

Report to:	Council	Date of Meeting:	17 September 2020
Subject:	Southport Market		
Report of:	Head of Economic Growth & Housing	Wards Affected:	Dukes
Cabinet Portfolio:	Regeneration and Skills		
Is this a Key Decision?	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	NO		

Summary:

To approve a supplementary capital estimate of £1.400m that will allow the redevelopment of Southport Market as the approved business plan. This will be funded from a £0.500m direct grant by the Combined Authority and from a £0.900m accelerated grant as part of the Town Deal process

Recommendation(s):

(a) Approve a supplementary capital estimate of £1.400m for the redevelopment of Southport Market. This will be funded from a £0.500m direct grant by the Combined Authority and from a £0.900m accelerated grant as part of the Town Deal process.

(b) Note the future years revenue implications arising from this proposal and approve that these be built into the council's medium-term financial planning and annual budgets.

Reasons for the Recommendation(s):

On 3 September 2020 Cabinet approved the business case for the development of Southport Market to provide a sustainable future for The Market Hall and it is now necessary for Council to approve the capital expenditure required to progress the development.

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs

The business case presented to Cabinet was based on prudent assumptions in respect of visitor numbers and customer spend. Nevertheless, on these bases the project as agreed would deliver a surplus of £101k by year 3.

The Current budget for Southport Market is £75k, which represents the net cost to the Council after taking into account the target profit of £162k from operations less the annual cost of financing historic debt of £237k.

The current Market occupancy is below 20% and is therefore carrying a significant overspend - instead of generating £162k profit, it has an operating loss of c£130k (based on June 2020/21 forecast). This means that the Council support required is currently £367k per annum, a £292k overspend compared to the budget of £75k.

The financial forecast for the preferred option shows that by year 3 £101k profit would be generated and the net cost to the council would reduce from a forecast £367k to £136k.

	Current budget based on previous market business plan	Current June 2020/21 forecast Based on 20% occupancy	Proposed budget for food & drink market / flexible space Year 3
	£000s	£000s	£000s
Capital financing costs	237	237	237
Operating (profit) from activity / loss	(162)	130	(101)
Council required support	75	367	136
Budget in place or required	75	75	136
Offset by other services	0	292	0

The business case provided a detailed sensitivity analysis for information and to support decision making but importantly it outlined the increase in operating profit and assumptions that have been made by officers in conjunction with an industry expert's that result in the income figures for the new operation.

(B) Capital Costs

The Business Case includes £1.4m capital investment in refurbishment, reconfiguration and improvement of the Market Hall.

This includes both the professional fees for project management and construction costs.

The capital funding of the preferred option will be funded by a direct grant award of £500k direct grant by the Combined Authority as part of the Town Centre Commission

funding allocation to Sefton. The remaining £900k will be funded by The Government's accelerated grant fund as part of the Southport Town Deal.

Capital cost certainty will be delivered via the procurement and project management processes.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):

The estimates in the business case reflect the evaluation of the information provided to the council by two 'industry experts' whose expertise has been procured in order to directly inform the development of the business case as this specific knowledge was not held in the council. This has then been financially modelled, verified and challenged by officers within the service. As would be expected, the ultimate future financial performance of the market will predominantly depend upon the number of visitors to the market and how much each individual spends. These will be the two key drivers of financial performance hence the importance of the council receiving specialist advice in these matters, and taking a prudent approach in business case development.

The figures provided within this report and Business case represent the base case for the preferred option based on the procured external advice and the evaluation by the service. This is supported by a range of sensitivities and analysis that look at a number of eventualities that will inform annual performance. It is important to note that these activities will not occur in isolation e.g. higher or lower footfall or expenditure per head but will be inter-related and will require careful and robust management and monitoring as they will directly impact the overall performance hence the reliance on the information provided by the industry experts at this stage. The information contained within the base case is considered prudent by the service based on the advice provided and in this case financial performance can be expected to better than detailed. Conversely in the event that these key factors do not materialise and commercial performance is not as strong as set out then additional council support will be required

In addition to these factors and metrics supplied by the industry expert, financial performance will also be influenced by external factors for which the council may have no control and again the impact of these issues will need to predict, forecast and monitored with remedial activity undertaken as required to both maintain and enhance financial performance.

