


REPORT TO CABINET

26 June 2019

Subject:	West Bromwich Indoor Market Redevelopment Proposals and Investment Options
Presenting Cabinet Member:	Councillor Bob Lloyd - Cabinet Member for Inclusive Economic Growth
Director:	Director of Regeneration and Growth – Amy Harhoff
Contribution towards Vision 2030:	
Key Decision:	Yes
Cabinet Member Approval and Date:	3 June 2019
Director Approval:	3 June 2019
Reason for Urgency:	Urgency provisions do not apply
Exempt Information Ref:	Exemption provisions do not apply
Ward Councillor (s) Consulted (if applicable):	Ward councillors have not been consulted
Scrutiny Consultation Considered?	Scrutiny consultation has not been undertaken
Contact Officer(s):	Gerry Ritchie, Markets & Town Centres Group Manager, gerry_ritchie@sandwell.gov.uk

DECISION RECOMMENDATIONS

That Cabinet:

Authorise the Director – Regeneration and Growth, in consultation with the Executive Director – Resources, to consult with market traders, the public, town centre stakeholders and industry experts to further develop a comprehensive and detailed business case for the redevelopment of the indoor market and to determine its feasibility and bring a preferred option proposal back to Cabinet for a final investment decision within twelve months of this report.

1 PURPOSE OF THE REPORT

- 1.1 The West Bromwich Indoor Market is currently trading profitably but has lost traders in recent years and this rate of loss has accelerated in the last two years. There are many factors that have contributed to the decline in trader numbers including changes in shopping habits, new retail developments close to the market and a facility that has had little investment in the physical infrastructure, so the market is somewhat dated and not able to provide an adequate modern facility for market traders.
- 1.2 The Council commissioned a strategic review of the indoor market. This report concluded that the existing facility is no longer fit for purpose and that a business case should be explored to investigate potential investment and partnering options to help redevelop the market and enhance its commercial viability. This view was considered by cabinet members in a cabinet workshop on 16th May 2018.
- 1.3 Following the cabinet workshop, cabinet members agreed that the Council should retain the indoor market but that it must be sustainable and contribute to the broader regeneration of West Bromwich. They also agreed that the Council should investigate developing a completely rebuilt and reconfigured facility which could incorporate various different elements such as a remodelled market with a modern design, enhanced food offer and improved access to customers, additional and complimentary facilities such as accommodation for a leisure operator, arts & culture offer, customer-facing Council services and potentially market facing office and residential accommodation above in several storeys.

- 1.4 Cabinet members then requested that these proposals should be taken to the next logical stage and their feasibility and potential investment implications investigated. Also, that the Council should be open to various potential delivery structures and ownership models that would be attractive to investment partners, so as to secure the most cost-effective investment plan and route to delivery.
- 1.5 The redevelopment of the indoor market is expected to act as a regeneration catalyst, driving footfall and increasing market engagement to drive values within the Town Centre and stimulate the further redevelopment of adjacent property, by the private sector.
- 1.6 This report outlines the next level analysis and recommendations as requested by cabinet members.

2 SUMMARY OF A STUDY TO EXPLORE A BUSINESS CASE, GENERAL DESIGN OPTIONS AND POTENTIAL INVESTMENT MODELS TO DELIVER A REDEVELOPED INDOOR MARKET.

- 2.1 The study was conducted by Quarterbridge Project Management Ltd on behalf of The Council and following a procurement process. The appointed consultant has extensive experience in developing and delivering market regeneration and recovery projects. They conducted analysis of potential design and investment options and produced a report with multiple detailed appendices.
- 2.2 The study concluded that a redeveloped indoor market with enhanced sustainability through the addition of complementary income-producing mixed-use elements, in line with the principle factors requested by cabinet members in the cabinet workshop of 16th May 2018, could in essence be successfully delivered subject to funding being identified and secured.
- 2.3 The scale of new development envisaged would require demolition of the existing indoor market and then reconstruction of a re-modelled facility designed to maximise sales in line with modern concepts and successful market design principles. The re-modelled market would occupy the ground floor of a multi storey building with the additional space being occupied by other rent-paying commercial, leisure and/or cultural tenants, with the remaining upper storeys being developed out as residential apartments.

