

**Report Title:
Southport Market**

Date of meeting:	25 th November 2024		
Report to:	Overview & Scrutiny Regeneration, Economy & Skills		
Report of:	Assistant Director Economic Growth & Housing		
Portfolio:	Regeneration, Economy & Skills		
Wards affected:	Dukes		
Is this a key decision:	No	Included in Forward Plan:	Yes
Exempt/confidential report:	No		

Summary:

Southport Market was repurposed into a Food and Drink Market and opened in July 2021; the paper outlines its year 3 performance, particularly in the context of economic conditions affecting the sector and venues including, but not limited to, Southport Market.

Recommendation(s):

That Committee note the report

1. The Rationale and Evidence for the Recommendations

Southport Market is a key Council asset helping to drive footfall and support independent businesses, since the market has been operational yearly reports have been brought to Committee to have oversight on performance.

2. Financial Implications

There are no new financial costs associated with this report.

3. Legal Implications

None

4. Corporate Risk Implications

Risks have been identified, mitigated, and recorded in the service Risk Register which is updated quarterly.

5 Staffing HR Implications

None

6 Conclusion

Southport Market is integral to the Southport offer and will be vital more than ever as the Town goes through a period of recovery. Like all hospitality venues trading can be very volatile within the industry, the report covers the performance over the last 12 months looking at the lessons learnt, and any mitigation actions required.

Alternative Options Considered and Rejected

N/A

Equality Implications:

There are no equality implications. As with all areas of the Economic Growth and Housing service, the Council's strategy and action plan for Equalities, Diversity and Inclusion are considered and implemented where applicable.

Impact on Children and Young People:

Southport Market provides a space for all to enjoy, the events space hosts several children friendly events. The Market businesses also provide employment opportunities for young people.

Economic conditions in Southport will inevitably have an impact on children and young people and the implications of these are already being captured under the key strategic objectives and subsets of the Sefton Economic Strategy.

Climate Emergency Implications:

There are no direct implications.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Services and Commercial (FD.7832/24) and the Chief Legal and Democratic Officer (LD.5932/24) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not applicable

Implementation Date for the Decision :

Following the expiry of the “call-in” period for the Cabinet decision.

Contact Officer:	Mark Catherall
Telephone Number:	0151 232 2315
Email Address:	Mark.catherall@sefton.gov.uk

Appendices:

None

Background Papers:

None

1.0 Background

- 1.1 The original design of the venue and operation for the new Market Hall was to have a central bar serving all drinks while also being responsible for managing the floor such as cleaning, pot wash and other operational duties.
- 1.2 It was envisaged there would be 8 hot food kitchens, 2 smaller dessert units and Blackhurst butchers being retained in the front unit.
- 1.3 As with all food markets it is important that the offer continues to evolve and never stays still - in the first year of operation there was a small number of unit changes that now sees the market operating 7 hot food kitchens, 1 desert offer and the main bar. This is supplemented by two small units available for daily hire (non-food).
- 1.4 In the third year of trading we have not seen any change in the business mix with all traders still trading, with many of the original traders still operating in the market despite the continuing pressure in the hospitality sector like the previous year of trading. Two units have changed their trading name to reflect menu changes.
- 1.5 The Market also has a large events space called The Extravaganza Room that can accommodate 200 people. The space is used for private hire and ticketed events curated and managed by the market team.

3.0 Financial Performance

- 3.1 Food traders and the bar pay a turnover rent rather than a set rent measured on square footage; this arrangement is now common practice in many food markets and allows the landlord to be rewarded the more successful the operation becomes. It also importantly allows new start-up businesses breathing space to become established and to build up a robust cash flow.
- 3.2 All traders also pay utility costs; all units are metered and traders are recharged on the actual usage.
- 3.3 The agreed income targets for the operation consists of turnover rent, service charge, general rents, Outdoor markets, and any utility recharges.
- 3.4 Expenditure is made up several budget headings that are required such as salaries, marketing and events, utilities, repair, and maintenance along with consumables.