This review has been most recently updated to reflect, to the extent possible at this time, the impact of COVID-19 on the sector, in both the short- and longer-term. This informs the business case and validates its prudence, and will be relevant to operational management planning.

As is the case currently, financial performance of Southport Market will be reported as part of the councils monthly monitoring and outturn processes.

Legal Implications:

Details of any legal implications are contained within the Business Case.

Equality Implications:

The equality Implications have been identified and mitigated.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: N/A
Facilitate confident and resilient communities: The new market offer will provide a high-quality experience that will provide a destination for local communities to use and enjoy
Commission, broker and provide core services: N/A
Place – leadership and influencer: The Council will directly contribute to an improved visitor destination as part of The Southport Development Framework creating further confidence in Southport that could lead to further private sector investment. The Market project will also have key strategic linkages to the Southport Town Deal and will form part of the Southport Masterplan that will be agreed and submitted by the newly established Town Deal Board
Drivers of change and reform: Providing a long-term sustainable future for Southport Market creating a new diverse use meeting the expectations of residents and visitors
Facilitate sustainable economic prosperity: The proposal will allow a number of new small business start-ups creating additional employment and sustainable business growth
Greater income for social investment: Improve the financial performance of the Market that will allow a greater contribution to the historic borrowing
Cleaner Greener The future operation will contribute to Sefton's aims to becoming Carbon Neutral

What consultations have taken place on the proposals and when?**(A) Internal Consultations**

The Executive Director Corporate Resources & Customer Services FD6093/20 and the Chief Legal & Democratic Officer LD4275/20 have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Early consultation was conducted with existing market traders along with a wider consultation exercise, results of which can be found in the full business case which was presented to cabinet on 3 September 2020.

Implementation Date for the Decision

Immediately following the decision being made.

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1. Introduction

This project has been identified following a comprehensive review of the current Southport Market operation, along with desktop research, commercial and public engagement.

The project will deliver a revitalised market hall with a shift in focus to more food and drink while still retaining a flexible space to hold markets and other temporary events to meet the changing consumer demands building on and maximising the value of the previous investment in 2012. The project should then enable further development within an enhanced Market Quarter that will attract creative and culture industries.

Southport is a valued major destination in Sefton and the wider City Region, attracting millions of visitors a year. The Sefton Development Framework reflects a commitment to attract new investment into Southport and work towards realising long term ambitions through a co-ordinated approach to town centre management, unlocking sites, enhancing key heritage assets, improving the public realm and enhancing accessibility, the Southport Market project will play a key role in meeting this ambition.

More recently Southport was given the opportunity to secure up to £25 million as part of the Town Deal. The Market project will have key strategic linkages to the deal and will form part of the Southport Masterplan that will be agreed and submitted by the newly established Town Deal Board. The Town Deal Board has confirmed its support for the project and the allocation of the accelerated grant fund to it.

Since its refurbishment in 2012 The Market Hall occupancy rates have never reached 90% target level, though there was a notable improvement when management of the market passed back to Sefton in 2015. Occupancy largely remained around 70%, but more recently this has dropped below 20%. It should also be noted that some units have remained empty since the refurbishment in 2012, these units are at the rear of the market with poor sight lines.

There appears to be many reasons why traders are leaving such as lack of footfall, debts, rent levels and lack of consumer spending power.

A small number of traders have re-located to other locations within Southport while others have gone out of business or reduced their market stall portfolio.

2 Project Outcomes

The outcomes of the referenced option being a refurbished market hall with a focus on food and drink with flexible events space, which will support the wider visitor economy by;

- A revitalised market hall creating a sense of place, where residents and visitors will spend time, socialise and spend more, in recognition of an excellent food and beverage offer and experience.
- Opportunities for new business start-ups and growth of already established businesses creating and safeguarding jobs
- Safeguarding and creating new construction jobs
- Creating new full-time employment opportunities within the food units, bar operations as well as within the Council.
- The creation of a visitor economy asset that forms part of a critical mass of attractions in Southport that will contribute to the vitality and viability of the town centre and contribute to the continued growth and diversification of the visitor economy
- Act as a catalyst for the regeneration of 'The Market Quarter'
- Eliminate the risk of closure and 'mothballing' based on current losses and further decline.