- 2.4 The ownership model of the residential element that would be the most likely to be sustainable and financially viable would be a commercial landlord renting to the evolving private rented sector targeting the modern apartment market to whom the town centre location being close to all amenities would appeal as would the very favourable proximity of the metro station which is only a few minutes' walk from the site.
- 2.5 An initial high-level investment analysis of the whole project is as detailed in section 8 of this report.
- 2.6 The study identified key next steps to take the redevelopment forward, all of which should be addressed within the next twelve months, including:
- Creating a comprehensive consultation plan with market traders and residents to ensure that stakeholder views and opinion are considered concurrently with project development to arrive at the preferred option.
 - Securing effective project management capacity to ensure that project deliverables and strategic outcomes are achieved.
 - The development of a robust business case based on in-depth financial and development appraisals to be produced in parallel with the identification of the most attractive delivery and ownership model to protect the Council's long term financial and regeneration interests and achieve the local market stimulus envisaged.
 - Identifying and agreeing a potential partnership arrangement with a suitable investment and development partner or partners, subject to authorisation by cabinet.
 - Provide an options appraisal of potential delivery models, developing an appropriate investment proposal based on a robust business case and risk analysis exercise for each option which would then be subject to further cabinet authorisation.
 - Identify and evaluate any remaining unresolved issues contained in the consultant's report including a more detailed financial appraisal exercise, a cost modelling review and soft market testing.
 - Consult with the leaseholder for the Kings Square Shopping Centre to identify any related property issues that may impact upon the redevelopment proposals.

3 IMPLICATION FOR THE VISION 2030

- 3.1 The Council's ambition to create successful town centres will be directly supported by the preservation and development of a thriving indoor market and the use of this as a regeneration catalyst for the Town Centre.

4 BACKGROUND AND MAIN CONSIDERATIONS

- 4.1 The current indoor market in the Kings Square Shopping Centre was opened in 1973 and has been trading profitably returning a financial surplus since that date. It has served visitors and residents of West Bromwich for over forty years. Whilst there has been some maintenance work, including electrical rewiring, new floor surfaces, painting and the creation of a new entrance, the building has remained substantially unchanged since it was opened. Although the market still has a loyal customer base and a good range of trade lines to attract customers, the number of vacant stalls has been increasing in recent years and, therefore, the income to the Council from stall rents has been steadily declining.
- 4.2 The reason for the decline in the independent retail sector in recent years in the UK is well documented and is the result of a change in the shopping habits and new consumer channels that have developed. In addition to national trends, there are specific issues pertinent to the indoor market. Whilst its central location is good, the structure of the building is unattractive from an aesthetic point of view, not easily accessible due to the restricted size of the entrance areas and is oriented in such a way that the main source of customer flow is further restricted due its internal layout. The current design of the building is also of a typology that does not easily lend itself to remodelling or refurbishment. Furthermore, the locality within which the indoor market is situated has not been improved and now stands in stark contrast to the significant investment in the New Square shopping centre development. This adds to its perception as being old fashioned, time expired and unattractive to shoppers.
- 4.3 In view of the issues identified in 3.1 and 3.2 the Council has commissioned expert reviews of the options for redeveloping the indoor market. The first review identified that there were several high-level options available for regeneration and renewal of the indoor market. This led to the need for a further piece of work to explore a business case and potential investment models and partners that could deliver a reinvigorated and commercially sustainable market offer. This further piece of work has now been completed and a comprehensive report has been submitted to the Council recommending wholesale redevelopment.

- 4.4 Whilst these investigatory studies and reviews were underway, market traders petitioned the Council for financial assistance to support them to continue to trade in the indoor market until the Council concludes on the future strategy of the market. The Council applied a 25% temporary reduction in market fees to provide this assistance, which has subsequently been reduced to 10%. This fee reduction has arrested the decline in the number of traders occupying stalls in the market and has stabilised the current market occupancy rate, but this reduction was time limited and fees will gradually revert to their previous level.

5 THE CURRENT POSITION

- 5.1 A study to explore a business case, general design options and potential investment models and partners that could deliver a reinvigorated and commercially sustainable market has been concluded and has been assessed by Council officers from relevant service areas.
- 5.2 Although the existing market is still trading, there is a void rate of 32%. This compares with a previous annual void rate of less than 10% that was the standard level due to the normal 'churn' of traders retiring or moving to larger premises and being replaced with new traders. There has been no net increase in traders for over 12 months despite the application of a 25% stall fee discount that would normally be an attractive incentive.

