



Doncaster Council

Date: 1st September 2020

**To the Mayor and Members of the
Cabinet**

MARKET OPERATOR - TEMPORARY FINANCIAL ASSISTANCE

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Mayor Ros Jones Cllr Joe Blackham	All	Yes

EXECUTIVE SUMMARY

1. The markets in Doncaster are a thriving destination for people to visit and spend time in the town centre. They are improving and there have been positive social media and press engagements about the market estate, especially the Wool Market, highlighting how the nature of the area is more appealing.
2. Doncaster Council ran the markets and there was a controllable loss of £0.58m prior to the contract award to Market Assessment Management (Doncaster) Limited "MAM". The markets management within the council was very traditional and the markets estates had become very dilapidated. There was a large capital investment programme to improve the Corn Exchange, Wool Market and Fish Market electrics.
3. Following a competitive procurement process, on the 15th May 2019 the Council entered into a concession contract with MAM to manage the markets in Doncaster and Mexborough.
4. MAM have spent the first year planning improvements and increasing lettings across both Doncaster and Mexborough markets. The look and feel of the Wool Market has greatly enhanced this once neglected and care-worn building.

5. The trading position for markets has been difficult in the first year of the contract and the Covid-19 Pandemic has had a detrimental effect on the economy in the United Kingdom and this has impacted on local markets. Business conditions in the north of England have been very difficult for retail and many previously successful large chains have disappeared from the High Street.
6. The Council have been in discussions with MAM who have outlined that the operation is unsustainable and have asked for support from the Council by way of a contribution to their costs, support to make significant operational efficiencies and investment in the estate over the next 2 years.
7. The Council now need to consider urgently a number of options in determining the best outcome for the markets, balanced with the level of risk and financial investment involved in each.

EXEMPT REPORT

8. Whilst this report is not exempt it does contain an exempt appendix 1. The appendix 1 is not for publication because it contains exempt information within paragraph 3 of schedule 12a of the local government act 1972, as amended, as it contains exempt information relating to the financial or business affairs of any particular person (including the authority holding that information).

RECOMMENDATIONS

9. Cabinet are asked to support Option 1:
 - Cabinet agrees to temporarily subsidise the operation of the markets at a cost of £0.91m by entering into a temporary variation of the contract until 31st March 2022. The variation will suspend amounts due from MAM to the Council under the existing contract and provide a capped amount of financial support to aid the delivery of the market management service until 1st April 2022, at which point the provisions of the existing contract will resume.
 - Cabinet agrees to delegate authority to the Director of Corporate Resources (or in their absence the Assistant Director of Finance) in consultation with the Assistant Director of Legal and Democratic Services and the portfolio holder for Highways, Street Scene and Trading Services to agree the terms of the contract variation.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

10. The management and operation of the markets either with an external provider or through insourcing the service means the markets estate will continue to be a busy commercial environment and focal point of Doncaster and Mexborough.
11. This proposal would see the markets management model maximising its position to develop opportunities, contributing to create jobs, growth and revenue through the generation of new small businesses and rents. These businesses feed in to the high street and larger premises as they develop from embryonic lifestyle and ideas in to real business outcomes.

12. The borough needs to seize the opportunity on the current market position, as there has been a change in our citizens shopping habits due to Covid-19 where market patronage has strengthened with weekly footfall in early July 2020 of an average of 47,000 people. The markets have seen increased shopper confidence and usage through being less crowded and more open than supermarkets, thus allowing social distancing, and allowing shoppers to purchase fresh, local produce with guaranteed stocks.

