REPORT TO:	CABINET
DATE:	17 December 2009
SUBJECT:	Southport Indoor Market
WARDS AFFECTED:	Dukes
REPORT OF:	Alan Moore, Strategic Director of Regeneration and Environmental Services
CONTACT OFFICER:	Tony Corfield, Head of Tourism (2315) Andy Dunsmore, Technical Services (2766)
EXEMPT/ CONFIDENTIAL:	No

PURPOSE/SUMMARY:

To update Cabinet on progress with the development of the refurbishment proposals for Southport Market and associated Business Plan, to seek approval to progress the project to tender stage and to agree temporary arrangements for traders during the construction process.

REASON WHY DECISION REQUIRED:

Cabinet have previously resolved that the Market Hall should remain on its existing site and be refurbished to ensure its ongoing viability. At Cabinet on 19 March 2009 it was resolved that officers work up a detailed delivery programme based on the preferred option and review the supporting appraisal before the project is confirmed in the capital programme.

RECOMMENDATION(S):

Cabinet is requested to:

- 1. Approve the further development of the Market Refurbishment Scheme to enable Officers to invite tenders for the scheme.
- 2. Note the comments from the Market Consultant on the development of the design on the Business Case.
- 3. Determine whether the project should be phased to enable traders to continue trading, or whether temporary accommodation should be provided on Market Street during the works or traders are simply asked to vacate the building for the duration of the works.
- 4. Authorise the Legal Director to negotiate the termination of existing license and negotiate new license for the improved facility.

KEY DECISION: No

FORWARD PLAN: No

IMPLEMENTATION DATE: Immediately following the call in period for the Minutes of the Cabinet Meeting

ALTERNATIVE OPTIONS: Cabinet have already decided that the Market should be refurbished on its existing site and have chosen a preferred option. The prime alternative options from this point therefore relate to the timeline and manner in which funding and operational support is incorporated into the project. However, should the delivery programme not prove acceptable, other courses of action are possible.

IMPLICATIONS:

Budget/Policy Framework: No resources have been provided in the Medium Term Financial Plan for this proposal.

Financial:

CAPITAL EXPENDITURE	2009/ 2010 £'000	2010/ 2011 £'000	2011/ 2012 £'000	2012/ 2013 £'000
Gross Increase in Capital				
Expenditure				
Funded by:				
Sefton Capital Resources				
Specific Capital Resources				
REVENUE IMPLICATIONS				
Gross Increase in Revenue				
Expenditure				
Funded by:				
Sefton funded Resources				
Funded from External Resources				
Does the External Funding have an	When?			
expiry date? Y/N				
How will the service be funded post				
expiry?				

Legal: N/A

Risk In June 2008 Cabinet made the decision that the Market should continue on its existing site and that options for its refurbishment should be developed. In March 2009 Cabinet chose a preferred refurbishment option.

Any major regeneration project generates potential for substantial risk so advice on minimising this, particularly regarding the ongoing viability of the chosen option, has been sought from a specialist consultant experienced in redeveloping Markets.

In the April 16th report to Cabinet the Finance Department in turn reviewed the provided feasibility study. This review identified costs that the study had not fully taken into account as the brief had been slightly modified since originally issued. Additionally the Finance Dept had identified a risk relating to the Council's wider VAT liability that would be potentially triggered by the project. These issues coupled with the present economic conditions and the resulting volatility in the retail sector meant that there was still substantial risk retained in this project.

In addition certain of the assumptions used in the appraisal are speculative. In particular occupancy levels both in the refurbished market and outside on the newly created public realm.

Asset The Southport Market Hall is a key asset, however, in order to secure its long-term viability, significant redevelopment is required. Alternative options including wider development of the site have been previously considered by Cabinet.

CONSULTATION UNDERTAKEN/VIEWS

Initial consultation was undertaken with existing market stallholders and Southport Area Committee received presentations. A consultation plan was tabled at the meeting of the Sefton Public Engagement and Consultation Standards Panel in May 2009 and a consultation event held in June 2009. Finance (FD 257), Legal and Regeneration colleagues are members of the project delivery group.