Year 2 v Year 3 (Food and Drink Sales Performance)

	Year 3
Food	+1.4%
Drink	-1.8%
Total	-0.4%

3.4 Year 3 has seen a small decline in overall sales performance of 0.4%, this is made up of a small growth in food performance and a small drop in drink sales. According to the National Restaurants Association, 60% of hospitality venues are reported to fail in year one, and 80% are reported to fail within the first five years – with failure rates increasing in 2022 and 2023 given current economic conditions. There also continues to be a difficult trading environment in UK coastal destinations as the UK outbound market recovers coupled with the pressure on people's disposable income.

Year 3 Rental Performance v Business Plan Targets

	Target	Outturn	Variance
Total	£381,000	£373,046	£7,954

Includes recharges.

3.5 The year 3 total turnover rents and recharges totalled £373,046, which is £7,954 below the year 3 business plan target (it should be noted the business plan was produced in 2020). The rental performance of £373,046 is £41,739 up on year 2.

3.6 For year 3 there was also a target of £156k for outdoor markets, that was based on current outdoor market achieved before Covid-19. Due to resource and operational issues the outdoor markets have not been possible to resurrect. It is hoped once the public realm works are complete on King Street and Market Street the outdoor markets will be able to commence.

3.7 The Southport Markets were relocated to King Street and Market Street once the Market Hall relaunched. However, due to the increasing costs of road closures and diversions required they were no longer financially viable. Following on from this work began with The Makers Market, the leading artisan outdoor market businesses in the Northwest. After

several months, The Makers Market also pulled out of Southport due to viability issues. Therefore, in year 3 none of the outdoor market income has been achieved.

3.8 To try and make up for the shortfall paid events and hire in the event space has been a major focus for the team. Income from these activities in year 3 was £60,416 this is compared to £26,489 in year 2 up 128%. In year 1 events generated £7,652, as the venue becomes established, we are seeing a strong growth in the events sales.

Year 3 Expenditure v Business Plan Targets

	Target	Outturn	Variance
Expenditure	£435,000	£430,739	£4,261

3.9 The table above shows the year 3 expenditure outturn was over £4,261 than forecasted in the business plan. The current budget for all utility costs for the market is £83,000, with actual expenditure in year 3 being £185,929 resulting in £102,929 over the forecast spend. All traders are recharged for their actual utility usages while Sefton covers the main landlord's supply. The utility pressure is being met centrally as with other Sefton ran assets.

Year 3 Actual v Business Plan

	Target	Outturn	Variance
Income	£537,000	£446,133	£90,867
Expenditure	£435,000	£564,806	£129,806
Total	-£102,000	£118,673	£220,673

*Includes full utility cost

Revised Year 3 v Business Plan

	Target	Outturn	Variance
Income	£537,000	£446,133	£90,867
Expenditure	£435,000	£430,739	£4,261
Total	-£102,000	-£15,394	£86,606

3.10 Overall the Market **made a small profit of £15,394** after the utility central recharge and before borrowing costs, it did not reach the original business plan target of £102k profit. The reason the end of year variance can be explained by not hosting outdoor markets, in the original business plan this accounted for £156k income projections forecasted in 2020.

- 3.11 If the £156k is removed from the original business plan this would mean year 3 would have exceeded the target by £69,394. The Southport Town Deal project *Les Transformations de Southport* will support enhancement of the public realm spaces adjacent to the Market and will offer opportunity for outdoor events as previously anticipated. This will be developed further as part of the updated Business Plan.

Year 2 Actuals V Year 3 Actuals

	Year 2	Year 3	Variance
Income	£357,796	£446,133	£88,337
Expenditure	£423,648	£430,739	£7,091

*Expenditure excludes utility pressure

- 3.12 Overall year 3 performed strongly with regards to total income when compared to year 2 with an overall increase of £88,337. Expenditure in year 3 increased by £7,091, with the inflationary pressure facing the industry several mitigation factors were put in place.

