

OFFICER DECISION RECORD SHEET

Name of decision maker: Assistant Director of Planning, Development & Regeneration

Service Area: Strategic Planning & Regeneration

Title of Decision: To agree a one-year contract extension to the current market contract with Saunders Markets Ltd for the market in Hemel Hempstead town centre.

Decision made and reasons:

Decision:

Reason:

The current market Contract was issued to Saunders Markets Ltd on 5 February 2013, prior to the Hemel Hempstead Town Centre regeneration works starting on the Marlowes pedestrian area. This Contract was awarded at an annual rent of £60,000 plus 50% share of market profits in excess of £205,000. It must be noted that this profit share threshold has not been met, so far, during the course of the Contract.

The market has had to adapt to many difficulties during the term of the current market contract as a result of the Marlowes regeneration works that were taking place in the Marlowes pedestrian area and the Bus Interchange, as part of the Hemel Evolution Regeneration Project. This disruption had some impact on market trading levels with a number of the regular traders leaving. However, with the completion of the regeneration works conditions have now improved and this has encouraged a number of new regular market traders.

In light of the above, and following meetings with myself and Officers, Saunders Markets Ltd has proposed two options relating to a one-year extension to the current contract. They have stated that a one-year agreement is not as valuable as a 5 year agreement and also they have to consider the significant disruption and also the lower profit margins they have endured during the current contract.

Option 1 – £40k plus income split

This offer is for a £40k base rent and 50/50 split on income above £170k.

“It is extremely difficult proposing a figure for a one year extension as the previous five years of relocations and disruptions have somewhat diminished the true value of the market. Although the market has now stabilised to some degree we are still in worse position than previously with regard to the amount of traders attending and I am unsure if we will return to the former levels.

As a result of this situation I would propose that a lower base rent is paid for the

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extension, £40k, but also the figure at which income is split on an equal basis is reduced to £170k. This means that both parties will benefit if we are able to improve the market during the additional year.” – Saunders Markets Ltd

Income projections for 40k base rent and 50/50 income split on income in excess of 170k						
		Projected				
	16/17	17/18	(+ 5%)	(+10%)	(+15%)	(+20%)
Income	161,939	172,000	180,600	189,200	197,800	206,400
Operating	88,809	93,249	93,249	93,249	101,569	101,569
Costs						
DBC Income	60,000	41,000	45,300	49,600	53,900	58,200
SML Income		37,751	42,051	46,351	42,331	46,631

Risk - Should the income split level not be achieved this will result in a £20k deficit in the 2018/19 budget.

Option 2 – 60/40 split

This offer is for a 60/40 in DBC's favour on net income.

Projections for 60/40 net split in DBC favour						
		Projected				
	16/17	17/18	(+ 5%)	(+10%)	(+15%)	(+20%)
Income	161,939	172,000	180,600	189,200	197,800	206,400
Operating	88,809	93,249	93,249	93,249	101,569	101,569
Costs						
DBC Income	60,000	47,251	52,411	57,571	57,739	62,899
SML Income		31,500	34,940	38,380	38,492	41,932

This market income generated in this option will be dependent on the performance of the market. Projections shown above show that if the market performance increases by 20% the current budget of £60k could be achieved. There is a risk though that the performance may decline which will be represented by a budget shortfall.

Market income to date

This is summarised below:

	13/14	14/15	15/16	16/17
Market Income	147,837	157,251	152,277	146,529
Card payments			2,590	2,915
Street Trading	14,050	15,026	10,557	12,495
TOTAL	161,887	172,277	165,424	161,939

Income has been steady but last year achieved just under £162k. Only once, in 14/15, has it exceeded the £170k threshold that Saunders are proposing to be used in Option 2.

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Analysis

In the course of negotiations, the operator has been asked to put forward a further option offering a higher basic payment but with no or reduced split on income above the defined threshold. This has not been offered, so we are left with a straight choice between the two options set out above.

It is considered that the Council needs to secure the highest level of guaranteed income, hence option 1 is recommended. Option 2 is not considered realistic as market income has not exceeded the £170,000 threshold proposed over the past 4 years of operation. The projection illustrated for 2017/18 shows that on the 60/40 split option (2), just over £47,000 could be achieved. This is however not guaranteed.

Reports considered:

Cabinet Report CA/55/17 dated 23 May 2017 to grant delegated authority to the Assistant Director of Planning, Development & Regeneration to agree a one-year contract extension to the current 5 year market contract.

Officer Decision Record Sheet to approve the awarding of the contract.

Officers/Councillors/Ward Councillors/Stakeholders Consulted:

Pennie Rayner - Strategic Planning & Regeneration Officer
Chris Taylor – Group Manager of Strategic Planning & Regeneration
Graham Sutton – Portfolio Holder for Planning and Regeneration

Financial Comments: See report above

Monitoring Officer Comments:

Officers must ensure that the new terms are documented in an agreed contract and signed by both parties.

Deputy S151 Officers Comments:

The loss of income will need to be absorbed by the service as no growth bids have been raised as part of the 2018/19 budget setting process.

Implications:

Value for Money:

The additional year will allow for the BID vote to be finalised and time for DBC to consider how it wishes to proceed with any potential new market contract for the town centre.

Financial: Please see Finance Comments above.

Risk: If the contract price is not agreed there is a risk that no market will take place

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A handwritten signature in black ink that reads "James Doe". The signature is written in a cursive style with a horizontal line underneath the name.

Officer Signature: James Doe

Date: 10 October 2017