CORPORATE OBJECTIVE MONITORING:

Corporate Objective		Positive Impact	<u>Neutral</u> Impact	<u>Negative</u> Impact
1	Creating a Learning Community		\checkmark	
2	Creating Safe Communities		\checkmark	
3	Jobs and Prosperity	\checkmark		
4	Improving Health and Well-Being		\checkmark	
5	Environmental Sustainability	\checkmark		
6	Creating Inclusive Communities		\checkmark	
7	Improving the Quality of Council Services and Strengthening local Democracy		\checkmark	
8	Children and Young People		\checkmark	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

Report to Cabinet dated 10th July 2008 Report to Cabinet dated 30th October 2008 Southport Investment Strategy Capita Symonds Feasibility Study – Southport Indoor Market Report to Cabinet dated 19th March 2009 Report to Cabinet dated 16th April 2009

1.0 Background

- 1.1 Members may recall that approval was granted in March 2009 to the development of a particular option for the refurbishment of the exisiting Market building together with associated Public Realm improvements. Officers were asked to establish a delivery programme, consult on the preferred option and to explore options for external funding.
- 1.2 In April 2009, Cabinet accepted a draft delivery programme and noted the content of a supporting appraisal. Officers were then asked to develop detailed design drawings, commence negotiations with all relevant parties and to examine all procurement issues related to the project.

2.0 Business Case

- 2.1 The Capita Symonds Market Feasibility Study dated January 2009 included business case projections. The Feasibility Study was presented to Cabinet In April 2009.
- 2.2 Quarterbridge, as specialist Market Consultants, and compilers of the original appraisal, have been retained to assist Officers in the further development of the Business case for the Market, the development of the internal layout of the new facility and to carry out negotiations with the Traders.
- 2.3 Recent one-to-one trader negotiations have resulted in 3/4 of remaining traders indicating their preferred location within the new market. Negotiations that convert this interest into contractual commitments cannot commence until Cabinet releases the project for delivery however general discussions are ongoing with the traders. A number of traders have already left the market for economic and personal reasons and Quarterbridge predict that some more will leave after Christmas. They suggest that traders are leaving owing to the poor trading position of the current market. Although it is very difficult to comment on the state of the British Economy over the next couple of years, the business case allows for significant voids and trader rental inducements in the early years and so current traders leaving the market now does not tangibly affect the business case. Quarterbridge suggest that traders who are leaving the market now would have left anyway.
- 2.4 In the original business case it was suggested that the market hall general arrangement should provide a net/gross-letting ratio of at least 56%. The current general arrangement allows for a net/gross-letting ratio of nearly 62% a net improvement.
- 2.5 In the original business case Quarterbridge suggested that the overall rental income be increased by 10% in the first year post development and a further 10% in the second year post development at £50.35 p.s.f. and £55.38 p.s.f. respectively.

- 2.6 This is still the case and they have rationalised and zoned these figures somewhat in order to allow some flexibility when considering letting larger units and some food units. The net overall financial result is currently estimated to improve income over the original business case by 3% a net improvement.
- 2.7 As the development of the scheme has progressed Quarterbridge have been approached by Southport Creative Industries Stakeholders who have expressed interest in being included within the scheme. They are currently identifying their requirements and will assist in proving an acceptable business case. Quarterbridge believe that this offer will compliment the traditional market offer and will enhance the long-term sustainability of the new market hall as well support the Cultural Centre project.
- 2.8 Overall, Quarterbridge have commented that the design, specification and trader negotiations have progressed well and according to plan and that they are satisfied that the project continues to satisfy the estimated business case.

3.0 Development of the Design of the Building Refurbishment

- 3.1 The design of the market has developed from the 'Option 5' presented within the original Feasibility Study. Principle features include the modification to the Market St elevation to give the building greater natural light and a clearer presence on the street, new mechanical and electrical systems to provide improved focussed lighting levels and better environmental control and removal of the suspended ceiling.
- 3.2 The layout of stalls has been developed and refined following input with Quarterbridge. Original proposals identified a mezzanine floor within the facility to provide further enhanced seating area. However detail consideration of access requirements and headroom constraints have led to the conclusion that the mezzanine would not add sufficient value to the building to justify the costs involved.
- 3.3 The design has been submitted for Planning approval and formal consultation has been held with the Council's Conservation Officers, English Heritage and the Sefton Access Forum. Their views have been incorporated into the design layout.

