



Report for:	Cabinet
Date of meeting:	24th April 2018
PART:	Part 1
If Part II, reason:	

Title of report:	Market Management Post February 2019
Contact:	<p>Graham Sutton, Portfolio Holder, Planning and Regeneration</p> <p>James Doe, Assistant Director, Planning, Development and Regeneration</p> <p>Author/Responsible Officer</p> <p>Chris Taylor – Group Manager Strategic Planning and Regeneration x 3405</p> <p>Pennie Rayner – Economic Development Officer Strategic Planning and Regeneration x 2570</p>
Purpose of report:	To update Cabinet on issues relating to the Hemel Hempstead Town Centre market Contract which ends February 2019, and to set out proposals for future Contract arrangements.
Recommendations	<p>That Cabinet agree:</p> <ol style="list-style-type: none"> 1. To commence a procurement process for a maximum 5 year contract (3 years initial term with option to extend for a further 2 years at one year intervals subject to performance) . 2. To delegate authority to agree the terms of the Contract to the Assistant Director (Planning, Development and Regeneration) in consultation with the Portfolio Holder, Planning and Regeneration.
Corporate objectives:	Ensuring economic growth and prosperity – A successful and vibrant Market will bring footfall and wealth into Hemel Hempstead Town Centre supporting the local retail economy.
Implications:	<p><u>Financial</u></p> <p>The current market Contract generates £60,000 income</p>

<p>'Value For Money Implications'</p>	<p>per annum. The current financial year is anticipated however to generate £40,000 as it was a one year extension which was less attractive to the market operator.</p> <p>With a reduced emphasis on the requirement to maximise income it will be possible to increase the range and quality of the offer of the market though this will mean a growth item being included in budgets from 2019/20 onwards reflecting the reduction in income.</p> <p><u>Value for Money</u></p> <p>A vibrant market is important to enhance the retail economy of the town centre and enhance the investment the Council has already made in the public realm.</p>
<p>Risk Implications</p>	<p>There is a risk that no tenders are received for the next market Contract</p>
<p>Equalities Implications</p>	<p>None.</p>
<p>Health And Safety Implications</p>	<p>Covered in the market tender documentation.</p>
<p>Monitoring Officer S.151 Officer Comments</p>	<p>A robust contract will need to be developed to ensure that the contractor meets the council's key objectives for the service. This must include an effective performance management regime which can be monitored through the term of the contract.</p> <p>The future market contract has to have SMART performance indicators that encourage the development of the market programme and incentivise an efficient delivery of the strategic objectives.</p> <p>The task and finish group will pull together the financial incentives required to fulfil this strategic requirement and the financial impact will be assessed.</p>
<p>Consultees:</p>	<p>Procurement Team Leader and Officers, Corporate Director (Housing & Regeneration), Solicitor to the Council, Legal Governance Team Leader, Valuation & Estates Team Leader, Licensing Team Leader, Financial Planning & Analysis Team Leader.</p>
<p>Background papers:</p>	<p>Market Cabinet Report 25 April 2017 – one year Contract extension agreed</p>

1. BACKGROUND

1.1 The market contract, currently run by Saunders Markets Ltd, will terminate in February 2019 (following a one year extension for 2018/19) and will

require a procurement process to start this financial year to ensure continued operation. The views of Cabinet are sought regarding what the basis of the tendering process and contract specification should be, in particular the degree to which it will be required to make a net financial return to the Council (£60,000 per year in the current contract). The current contract also includes a 50% share of market profit over a specified amount in the year though this level has never been reached.

- 1.2 The current market operates reasonably well financially though is generally felt to be fairly basic in the range of quality of products and services on sale. One option is to maintain the status quo and keep the income requirement as now this would significantly limit the degree to which the market could be improved. The alternative is to financially incentivise the provider to develop and deliver a series of additional activities and to lower the threshold for profit share. If this option is accepted then the income is likely to reduce to ensure that the market programme is developed and expanded and this would constitute a growth item for 2019/20. The Task Finish Group will agree the likely value of a basic rental income alongside the value of the additional incentives to ensure that a realistic rent level is still achieved for the Council
- 1.3 Council run markets at one time could expect to generate a good financial return but the change in shopping patterns over the last few decades has changed this quite radically – a large number of councils run markets with no net income and a number provide a subsidy and see them as adding to the experience and offer of the town centre and increasing footfall and turnover to the town centre retailers.