BACKGROUND

13. MAM has operated the contract, improving the Markets and managing the new Wool Market following the transfer from the Council who opened the venue and ran the new Wool Market from 26th March 2019 to 15th May 2019.
14. In the tender, the provider proposed significant investment of £6.2m over the 25-year contract period, which included £2.3m of this to be spent in the first 5 years of the contract. Whilst MAM are actively seeking a new investment partner, it is very unlikely that investment anywhere near the planned scale will happen within the next three years.
15. Under the existing provisions of the contract, there is a guaranteed annual amount paid by the provider to the Council in each year over the life of the contract of £122k plus an amount of £130k for insurance and an existing lease at Mexborough (at 2019/20 prices). These amounts will still be received for the remainder of the contract period from 2022/23 to 2043/44.
16. There has been no rent increase to traders as the proposed increase was halted once the Covid-19 virus hit the country and effected traders and their customers.
17. Occupancy has increased in the Doncaster market from 127 units (baseline figures, May 2019) to 137 units (Q4, 2020 KPI figure) prior to the lock down. As of 31st March 2020, there are 28 voids across the Doncaster estate.
18. Mexborough occupancy levels have decreased from 39 units occupied (baseline 2019) to 36 units (Q4, 2020 KPI figure). A competition to entice traders at Mexborough which was put on hold due to the Covid-19 lockdown has now been launched.
19. There is expected to be a reduction in the number of traders across both Doncaster and Mexborough markets after allocation of the government business grants and opportunities for retirement and alternative employment arise over the next uncertain year. The market traders have been eligible and received Business Support Grants due to Covid-19.
20. MAM reduced costs and had plans for investment in the Doncaster estate. These have been revised and are outlined in Appendix 2. The new revised strategy and vision makes reference to some exciting plans. Significant components include:
 - Doncaster Market is well placed to act as a catalyst for community driven initiatives and incubator space for small business
 - Community, localism and entrepreneurial spirit which will pave the way for recovery

- Mexborough street food night market
- The Basement 'Mexborough' food hall and venue
- The Wool Market – flexible space developed into a new primary seating area with stage
- The Wool Market – boutique retail focus, beauty lifestyle retail, experiential options, dart games, mini golf, selfie pods, rage rooms, instagrammable feel
- The Outdoor Market, remove permanent stalls, encourage flexible pop ups and street scape the square to become an attractive place to spend time
- The Corn Exchange – build a strong brand identity as being home for artists and creative makers, mezzanine coffee shop
- Sunny Bar – create in 2025 Sunny Bar Productions, a home for independent food producers, brewery tap room, chocolatier, artisan bakers, and coffee roaster
- Market Entrance – new feature entrance with modern trading area for fish restaurant and key fruit and vegetable businesses
- Market Vaults – the vaulted cellars beneath the Corn Exchange offer a significant opportunity to develop into a select jazz bar.

21. In the first year of the operation, the costs for MAM of managing the Markets were in excess of income, shown in Appendix 1. From 2022/23, the Markets are projected to make a return that is sufficient to cover the cost of the concession. This is indicative of a changing retail, food and beverage-trading environment that has previously existed.
22. Social distancing will impact turnover rents agreed in the Wool Market and other food retail areas until customer confidence returns in the next few years as society adapts to new social norms and a vaccine is found.
23. The Town Centre Masterplan includes specific objectives relating to the market including **'creating a nationally recognised market, raising the aspirations and functions of the markets as enterprise generators and location for start-up and business opportunities.'**
24. There will be workforce challenges in the near future, as the Markets will need to be restructured to reflect changes in shopping and trading.
25. To in-source the markets there would need to be considerations to:
 - Appoint to the senior management function
 - Have sufficient and adequately experienced staff as part of a new markets team
 - Manage the markets, whilst actively seeking new investment and innovation
 - Engage with all market traders and stakeholders
 - Invest in innovative and entrepreneurial skill sets
26. Whilst managed by the Council the markets made a controllable loss of £0.58m per annum. This significant amount would be more than the subsidy required for the 2 year period.
27. The Markets of Doncaster and Mexborough should continue to create and enhance wider social value and environmental benefits such as;

- Encourage trade in sustainable, fresh, local, food, produce, goods and services
 - Social inclusion – the ease of becoming a trader can support a wide range of people to earn a living and can be attractive to new business ventures to the area
 - Enable entrepreneurship and promote a sophisticated retail environment
 - Face to face contact and its wellbeing benefits
 - Support deprived urban communities – providing value, quality produce to those living close to or in the Town Centre's that do not have access to their own transport
 - Environmental sustainability – the way a market can promote and sell locally produced food and the benefits that brings to the wider environment and promoting links between rural and urban communities
 - Reinforce Mexborough market as a hub of local social activity and central to the town's retail offer.
28. MAM have developed close links to the town centre management functions and Business Doncaster within the Directorate of Economy and Environment.
29. The events team within Learning, Opportunities, Children & Young People (LOCYP) directorate work closely with MAM on town centre performances and events, for example, Delicious Doncaster Food Festival. The key events in the town centre have become part of the social calendar and are revisited year on year e.g. Armed Forces Day, St Leger Festival, Christmas Markets and Christmas Lights Switch-on.