4.0 Options for the Delivery of the Construction

4.1 As the Building Refurbishment and Public Realm Works with establishment of Gateway Features are effectively separate disciplines it is proposed that they be delivered as separate Contracts. The timing of the works has yet to be finalised and depends largely upon the agreement of the preferred option for delivery of the building works. The general principle to be adopted will be to minimise disruption to pedestrians, traders and shoppers whilst maintaining costs within available limits.

- 4.2 There is a benefit, from a cost control perspective of delivering the public realm works immediately after the building works in that possible conflict between contractors will be avoided and the scope of the public realm works van be adjusted depending upon the outturn cost of the building works.
- 4.3 The three broad options for the existing stallholders during delivery of the building contract are as follows;
 - Retaining the traders within the market during the works and hence delivering the scheme in two phases
 - Closing the market to traders during the course of the works
 - Offering an alternative facility to traders during the course of the works.

All of the above options have different implications both to the programme, works cost and viability of the market following completion. These are considered below;

Also to be included, as part of this assessment, is the consideration of the view of the Market traders following a short survey that is being undertaken. This survey asked traders whether they would wish to continue trading in a temporary location.

4.4 <u>Retaining the traders within the market</u>

Consideration of the numbers of traders currently operating within the facility together with an assessment of the number predicted to remain trading after Christmas has led Officers to believe that the existing traders can be accommodated within approximately 1/3 of the available space.

Under this option, it is proposed to relocate all traders to the King Street end of the facility, which should, in itself, assist the traders and to partition the building to allow partial handover to the Contractor.

On completion of a substantial element of the work, traders would then be relocated to the other end, and be served by the Market Street entrance.

There would then need to be a third move to some of the traders to their final positions.

Whilst the above move would clearly result in some disruption to traders it should help ensure that Market, when fully reopen, would do so with some established traders.

The principle disadvantage would be the additional works cost that would be incurred.

Capita have identified the potential for £300,000 of additional works cost over and above the base budget for the works costs. These costs reflect the necessary protection measure required to minimise disruption and nuisance to traders and the fact that the Contractor is likely to take 13 months to deliver the scheme rather than the 9 proposed had full possession been possible.

As the budget for the scheme is fixed at the previously agreed £3.22M figure, the net impact is that scope of the public realm improvements will need to be substantially reduced accordingly.

In summary the budget costs for this proposal will be as follows;

Main Building Contract	2,398,301
Fees (inc planning etc)	390,234
Relocation costs (moving traders)	50,000
Public Realm Costs	333,465
Legal costs	50,000
Total	3,222,000

A further consideration is that, providing that the traders continue to occupy the temporary space during the construction, a rental income of £2,000 to \pounds 2,500 per week may be anticipated.

Assuming a Start on site in July 2010, it is anticipated that the completion of the building works will be August 2011.

4.5 Closing the Market to Traders

This option would involve the serving of the appropriate notices to traders, which would effectively require them to vacate the premises within 6 months unless an appeal is lodged. An option to secure a license to trade within the new facility could be offered as part of the discussions, but clearly traders may chose to trade elsewhere in the interim period.

There is a clear advantage from a construction perspective that the Contractor will have full possession of the facility and hence there will be no relocations costs. Clearly, this has a positive impact upon the proposed completed works costs.

There will, however be no revenue income to the Council during the works.

In summary the budget costs for this Option will be as follows;

Main Building Contract	2,068,301
Fees (inc planning etc)	393,234
Relocation costs (minimal subject to negotiation with traders)	

Public Realm Costs	710,465
Legal costs	50,000
Total	3,222,000

Assuming a Start on site in July 2010, it is anticipated that the completion of the building works will be in March 2011.

4.6 Creation of Temporary Facilities for Traders

This option involves the establishment of temporary facilities to enable traders to operate during the works.

Quarterbridge originally completed an options report which identified the costs and implications of a range of options to accommodate traders. These included consideration of renting adjacent vacant premises such as Rosebys or the establishment of on street facility. The report confirmed that the scale of costs likely to be incurred in paying rent and rates for the duration of the works to accommodate a relatively small number of traders in other local premises was too large to be reasonably accommodated within the scheme budget. The reduction in stallholders since that report was produced has further weakened this as an option.