4 Continuing Sector Pressures

- 4.1 The trading environment for the hospitality sector continues to see significant changes and challenges due to cost-of-living crisis, inflation and other factors impacting on Southport. It has been well documented that the hospitality sector has and is facing challenges such as utilities and consumables with both having a direct impact on the market.
- 4.2 As stated earlier, according to the National Restaurants Association, 60% of hospitality venues are reported to fail in year one, and 80% are reported to fail within the first five years – with failure rates increasing given current economic conditions. The challenges of opening a new hospitality venue at any time are exacerbated by increasing cost pressures affecting sector-wide profitability, with venues such as Southport Market seeing more than 100% increases in energy bills during the period.
- 4.3 For the last few years, the UK restaurant industry has been heavily impacted by factors beyond operators' control, and 2023/24 was no different. It was another challenging year across the sector, with stubbornly high inflation, rising interest rates, the cost-of-living crisis and geopolitical tensions increasing pressure on both businesses and customers.
- 4.4 The cost-of-living crisis was a prevailing theme in the UK throughout last year. Both businesses and consumers alike navigated a challenging year of record inflation driving high levels of cost.
- 4.5 According to BDO in their latest bars and restaurants report the high inflationary environment has created behaviours akin to an hourglass economy where the premium and value end of the market receives the most traction, squeezing out the middle-income spending patterns, this was one of the main customer groups targeted by the market.
- 4.6 In their report BDO also state that Consumer confidence remained volatile through 2023 and Household disposable income remains below levels observed pre-2023, which will continue to be the hospitality sector's main challenge for the upcoming year as consumers look to stretch the value of each pound spent.

5. Looking Ahead

- 5.1 It is forecasted that the hospitality industry will continue to face uncertainty in the short and medium term as household disposable income continues to be squeezed and while inflation has fallen, food inflation continues, and those costs continue to be passed onto the consumer.
- 5.2 Following the tragic incidents in Southport on 29th July 2024 business in the Town Centre reported a dramatic drop in business, this continued throughout the summer and has shown little signs of recovery.
- 5.3 Many businesses are reporting between a 40%-70% drop in turnover, furthermore July 2024 was the worst July on record for rainfall with many hospitality and attraction venues reporting their worst July since records began (not including lockdown).
- 5.4 The first six months of trading for Southport Market reflects the difficult trading situations above, In the peak summer season July was down 11% while August was down 20%. This trend continued into September. Therefore, it is safe to assume the trading performance in year 4 will be substantially less than year 3 due to the major factors out of the markets control.

6. Events

- 6.1 The events space to the rear of the Market continues to be a success, the team have put on multiple sell out events throughout year 3 with thousands of tickets sold for Easter events, themed nights and Christmas extravaganza events. Income from events is up 128%.
- 6.2 The space is also used for free events along with large numbers of private bookings.
- 6.3 The space is also always offered free of charge for community events. Also, throughout year working with partners we have been looking at how the market can be utilised to help tackle issues within the community. A comedy bingo social in the winter months has been taking place providing a warm space and to help with isolation which has been a great success with over 60 people attending per event.

7. Conclusions

- 7.1 Overall year 3 of the market has been successful in extremely challenging trading conditions. Year 3 saw overall growth in total income while keeping expenditure (excluding utilities) under control.
- 7.2 The events space continues to improve with income 128% up year on year.
- 7.3 Year 3 has seen the continued impacts of the cost-of-living crisis, and inflationary pressures, as outlined in section 4. This is also continuing into year 4 with the summer season for Southport underperforming considerably compared to recent summers.
- 7.4 There is a need to continue to monitor expenditure. Costs such as utilities are almost completely outside the control of the venue. However, steps have already been taken to reduce spend in other areas such as consumables without impacting on the overall quality though cost pressures continue to put a strain on the expenditure budget.
- 7.6 It is recommended that as part of a new 3 year business plan, that the targets are reviewed for year 4, considering the continued utility pressures and limits on outdoor markets until Market Street and King Street until public realms works are completed. A revised Business Plan for Southport Market will be developed and presented to the Cabinet Member in due course and any financial implications will be approved in line with the Financial Procedure Rules.

- 7.7 Additional investment in the Market is being considered such as an events bar in the back space to maximise spend, improved coffee offer and entrance bar, new and improved stage, ordering app and new seating areas. These continuous improvements will be sustained on an ongoing basis as the venue works to continue to drive footfall and deliver a positive customer experience and repeat business. Justification for any such additional investment will be included within the next business plan and any capital and revenue implications would be subject to a separate decision in line with the Financial Procedure Rules.
- 7.8 As part of the new business plan an extensive review by an independent hospitality expert is taking place, the review will look at the full operation including trader menus and sales, market operation including staff training and welcome, capital investments, events and marketing.