6 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

- 6.1 Indoor market traders have been consulted on issues and initiatives that could deliver short and medium-term improvements. However, although several of these initiatives have been introduced there has been no significant uplift in trading performance.
- 6.2 Market shoppers and other town centre users that do not use the market were consulted to determine what would encourage them to spend more in the market. The views obtained have been incorporated into the study referred to in 5.1.
- 6.3 Visits to other indoor markets and discussions with traders and other Council market operators to explore and learn from similar facilities have been carried out. The views obtained have been incorporated into the study referred to in 5.1.

7 ALTERNATIVE OPTIONS

- 7.1 A higher percentage of stall rent discount could be applied to provide a greater incentive to attract new traders. However, this would have a significantly detrimental effect upon the Council's budget and may result in the indoor market operation moving from a surplus producer to a net cost for the Council. Furthermore, a 25% discount has been in operation for over twelve months and this has now been reduced to 10% and this has not produced a net increase in new traders and ultimately would not in any way address the outdated nature of the accommodation which is understood to be the main factor leading to decline.

8 STRATEGIC RESOURCE IMPLICATIONS

The design and investment study carried out by Quarterbridge Project Management Ltd, explored some indicative costs but these require additional scrutiny and analysis before they can be developed into a business plan and investment option.

- 8.1 The main financial risks have been reviewed and potential contingencies considered, but it should be noted that a project of this magnitude will require continual and effective risk management processes to ensure that the Council's liabilities and exposure to current and future risk are minimised.

9 LEGAL AND GOVERNANCE CONSIDERATIONS

- 9.1 The Food Act 1984 enables a local authority to establish a market within its area and to fix its own charges for markets and these can be determined depending on a range of different circumstances. The local authority is entitled to charge a commercial rate if appropriate.
- 9.2 The Council is the freeholder of the indoor market and of the Kings Square shopping centre that is structurally connected to the indoor market. However, the Council has granted a lease to London & Associated Properties PLC for Kings Square shopping centre and would, therefore, need to consult and negotiate with the leaseholder on any contractual issues that may impact the development.
- 9.3 The financial scope of the proposals is of a magnitude that would require appropriate and suitable legal instruments to be developed to ensure that the Council's asset ownership, public accountability, commercial and investment liabilities are safeguarded and effectively managed.

10 EQUALITY IMPACT ASSESSMENT

10.1 The proposals have been assessed by the Markets Manager for any equality impact and have been found not to have any.

11 DATA PROTECTION IMPACT ASSESSMENT

11.1 The proposals have been assessed by the Markets Manager for any data protection implications and have been found not to have any.

12 CRIME AND DISORDER AND RISK ASSESSMENT

12.1 The proposals have been assessed by the Markets Manager for any crime and disorder implications and have been found not to have any.

13 SUSTAINABILITY OF PROPOSALS

13.1 The proposals would contribute to the economic sustainability of the indoor market which is undergoing economic challenges that has resulted in the loss of market traders from the market.

14 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)

14.1 The proposals would contribute to the continuance of an indoor market which would support local employment and help maintain a source of affordable goods, services and fresh food supply for the community.

15 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND

15.1 The indoor market is an asset that returns income by way of commercial trading activity. Consequently, replacing this asset with a sustainable redeveloped market, with additional use options provides an opportunity to increase and sustain the asset value and potentially increase the annual revenue generated from the asset.

16 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

16.1 The current proposal seeks to maintain and enhance the Council's asset, support the economic wellbeing of small family businesses, support the availability of affordable supplies and services for the community, contribute to the vibrancy of West Bromwich town centre and afford the Council a significant opportunity to create a catalyst for regenerating an area of West Bromwich town centre that has suffered significant decline in recent years.

17 BACKGROUND PAPERS

17.1 A petition submitted by market traders was heard on 24th August 2017 requesting reduction in market stall rents.

17.2 A report to cabinet on 27th September 2017 upheld a recommendation to apply a 25% reduction in stall fees.

17.3 An Action on Matter of Urgency report on 20th June 2018 extended the 25% reduction in stall fees until 30th September 2018.

17.4 A report to cabinet on 17th October 2018 upheld a recommendation to extend the 25% reduction in stall fees until 31st January 2019.

17.5 A report to cabinet on 20th February 2019 upheld a recommendation to extend the 25% reduction in stall fees until 30th April 2019 and then to reduce the stall fees discount to 10% until 31st October 2019 before finally returning the standard stall rents.

Amy Harhoff
Director – Regeneration and Growth