The report concluded that an option whereby temporary stalls be incorporated onto Market Street would be the most cost effective solution. The stalls could be 'cabins' as commonly used for winter/Christmas markets. These would potentially be used as permanent outdoor markets stalls as part of the ongoing operation post completion.

In order for the outdoor market to operate effectively it is proposed that a Temporary Traffic Order would be applied for requiring the highway to be closed to traffic during the operation of the market. The formal process of consulting on this order would commence immediately after approval was given to this option.

There will be some revenue income to the Council during the works although the number of traders wishing to be accommodated within such a temporary facility may be relatively small. Member will receive a verbal report on the day of the meeting following the survey work identified above.

In summary the budget costs for this Option will be as follows;

Main Building Contract	2,068,301
Fees (inc planning etc)	388,699
Relocation costs (moving traders)	85,000
Public Realm Costs	630,000
Legal costs	50,000
Total	3,222,000

Bearing in mind the need to establish the temporary market prior to handover and to enforce the traffic regulation order it is anticipated that the scheme could start on site in August 2010, it is anticipated that the completion of the building works will be in April 2011.

5.0 Development of the Design of the Public Realm Improvement

- 5.1 A feasibility study has been completed by Capita to determine how the public realm could be redesigned to complement the obvious improvements to the elevation of the market. This study has examined the possible widening of footways, the adoption of new improved facilities, a signage scheme and the installation of gateway features.
- 5.2 The study has also examined the position of statuary undertakers equipment, the Traffic Regulation Order Implications and the access and loading requirements of the businesses within Market Street,
- 5.3 Once a clear position has been established on the phasing, and hence the cost implications of the Building Refurbishment and Temporary Accommodation costs (if appropriate) the budget for the Public Realm works can be agreed and the scope of the works established.
- 5.4 It is proposed therefore that the public realm proposal be reported to Cabinet in due course.

6.0 Consultation

- 6.1 The Consultation access panel agreed that the proposals for the Market and associated Public Realm works were shared with the Public and as such an open consultation session was held in June 2009 in which attendees from both the local resident and business community were invited to submit their concerns and comments.
- 6.2 Appendix A lists the queries identified within the consultation together with the response to how the concerns are incorporated within the design proposals. Subject to approval being granted to delivering the scheme it is proposed to contact all consultees with a response to their specific concerns.

7.0 Legal Position

7.1 Market Traders are currently on weekly licences. If the project is to proceed it is recommended that in order to protect the Council's legal position Section 25 notices, giving 6-month notice, should be served in consultation with the Traders so as to minimise any risk of challenge regarding the potential for protected tenancy issues to emerge at a later date. There is in the Financial Model a contingency of £25,000 to deal with claims as a result of the issue of

the notices which will be reviewed once the outcome of discussions with the Market Traders, but at this point is considered sufficient to deal with the claims. This process can be achieved within the overall project plan and will reduce the risk to the project going forward.

8.0 Financial Issues

- 8.1 The present economic conditions, together with uncertainty around short term operational issues, has resulted in a number of stallholders having difficulty keeping up with their agreed rental obligations. Members need to be aware that the outstanding debts have proved difficult to recover without recourse to firm action. It is important that Officers, in the remaining time before potential commencement of construction, adopt a firm approach to recovering trade debts. This has the potential to create adverse publicity for the Council but there are limited alternative options.
- 8.3 Revenue budget monitoring reports have highlighted the financial implications of the loss of market rental income in the current and previous years compared with agreed budgets. Going forward, depending upon whichever option is agreed for the delivery of the refurbished market (section 4) there will be financial consequences that range from, at worst, a net cost of £217,000 (being the net budgeted income from the market operation) from not operating a market at all to a net cost of c £150,000 from a partial operation in the current market building/temporary location. The Council's Medium term Financial Plan has been updated to reflect these implications.
- 8.4 Net income levels from a refurbished market, excluding capital financing charges, according to the revised business plan would exceed current budgeted levels in the third year of operation.

9.0 Conclusion

9.1 The market redevelopment project is at a critical point where a number of decisions need to be made to unlock the way forward. Members' views are therefore sought as to the following recommendations:

RECOMMENDATION(S):

- 1. Approve the further development of the Market Refurbishment Scheme to enable Officers to invite tenders for the scheme.
- 2. Note the comments from the Market Consultant on the development of the design on the Business Case.
- 3. Determine whether the project should be phased to enable traders to continue trading, or whether temporary accommodation should be provided on Market Street during the works or traders are simply asked to vacate the building for the duration of the works.
- 4. Authorise the Legal Director to negotiate the termination of existing license and negotiate new license for the improved facility.