OPTIONS CONSIDERED

30. Option 1 - To continue a contract with associated lease with the current provider, over the course of a 25-year term, financially assisting (subsidising) MAM temporarily for two years. This will take the form of a contract variation. To temporarily subsidise the operation of the markets at a cost of £0.91m by entering into a temporary variation of the contract until 31st March 2022. The variation will suspend amounts due from MAM to the Council under the existing contract and provide a capped amount of financial support to aid the delivery of the market management service until 1st April 2022, at which point the provisions of existing contract will resume.
31. Option 2 - To not subsidise operations and ultimately risk contract failure, which will see the Markets return to be managed and operated in-house by the Council. This has been discounted due to the specialised retail expertise and knowledge that is required to manage a successful markets estate. This option carries the most cost risk as the operation previously made a significant loss under Council control, and the costs would be uncapped and ongoing whereas costs in Option 1 are capped and for a temporary period.
32. Option 3 - There is an option of cessation of the Markets in Doncaster and Mexborough that has been discounted due to the nature of Doncaster and Mexborough being market towns, bringing visitors to the town centres and the detrimental impact reduced footfall and vacant assets would have on the vibrancy of the town centre. Cabinet are requested to note this.
33. The contract variation (Option 1) is the recommended option.

REASONS FOR RECOMMENDED OPTION

34. MAM have brought about positive changes to the Market – increased footfall, management of the successful wool market, reduced voids and proactive and collaborative approach to reopening after Covid-19. Income from the Markets had declined significantly over the past five years and was running at a loss £0.58m per annum whilst managed by the Council.
35. To ensure that Doncaster and Mexborough Markets are the best in the region the constant focus, drive and passion that MAM deliver; is required to prevent a stagnation and backwards approach to citizens’ town centre experience.
36. Although the first year of the contract has not performed as well as MAM expected, MAM have outlined in the strategy and vision document how they consider how this can be made more profitable over the remaining contract period. Which will allow the entity to become profit-making over the course of the rest of the contract and therefore the financial assistance is a temporary measure.
37. The Doncaster and Mexborough Markets: Strategy and Vision (Appendix 2) outlines the route map for considerable proactive and ambitious changes to the markets quarters in both Doncaster and Mexborough.

IMPACT ON THE COUNCIL’S KEY OUTCOMES

38.

	Outcomes	Implications
	<p>Doncaster Working: Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <p>Better access to good fulfilling work Doncaster businesses are supported to flourish Inward Investment</p>	<p>Ability to boost self-employment opportunities from local enterprises.</p> <p>Local producers will be a focus to ensure the regional economy is given an opportunity to showcase their wares.</p>
	<p>Doncaster Living: Our vision is for Doncaster’s people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <p>The town centres are the beating heart of Doncaster More people can live in a good quality, affordable home Healthy and Vibrant Communities through Physical Activity and Sport Everyone takes responsibility for keeping Doncaster Clean</p>	<p>The vibrant street food and entertainment, combined with a heritage and new outlook will ensure opportunities to shop, eat, socialise and feast the eyes on an eclectic mix of culture and real life living with all the sights, smells and tastes of a vibrant and thriving economic offer.</p> <p>The social value of a market offer will be there for people to enjoy and interact as the market place has been a meeting and procurement hub for hundreds of</p>

	Building on our cultural, artistic and sporting heritage	years.
	<p>Doncaster Learning: Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p> <p>Every child has life-changing learning experiences within and beyond school Many more great teachers work in Doncaster Schools that are good or better Learning in Doncaster prepares young people for the world of work</p>	<p>Children and young people will visit the safe and thriving retail environment with parents and primary carers.</p> <p>The traditional heritage of the market towns of Doncaster and Mexborough will be preserved for future generations to enjoy.</p>
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p> <p>Children have the best start in life Vulnerable families and individuals have support from someone they trust Older people can live well and independently in their own homes</p>	<p>Markets are a traditional place of value for older and vulnerable people, where they can shop with confidence and engage with friendly and knowledgeable traders.</p> <p>Visiting markets and engaging with positive and passionate traders can help people's wellbeing and morale.</p>
	<p>Connected Council: A modern, efficient and flexible workforce Modern, accessible customer interactions Operating within our resources and delivering value for money A co-ordinated, whole person, whole life focus on the needs and aspirations of residents Building community resilience and self-reliance by connecting community assets and strengths Working with our partners and residents to provide effective leadership and governance</p>	<p>Wi-Fi, cashless and EPOS (Electronic Point of Sale) facilities are available for the modern shopper.</p>

RISKS AND ASSUMPTIONS

39. The markets have played a key role in the history of Doncaster and Mexborough, maintaining this is essential for both towns and the borough as a whole.

