

# CABINET

## Lancaster Market 15 February 2011

### Report of Head of Property Services

<b>PURPOSE OF REPORT</b>			
To consider recommendations for the future of Lancaster Market			
<b>Key Decision</b>	<b>X</b>	<b>Non-Key Decision</b>	<b>Referral from Cabinet Member</b>
<b>Date Included in Forward Plan</b>		February 2011	
<b>This report is public</b>			

#### RECOMMENDATIONS OF COUNCILLOR BARRY

- (1) That approval be granted to undertake further investigations into the conversion of the City Museum to accommodate Lancaster Market and that a further report is made to cabinet in due course with the costs being funded from the proposed reserve.
- (2) To confirm the importance of the King's Own Royal Regimental Museum in the heritage offer of the district and to seek to improve that offer as part of any change to the City Museum.
- (3) That officers be instructed to enter into leases with traders at Lancaster Market Hall that would allow for the potential relocation to new premises or a break or redevelopment clause for the purpose of refurbishing and revitalising the market hall (should transfer into alternative premises not prove feasible).
- (4) That whilst investigations are undertaken into the conversion of the City Museum, measures continue to be implemented within Lancaster Market to improve its appearance and to continue with improved management and marketing of the market.

#### 1.0 Introduction

- 1.1 The Lancaster Market Cabinet Liaison Group which was formed to advise the responsible Cabinet Member has been considering issues relating to the future of Lancaster Market since Council resolved in March 2010 that the

market should be retained and traders should be offered new leases.

- 1.2 Funding was made available within the 2010/11 budget and following discussion by the Liaison Group of a scoping brief, a number of experts were invited to make submissions to the council. Following consideration of those submissions, the council appointed NCS (the consultancy arm of the National Association of British Markets' Authorities) to prepare a report. A copy of that report is attached at Appendix A.
- 1.3 If the council wishes to consider improvements to the market, the budgetary implications of the report need to be addressed. In addition, consideration of those implications will determine future issues with the leases to be granted to individual traders, details of which are referred to later in this report.
- 1.4 As a further consideration, this report provides some basic information regarding the future of Lancaster's City Museum in Market Square which members may want to consider as being part of the future for Lancaster's indoor market.

## **2.0 Proposal Details**

### **Consultant's Report**

- 2.1 The report from NCS indicates that funding should be made available for a number of elements as set out below:

	<b>Budget Figure (£)</b>
<b>Entrance doors</b>	40K per entrance
<b>Internal layout changes</b>	400K
<b>Drop down banners</b>	1K
<b>External glazing vinyl transfers</b>	12K (+ original images)
<b>Demountable stalls</b>	1K each
<b>Part-time business development manager</b>	20K per annum

- 2.2 Of these proposals, the Cabinet Liaison Group were of the opinion that the most important elements were the internal layout changes; the improvement of the doors into the Marketgate shopping centre (Gillisons Lane entrance); and the improvement to the development management of the market. Based on the above information, there would be an initial capital requirement of £440K with consideration of an additional revenue cost of £20K per annum for the business development manager.
- 2.3 On top of these costs, members should note that there are serious problems with the lighting system at the market. Advice received from Capita Symonds following two fires in lighting units in recent months has indicated that lighting in public areas should be replaced as soon as possible at an estimated cost of £80K. Lighting in stalls would cost approximately £73K to replace but much depends on whether the council decides to alter the internal layout of the market. If alterations are made, some of these stall lights would not be required, whilst other in some cases where traders have leases, some costs may fall upon traders.

- 2.4 In the meantime in order to meet immediate Health and Safety requirements some lighting replacement works could be carried out at a cost of approximately £10K to be met from existing repair and maintenance budgets, whilst further consideration of the future of the market is undertaken.
- 2.5 There are also other elements, not identified by NCS, albeit lower value, which are at the end or nearing the end of their useful life which would need replacing as part of the overall refurbishment if the existing market hall is retained, for example: fire panel and PA system and internal CCTV system with a total estimated replacement cost c£40K.
- 2.6 In terms of funding, the council made available a sum of £150K revenue in the 2010/11 budget for the consultation work together with any “quick win” works. To date only £20K is expected to be spent by 31<sup>st</sup> March 2011, leaving £130K which, if re-profiled into a specific reserve for Lancaster Market (as referred to elsewhere on the agenda) could contribute to any costs of moving forward with the market.
- 2.7 In considering the NCS report, the Liaison Group were concerned that there is no guarantee that there would be a defined change in the fortunes of Lancaster Market. For example, £440K may result in no further rental income for the market.

