



EXECUTIVE FUNCTIONS DECISION RECORD

The following decisions were taken on Tuesday, 1st September, 2020 by Cabinet.

Date notified to all Members: Thursday, 3rd September, 2020

End of the call-in period is 5.00 p.m. on Monday 14th September, 2020. These decisions will not be implemented until after this date and time.

Present:

Chair - Mayor Ros Jones (Mayor of Doncaster with responsibility for Budget and Policy Framework)
Vice-Chair - Councillor Glyn Jones (Deputy Mayor, Portfolio Holder for Housing and Equalities.)

Cabinet Member for:

Councillor Nigel Ball	Portfolio Holder for Public Health, Leisure and Culture
Councillor Joe Blackham	Portfolio Holder for Highways, Street Scene and Trading Services
Councillor Rachael Blake	Portfolio Holder for Adult Social Care
Councillor Nuala Fennelly	Portfolio Holder for Children, Young People and Schools.
Councillor Chris McGuinness	Portfolio Holder for Communities, Voluntary Sector and the Environment.
Councillor Bill Mordue	Portfolio Holder for Business, Skills and Economic Development
Councillor Jane Nightingale	Portfolio Holder for Customer and Corporate Services.

PUBLIC MEETING – SCHEDULE OF DECISIONS

Public Questions and Statements

No public questions or statements were made at the meeting.

Decision Records dated 11th August 2020, be noted.

DECISION 5.

1. AGENDA ITEM NUMBER AND TITLE

10. Market Operator - Temporary Financial Assistance Report

2. DECISION TAKEN

Cabinet:-

- (1) agreed 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; and
- (2) agreed 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; and
- (3) agreed that Cabinet receive quarterly reports on the current position, and monthly updates be provided to Executive Board.

3. REASON FOR DECISION

Cabinet received a report in relation to the Market Operator and a Temporary Financial Assistance proposal. It was reported that the markets in Doncaster and Mexborough were improving and the Wool Market had proven to be a popular place for visitors far and wide.

The Council ran the markets with an annual loss of £580,000 prior to the contract award to MAM (Markets Assets Management Doncaster Ltd).

MAM are retail experts specialising in Markets who have managed the traders and shared a vision with them to drive performance and encourage a busy market environment.

It was noted that as we have all seen, trading conditions for retail across the country have been challenging during the last year, and Covid-19 has significantly added to this pressure. Retail and leisure industries are struggling to survive and need support. In March 2020, the complete closure of all non-essential retail business compounded MAMs ability to operate their business successfully, and has created a trading environment that no one could have envisaged at the beginning of this year.

Any other third party operator and indeed the Council would have faced the same struggles which MAM are currently facing.

Cabinet were advised that discussions have taken place with MAM, and they have outlined that the current operation is unsustainable and have asked for support from the Council by contributing to their costs, support to make operational efficiencies and to contribute to the investment for the market estate. MAM have shared their vision document with us on where they want to take our market, and this is welcomed.

Cabinet were asked to support Option 1 within the report to continue a contract with associated lease with the MAM over the course of the 25-year term, financially assisting MAM temporarily for the next two years, before going back to the original contract and any surplus above £150K being shared with the Council.

It was reported that several questions had been received after the deadline. In the interest of public scrutiny, the Mayor responded to them as follows:-

Question 1

'My question relates to the proposed contract variation with MAM. Why is Doncaster Council even, given these difficult times, contemplating this sort of bail out? It seems an unsteady approach to our local finances. Where is the money coming from? Why was the risk of this issue not previously identified as part of the council's due diligence process?'

In response, the Markets are an important part of the infrastructure of both Doncaster and Mexborough, If they are allowed to fail, then there will be high consequences in terms of jobs, visitors and other allied retail anchors. The money paid to MAM will allow the markets to continue to operate, or the contract could terminate resulting in the asset returning to the Council. The Council ran the markets at a loss in excess of £500,000 per annum.

The money will have to come from the contingency budget.

The tender submission was seen as being achievable, whilst optimistic, and was submitted as the country was on a rise in terms of investments and growth. The wool market was oversubscribed for food and beverage stalls, and there was lots of interest in investment of the wider estate.

Question 2

'When did Doncaster Council become aware of the need for a potential contract variation? What impact will this have on Doncaster Council's ability to comply with its commitment to spending local money on local firms only?'

In response, MAM came to the Council at the end of the financial year 2019/20 and discussions have been ongoing since then.

The money that operates the market is spent locally on jobs and services; there has not been a surplus to return to the company head office.

Question 3

When DMBC carried out due diligence into MAM Doncaster, did they look into the

wider MAM group, or seek out discussions with officials in other authorities as to their experiences working with this provider? How was MAM investigated?

In response, the due diligence carried out on MAM before the contract was awarded has been considered at the call in decision by the overview and scrutiny committee. There were Legal and Financial checks performed on the company, Directors and the parent company guarantor. In addition, there have been discussions undertaken with other Local Authorities that have MAM services.

Question 4

I have a question about the proposed contract variation with MAM. I've read with interest item 14 of the report. Why is it unlikely that this investment will happen? MAM promised to improve the markets by running them more efficiently and generating revenue. Why hasn't this happened? What oversight does the council have over this matter and why aren't we ensuring we hold MAM to account?

In response, capital investment from the parent company is unlikely to happen in the current climate as the retail, food and beverage markets in the United Kingdom have contracted. The country is in the worst recession since the Second World War, which has significantly impacted on the private sectors appetite to make investment decisions.

Most of the market has been closed, and income from the concessions and agreed percentage of turnover in the most lucrative areas of the market have not been forthcoming. In addition, vacant markets stalls have not been taken up in the past eight months and MAM are only just starting to see interest from new traders across both market estates. Without this financial support, the company may become insolvent and the service and assets returned to the Council.

Were the service and assets to return to the Council, outstanding costs will still need to be met by the Council, and there is a lack of expertise in running markets inside the Council.

With this new oversight and a closer working relationship with MAM, the monthly trading and financial position of MAMs will be monitored. Business cases for investments to improve the Market will be approved by the Council.

Councillor Joe Blackham emphasised that the reason for the proposal was due to the Covid 19 Pandemic. He stated that the Markets have been unable to trade fully resulting in loss of revenue for managing the markets, and MAM have been unable to fulfil its obligations. These difficult trading conditions have been seen across the UK High Street with many household name retailers struggling. This proposal represents money well spent, and once the Pandemic is behind the Borough, it is expected, that a different yet vibrant and thriving Doncaster and Mexborough market will emerge.

Debbie Hogg, Director of Corporate Resources reported that the contract would be set around an open book accounting arrangement and the operator will provide the Council with management accounts. She stated that the Council already receive lettings and other information, which will be provided on a monthly basis. The

future vision for the markets is predicated on investment and each application for capital investment will require a business case to ensure a return on investment. Officers are confident that these steps will shore up the long term arrangements and the markets financial position.

Councillor Joe Blackham recommended that quarterly reports be brought to Cabinet on the markets financial position, as well as monthly updates to Executive Board, and Cabinet agreed that this be included as a further recommendation within the report.

4. ALTERNATIVES CONSIDERED AND REJECTED

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.

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.

5. DECLARATIONS OF INTEREST AND DISPENSATIONS

There were no declarations.

6. IF EXEMPT, REASON FOR EXEMPTION

Appendix 1 to the report is not for publication because it contains exempt information by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

7. DIRECTOR RESPONSIBLE FOR IMPLEMENTATION

Debbie Hogg, Director of Corporate Resources.

Signed.....Chair/Decision Maker