making use of the spill out areas under the Guildhall undercroft, Market Place, and Osnabrick Square will create animated entrances that intrigue and attract customers in equal measure
- Develop customer loyalty through targeted promotions and incentives
- Revisit the business plan – this is not a static document but rather a management tool that can be, and arguably should be, reshaped and reimagined in line with changing fashions, needs and wants
- Encourage customer reviews – build confidence in the offer, and address issues at the earliest stage
- Partner with local businesses – the Market Hall isn't just about sole traders or one location retail/food outlets. Reaching out to city businesses, and further afield to identify great partners
- Experience based retail – with much retail shifting online it's more important than ever that the Market Hall provides a unique and engaging experience for all visitors

The incoming Market Manager will be pivotal in ensuring that the Market Hall offers something unique and memorable. This will be achieved by curating the space, actively managing the tenants, seeking new and interesting offers, and putting together engaging and popular events programmes. To ensure its success Market Hall must cater to both of its customers: tenants *and* visitors. It must play its part in attracting the right tenant that in turn will attract the right customer, and the beauty of the Market Hall is that what's 'right' can change with the days of the week and seasons of the year.