The current market Contract includes the following markets:-

Wednesday	Bric-A-Brac	Marlowes Pedestrian Area
Thursday	Regular Market	Marlowes Pedestrian Area
Friday	Regular Market	Marlowes Pedestrian Area
Saturday	Regular Market	Marlowes Pedestrian Area
Sunday (now continuing as now subsidised by DBC)	Old Town Sunday Market – Monthly	St Mary's Close Car Park

- 1.4 A successful market has much to offer the community – economically, socially and environmentally. Hemel Hempstead has had a market since the market charter was granted in 1549 and it is a known and attractive retail offering, encouraging shoppers into the town centre. It is generally agreed however that there is now a desire to increase the quality of the offer from the market and a new Contract may offer opportunities to address this.

- 1.5 Since the previous five year market Contract was let and then subsequently extended, trading conditions have changed significantly. The market has had to adapt to many difficulties during the Contract period as a result of the Marlowes regeneration works. This disruption had a negative impact on market trading levels. The market is now rebuilding after a period of stability
- 1.6 DBC have worked proactively with Saunders Markets to work through issues encountered and to assist in the market viability and its ability to grow with the new public realm including: -
- Relocating the market to allow stalls outside Tesco Express and for the majority of the stalls to be located towards the northern end of the Marlowes.
 - Invested over £25k in new market infrastructure, enhancing the look and feel of the market with new green and cream gazebos which not only improve the look but are much more efficient to erect which in turns minimises costs for the market operator
 - Approving a £10,000 compensation payment in 2014/15 to compensate against disruption during the regeneration works.
- 1.7 Relocation of the Wednesday bric-a-brac market away from Market Square, and newly imposed restrictions on vehicle movement and use in the Marlowes pedestrian area due to new surface materials have also impacted on the viability of this market however some of the general market stalls now trade additionally on a Wednesday.
- 1.8 The Old Town Sunday Market has continued to operate on the first Sunday of the month however, this is now subsidised by the Council (£250 per market) as it is not commercially successful to the Contractor without this support. This market will commence again in May 2018 and DBC will continue the subsidy. DBC staff will work with Saunders Markets to promote these markets and the Old Town as a destination, to encourage a range of traders and to encourage a vibrant Old Town. Additionally, as the splash park opens this summer this will help to boost the visitor attraction to the Old Town area.
- 1.9 Inclusion of the provision of The Old Town Sunday Market will now be included in the new contract.

2. A NEW FIVE YEAR CONTRACT

- 2.1 The Council now needs to move forward with a tender process for a new Contract. It is suggested that this is on a Three year plus one year and then a further one year, with the extensions based upon successful delivery of the Contract and additional aspirations .The Contract needs to be with procurement by May this year to enable the bidding and selection process to be complete for the new Contract to commence in February

2019. It is important that the Contract is now updated to ensure that the next Contract is robust, viable and fit for purpose.

- 2.2 The key issue to determine is the balance within the contract between the objective to deliver net income to the Council set against the aim to improve overall town centre viability within what are difficult and changing retail conditions, and to protect the Council's investment in the public realm on the Marlowes. Given the realities of market operation and the potential to improve the offer it is recommended that there be a balance within the new contract which recognises that to have the improvements needed, will result in a requirement to provide financial incentives, ensuring that a broader and higher quality of offer is incorporated alongside what is already working fairly well.
- 2.3 The Hemel Hempstead Town Centre Business Improvement District (BID) has now been successfully achieved. It will be important for the market operator to work closely with the BID team in terms of operational matters, linking in with events and marketing. This will need to be reflected in the new contract.
- 2.4 Options to help enhance the quality of the market will be agreed and detailed by a Task and Finish group of officers across services within the Council. These aspirations will be incorporated into the Contract and will include specific performance indicators with financial incentives for delivery and can include the areas below:
- Introduction of specialist markets (agree number/type per year)
 - Joint working alongside the Business Improvement District and alignment of special events and additional market offers in conjunction with the BID.
 - A requirement to operate the Old Town Market (currently costing £250 per time)
 - Operation on different days to allow flexibility
 - A new focus given to the Food Court area of the market
 - Introduction of a late night operation once the Capital and Regional works to bring forward the Cinema, restaurants and evening economy – this could be specialist, street food and ordinary retail
 - Use of Bank Court for additional stalls, specialist stalls and alternative attractions alongside Market operation particularly at busy times and events. (This may require additional gazebos at £1000 each at council's cost.)
 - Provision of specialist and Farmers markets, with good advertising and marketing at appropriate intervals (perhaps monthly)
 - Incorporation of all street trading in the Contract
 - Agreement to a robust set of Key Performance Indicators and operating arrangements that will be monitored

Conclusions

- 1.1 Subject to Cabinet's agreement the final specification for the contract will now be developed and the procurement process commenced. The new contract give much greater weight to the quality aspects of operation and that specific obligations (such as specialist markets) will be included as indicated above (although flexibility will be built in the adjust to any changing conditions). The requirement to meet these conditions will lead to financial incentives which will have to be reflected in future years budgets.