#### **Leases**

- 2.8 In considering the way forward, members should be aware of the current situation with regard to the traders’ leases. In accordance with the instructions of Council in March 2010, and mindful of the fact that three traders had served notice on the council to renew their leases, notices to quit were served on the remaining traders with an effective date of 31 March 2011.
- 2.9 In most cases traders were advised that they would be granted a new lease with effect from 1 April 2011 for a 4 year term with a break clause which would be effective within the first 12 months of the lease to allow the council to effect the works agreed with traders. There was however a small number of traders who were advised that their leases would not be renewed because of persistent delay in payment of rent and service charge. It is quite possible that the majority of that group of traders will be asked to vacate the market unless significant payments are received in the next few weeks. The resultant reduced number of traders in the market may have an effect on how the council wishes to proceed whilst it may also have an effect on how many other traders wish to stay in the market as a result of potential reductions in footfall.
- 2.10 Three traders have already served notice on the council for the grant of a new lease. Discussions with these traders have been ongoing and a decision on how to proceed will largely be dependant on the outcome of this cabinet meeting.

#### **Alternative options**

- 2.11 A further option for the council to consider has arisen as a result of considering the future of the Museum Partnership with Lancashire County Council. It is likely that the museums will return to the city council in due course and it will be for the city council to determine the future of each

building.

- 2.12 One option is to consider whether the council owned City Museum should be used wholly for the existing collections or to seek to utilise parts of the building for commercial purposes. Such a purpose could be Lancaster Market.
- 2.13 Initial indications are that the building would be particularly well located for a market use, being situated in the heart of the retail area. The centre of the Charter Market is also based in Market Square and the proximity of both markets would be particularly advantageous creating a critical mass that would be attractive to customers. There is however no direct link to passenger transport and no immediately adjacent parking facilities, both of which are benefits of the existing market hall building.
- 2.14 However, the museum building would have to be carefully adapted to house the market. It is a Grade II\* Listed Building and as such any alternative uses would need to be sensitively considered. One option is to create an extension or free standing structure at the rear of the building fronting New Street. Very brief discussions have been held with English Heritage who see merit in the idea but clearly would need much more detailed proposals to give a positive response. One issue to consider is that not all of the land at the rear of the Museum is in the ownership of the city council – the remainder is assumed to be highway. Further investigations on this would be required.
- 2.15 The building is considerably smaller than the existing market hall building and in considering stall sizes it is apparent that units in the Museum building would have to be smaller than existing market stalls. This will clearly be an issue for traders but perhaps there is a balance between the much improved location which should attract greater customer numbers and a smaller stall size. In addition careful thought would need to be given as to whether certain food trades could be accommodated within the building and its proposed extension or whether the council would need to consider completely alternative individual shop locations for such uses.
- 2.16 Issues relating to storage and deliveries will need to be addressed as would the provision of a suitable passenger and goods lift.
- 2.17 There are clearly further discussions needed with the King's Own Regiment as the Regimental exhibition is located within the City Museum and there is a formal agreement in place that this should continue. The City Council recognises the importance of this display and will need to work with the King's Own Regiment in bringing forward any changes to the City Museum.
- 2.18 Clearly if this option was to be undertaken, the council would still remain as a tenant of the existing market hall building. Reports to cabinet and council last year identified that the building could be converted to a “white box” suitable for letting to alternative retailers on the open market. The council would have to set aside the funding for this work on a similar basis to those considered last year e.g. refurbishment costs and potential rent free periods for incoming tenant(s).

### **3.0 Details of Consultation**

3.1 The report by NCS included consultation with all stakeholders of Lancaster Market.

3.2 The Cabinet Liaison Group has been consulted on the outcome of the report and the Lancaster Market Traders Committee has received a copy of the NCS report. However, there has not been time to have detailed discussions with traders regarding the museum option.

#### 4.0 Options and Options Analysis (including risk assessment)

	<b>Option 1:</b> Retain Lancaster Market & invest in improvements as set out in the NCS report	<b>Option 2:</b> consider relocating the market into the City Museum building	<b>Option 3:</b> Do no further improvement work to the market
Advantages	This would provide an opportunity to reinvigorate the market and potentially bring in new tenants	The market would be in an excellent retail location.  A new use which is income producing would be found for the museum building  Letting the market building to a single retailer should substantially reduce the deficit incurred in that building	There would be no change to the market building although there would have to be money spent on replacing the lighting system as well as other essential health and safety related works as they arise.
Disadvantages	There would be a substantial cost to the council and no guarantee that the scheme would be a success or that the council's existing deficit would be reduced.	There are substantial costs in undertaking both the works to the museum and to the market hall building.  Appropriate retailers would have to be found for the market hall building.  No direct link to passenger transport or car parking.  The amount of space in the museum is much smaller than in the existing market hall building which could prove to be a problem with traders.	Reduction in trader numbers could occur as a result of the rent arrears situation.  The council's deficit could potentially increase as a result of reduced trader numbers as well as ongoing general deterioration of the current market hall.