40. Without financial support and investment it is highly unlikely that MAM will be able to continue as a business entity and therefore the service currently provided by them will cease.
41. Continued investment is required for the markets for their survival particularly as we have witnessed a change in shopping habits of younger generations, the impact of Covid-19 on the shopping experience and the significant response towards improving the environment.
42. The Council is the holder of the Doncaster Borough Charter of 1505 granted by King Henry VII. This gives the Council the exclusive right to hold markets in Doncaster. The Council can grant a right for other parties including the preferred provider to manage markets in the area.
43. Rossington Market remained with the council and is supported by the communities team.
44. Should the recommended option not be agreed and the Markets were to be brought back in house this would involve TUPE for those staff in MAM identified as predominantly working on Doncaster and Mexborough markets.

LEGAL IMPLICATIONS [Initials SRF Date 09.07.20]

45. The Council holds the Doncaster Borough Charter of 1505 granted by King Henry VII. This gives the Council the exclusive right to hold markets in Doncaster and the Council is permitted to grant a right for another party to manage markets in the area.
46. Section 1 of the Localism Act 2011 provides the Council with a general power of competence, allowing the Council to do anything that individuals generally may do. Section 111 of the Local Government Act 1972 gives the Council the power to purchase goods and services.
47. MAM have been in discussions with the Council in response to difficulties which it has found itself in and has made a request for financial assistance for a short period of time.
48. The report requests approval to subsidise the operation of the markets at a cost of £0.91m by temporarily suspending the concession mechanism. This is a variation to the original concession contract.
49. A formal variation will be required to amend the current contract.

FINANCIAL IMPLICATIONS [Initials CA Date 20.07.20]

50. The revenue cost of Option 1 is £0.91m (£0.66m in 2020/21, £0.25m in 2021/22). These costs will be funded from contingency budgets. The Council's contingency budget is limited and this decision will deplete the balance significantly, therefore it may be prudent to create additional capacity through the budget setting process to provide more flexibility to fund unrelated pressures that may arise in 2021/22.

51. The detailed cost assumptions for both options are set out in Exempt Appendix 1.

HUMAN RESOURCES IMPLICATIONS [Initials RH Date 08.07.20]

52. There are no specific HR implications relating to the recommended option. Should this not be agreed further HR advice should be sought in terms of the next steps relating to workforce implications.

TECHNOLOGY IMPLICATIONS [Initials PW Date 06.07.20]

53. There are no technology implications in relation to the recommended option outlined above.

HEALTH IMPLICATIONS [Initials CT Date 07.07.20]

54. Doncaster markets can play an important role in improving and maintaining health and wellbeing. They provide a place for meeting and social connection as well providing easy access to healthy and affordable food. Markets also provide low cost opportunities for business start-ups and attract visitors to the area. Their contribution to a healthy and vibrant society for Doncaster residents is significant; therefore, the Director of Public Health agrees that Option 1 to support MAM by way of the proposed contract variation would be a sensible approach to enable MAM to overcome the impact of Covid-19 on their original business plans and ensure our markets remain viable.

EQUALITY IMPLICATIONS [Initials HF Date 07.07.20]

55. Doncaster Council has a statutory responsibility to have due regard to the protected characteristics under the Equality Act 2010. This includes the requirement of the need to eliminate discrimination, harassment and victimisation and other such factors as part of the Act whilst advancing equality opportunities for all. The proposals outlined within the report will allow the continuation of benefits to all Doncaster citizens irrespective of protected characteristics.

CONSULTATION

56. There has been engagement on this report with the Director of Corporate Resources and with the Portfolio Holder for Highways, Street Scene and Trading Services. MAM have engaged with market traders and shared their vision at both Doncaster and Mexborough markets.

APPENDICES and BACKGROUND PAPERS

57. Appendix 1: Exempt Information Doncaster Council Market Management Costs (containing Option 1&2)

58. Appendix 2: Market Asset Management (Doncaster) Ltd: Doncaster and Mexborough Markets Strategy and Vision

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