Results of the Market Improvements questionnaire 15th July 2009

Appendix A

Question	Responses					Comment from the Design Team
1.How can the project be improved ?	Parking	Design Issues	Business Support	Community	Other	
		Glass doors not windows	Café's should showcase market produce	Include young people in the design process		Design shows New window opening and structural 'solar' glazing to 'shop front'
						Café operators can be 'encouraged' to use sell local produce but Council have limited powers to enforce this.
						Young People haven't specifically been involved in the design – not sure who specifically could be targeted and what impact they could have. Potential for young people to be involved within the management and development of the proposed gateway features
		Must be opened up with different entry points	Realistic rents	How are local children being included in the project?		New GA shows additional entrances into the Market – specifically 2 additional entrances on Market St. Rents will be determined as part of

			consideration of the overall strategy.
		Storage for stall holders	Building design will have a storage area for the market generally. Some specific provision will be made for stallholders.
		Expand non- retail e.g. Art Gallery	This can be considered as part of the future marketing of the market space.
		Management once completed	This would seem to be something that will need to be considered and shared during construction.
	Keeping glass clean	Relocation whilst construction takes place	One of the tasks to be undertaken during Stage D will be consideration of the 'maintenance regime' including how the glass frontage is kept clear and how frequently cleaning will be required. This will need to be reflected in the Business Plan.
Reverse flow on K street on way	0	Alternative site during construction	Consideration currently being given to traffic flow within the surrounding area. The current preferred option is to introduce a 1-way system on market st only, but to reduce the c/way width on King St to enable outdoor seating within King St and to give greater priority to peds within the area surrounding the market entrances.

			A number of options have been considered for accommodating traders during construction. These include looking at measures retaining traders within the building during a phased construction process and looking at alternative premises.

Question	Responses					
1.How can the project be improved?	Parking	Design Issues	Business Support	Community	Other	
	Through traffic	More entrances around the site			Are you really interested in our views or will you plough on regardless?	The potential for Market St to be closed to traffic is essential if the aspiration to use Market St to deliver an outdoor Market is recognised. The new design incorporates new entrances onto Market St. The overall proposed internal layout of the market and glazed frontage has been developed with input from Market specialists, Planning Officers, Conservation officers and has been shared with elected members. The design of both the market layout and public realm is still to be developed in detail and therefore this is still opportunity for changes to be instigated providing that they are within the overall framework of the approved scheme.
	Drop-off points	Performance space				A coach drop off point nearby is seen to be critical to the success of the market, and therefore the current facility is currently being examined.

			The internal layout doesn't allow specifically for a performance space, although there could be a demonstration area. The proposed TRO fro Market St does allow the space to be re-assigned during the day and this could allow space for performance on a temporary basis.
Open up Wesley Street to improve general traffic flow	Inclusion of local artists	Do construction in 2 phases	Current proposal is for a TRO to be in place on Market st to restrict traffic flow at certain times thus allowing the provision of an outdoor market.
	Make Queen Ann St. a Gateway from Eastbank St.		The position of the proposed gateway features is yet to be defined. The intention is to use physical features to highlight the presence of the Market and to increase trade. The entrance from Queen Anne St can be reviewed as part of the Design process.
	Service Area		The outdoor service yard will be retained within the design.
	Access to rear for waste removal		The service yard will be accessible to traders for waste removal.
	Where is the toilet going?	Market should attract	The positions of the new toilets within easy reach of the Market St entrances is identified on the plan

		variety of stalls activity and performance acts		
Traffic flo	ow Pedestrianisat ion brings problems for customers buying heavy objects			Some loading provision will be considered on Market St to serve customers collecting large objects from the shops.
	Delivery problems in Market street			An assessment has been carried out of all the delivery needs of the traders currently operating within Market St and their needs are being incorporated in the design.