Risks	There is a risk that reduced numbers of traders would continue in the market as a result of the rent arrears in some cases. This could lead to the market going in a downward spiral prior to refurbishment works being undertaken.	The main risks are that the market would not be successful in the new location after substantial investment has been made. In addition finding a retailer for the market hall building may prove to be problematical, leading to increased costs for the council in the short to medium term through ongoing rent, service charges and reduced income.	The council's deficit could increase significantly
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## 5.0 Officer Preferred Option (and comments)

- 5.1 The officer preferred option is to investigate further the opportunity of moving the Lancaster indoor market into the museum building on Market Square.
- 5.2 On the assumption that the Council still desires a thriving indoor market in line with the decisions taken back in March 2010, it is evident that options for investment need to be investigated and appraised thoroughly. It is considered that Option 3 would not fit with this aim, but nonetheless, the Council could reconsider its aspirations in light of other priorities and spending pressures.

### **RELATIONSHIP TO POLICY FRAMEWORK**

Economic Regeneration – supporting our economy is one of the City Council's key priority areas. It includes heritage and cultural tourism for the district including creative industries and employment.

The improvement of the Lancaster indoor market could attract more food-based businesses (particularly local food), attracting key businesses, such as a bakery, and marketing the market as a visitor attraction for the city centre. Looking at improving the provision of the market could therefore be aligned to supporting our local economy and the cultural agenda, depending on the retail offer made available within the market.

### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

The City Council wishes to maintain an economically sustainable city centre and retaining and improving the provision of the indoor market can help to facilitate this.

## LEGAL IMPLICATIONS

Legal Services have been consulted and will need to consider the impact of Option 1 and Option 2 in relation to the current statutory position applicable to the market tenancies if either these options are pursued once further clarity has been obtained on the preferred option.

## FINANCIAL IMPLICATIONS

It is not possible to provide a fully costed analysis of the officer preferred option 2 at this stage, however it could be deemed appropriate to treat as an 'invest to save' scheme subject to the payback period calculated. This report is simply asking that further investigations are carried out, the results of which will inform the content of a further detailed report for Members prior to any final decision being made. It is possible however, that after initial one-off costs associated with transfer of the existing market facility to the City Museum and relocation of museum artefacts to an alternative site occurring in year 1 that significant combined annual savings could be achieved thereafter, even when taking into account reduced rental income likely to be achieved from fewer stallholders being accommodated within the museum building. This would also very much depend on how soon the Council could re-let the existing market hall building after refurbishment works are undertaken.

Members are reminded that the current market is currently being operated at an annual deficit c£550k to £590K subject to the number of vacant stalls arising during any given year. The City Council also pays an annual management fee c£540K to Lancashire County Council to manage City Council owned museum buildings (i.e. the City, Maritime and Cottage Museums). The City Council is nearly half way through a 2 year notice period served on County and it is expected that responsibility for ongoing City Museum management will revert back to the City Council from 1<sup>st</sup> April 2012, therefore providing a 12 month period in which to undertake further investigation and report back to members with a fully costed scheme for final consideration.

The table below highlights the main areas which will need to be fully costed so that a meaningful comparison between the options can be made:

	Option 1	Option 2	Option 3
<b>Revenue</b>			
Annual Savings (current Market Facility)		X	
Add't running costs relating to transfer		X	
Reduced rental income (Stalls)		X	X
Compensation/Relocation		X	
Rent Free Period		X	
ST Liability to Allied		X	
<b>Capital</b>			
Museum extension/refurbishment		X	
Museum artefacts relocation		X	
NCS Improvements	X		
Light replacement	X		X

Other H&S works	X		X
White box refit		X	

In order to accommodate the officer preferred option 2 as presented in this report it is recommended that the leases being issued from 1<sup>st</sup> April 2011 are flexible enough to cover either relocating to the City Museum or refurbishing the existing Market Facility (including realistic timescales), subject to meeting appropriate legal requirements.

#### **OTHER RESOURCE IMPLICATIONS**

##### **Human Resources:**

There are no direct implications within this report although depending on the resolution of cabinet, consideration does need to be given to future management of the market in line with the NCS report

##### **Information Services:**

There are no IS implications within this report.

##### **Property:**

The property implications are included within the body of the report.

##### **Open Spaces:**

Not applicable. Some loss with option 2.

#### **SECTION 151 OFFICER'S COMMENTS**

The report seeks consideration of potential opportunities to improve the value for money gained from both the markets and museums functions, though clearly much more detailed work would need to be undertaken in order to reach an informed final decision and this is recognised within the proposals. Accordingly at this stage, other than any feasibility costs, the budget framework does not provide anything specifically for this initiative. As part of reporting the outcome of any feasibility, however, any budgetary implications would be clarified for consideration by Cabinet. Subsequent to that, and depending on what might be needed financially, it may well be the case that Council consideration would also be required.

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments to make.

#### **BACKGROUND PAPERS**

Previous council and cabinet reports and minutes

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