Question	Responses					
1. How can the project be improved?	Parking	Design Issues	Business Support	Community	Other	
	Disabled parking	Bay parking on Kings St too far away				Limited disabled parking spaces will be incorporated onto Market St.
	Multi storey car park above the Market needed	Need well maintained toilets not modular ones				The delivery of a multi storey car park over the market would significantly increase costs beyond the budget allocated to the scheme. There are other off street parking facilities within reasonable distance of the market. New toilets, available for public use, are incorporated within the design. These will be maintained to a good layout.
		Pedestrianisat ion should be scrapped				Current proposal is for a TRO to be in place on Market St to restrict traffic flow at certain times thus allowing the provision of an outdoor market. This will not be full pedestrianisation.

Question 2 What are your major concerns			
	Traffic flow vital to locals	Loss of business during construction	The issue of traffic flow within the are has been discussed with the Traffic officers within the Council. The disruption to traffic during construction should be kept to a minimum.
	Ditto disabled	Pedestrianis ation killing business	Current proposal is for a TRO to be in place on Market St to restrict traffic flow at certain times thus allowing the provision of an outdoor market. This will not be full pedestrianisation.
	Ditto Coaches	Loss of footfall during construction	The hoardings necessary around the construction site swill be designed to ensure that pedestrian routes to the temp market facility and surrounding shops are maintained and customers are aware of their presence.
	Ditto Delivery Vehicles	My business will fail if market moves away	Market will remain within the Market Hall following the refurbishment. Temp market facility during construction being examined, but favoured option is to create a facility within the existing building.
	Parking is major concern	Customers will not come if they cannot park	The need for parking within the vicinity of the Market is understood. It is recognised that there are off street parking facilities within reasonable

				distance of the market as well as
				some on street parking.
Concern over impact of one-way on King St	and in Market the developme may not be in finished. Can support? The loading ba very difficult cl facilities shoul also. Also, with part and traffic force create a bottle	The loading bay proposal will present some very difficult challenges, and some loading facilities should be reserved in King Street		The Council is committed to supporting traders throughout the development process. These have been detailed discussions with all the individual traders to understand their needs and to share options for temporary trading. Rent levels will be discussed as part of the overall strategy for temporary relocation. The provision of loading facilities and the movement of traffic within the area has been examined as part of a feasibility exercise. The loading needs of customers to the Market St shops and traders within the market have been recognised within the design.
	Parking space			
Loading bays				As above
Taxi ranks				The location of the nearest Taxi ranks is unchanged in the proposals.
Parking for customers				The need for parking within the vicinity of the Market is understood. It is recognised that there are off street parking facilities within reasonable distance of the market as well as some on street parking.

	Harassment by wardens One way traffic will encourage people not to stop					The Market development proposals are unlikely to have an impact on the strategy adopted by the Wardens. The basis for this suggestion is not recognised.
	Too far for elderly people to walk					Consideration of the walking routes from the nearest bus stops and car parks has been given during the development of the proposals for the 'public realm works'.
	Narrowing King St will increase congestion					There could be some minor congestion within King St as it is proposed the carriageway is narrowed outside the King St entrance.
	Lost Parking spaces					There will be a net reduction of parking spaces within Market St and King St.
Grace Baptist Church comment	 In recent years, we have seen a growing pressure on the existing car parking spaces in Market & Princes Street. We estimate there are approximately 14 – 18 car spaces in the area of Market, which may be lost when a pedestrian zone is enforced. At time, our members require approx. 20-30 parking spaces around the church. This includes Wednesday evenings and Sundays (Morning & Evening). We have parking needs through the week (Mon, Wed & Thurs mornings, plus Fri evenings.) 					The comments are understood. It is almost certain that the proposed TRO will not operate during the evenings and therefore parking should be available for evening meetings and Sunday evening worship.

	 We have 3 parking spaces on our site (Market St) which could be impossible to use, unless the one way system in Queen Anne St were reserved. We understand pedestrianisation may be timed to certain periods. When more details of days/times were available, we would like to see them. We oppose Sunday trading on Principle, but we also fear it would make access to church difficult for the congregation (approx. 140-160 people at present). 					The need to implement the TRO to enable an outdoor market facility to be created may be focussed on Saturdays and occasional days throughout the week, but there may also be proposals for Sunday morning trading. This will need to be carefully considered in the light of the comments made before a decision is reached.
Question 3 Will you support traders through the transition period?	10 out of 12 said yes, 2 did not answer					