

Report of the Cabinet Member for Leisure, Culture and Tourism

Refurbishing Newgate Market

Introduction

1. This report proposes £1.5m capital investment into Newgate Market from the Economic Infrastructure Fund (a total bid value of £1.614m).

Background

2. York has had a Market for centuries, held in various City Centre locations. It was moved from Parliament Street into Newgate in 1964. It consists of 85 permanently fixed stalls, 6 lock up Meat & Fish units, some open space pitches and a number of take-away food units. It operates 7 days per week all year round. Since 1964 the site has only been refurbished once, back in 1991. It is now beginning to look tired although it has still been achieving its income targets of around £0.5m p.a. and is generally deemed to be successful with occupancy rates of around 75%.
3. The purpose of the proposed investment is to reinvigorate the markets as a platform for enterprise and opportunity, creating a destination market with a clear brand and the potential to increase footfall and spend. It will aim to deliver a step change in the city's profile as a visitor and retail destination contributing to a wider drive to enhance the overall attractiveness and competitiveness of the city centre.
4. A scheme is needed to uplift the appearance of the existing market place, making more imaginative uses of the space, increasing the visibility of the market gateways, improving the flow of footfall throughout the whole site, diversifying the trader offer, and bringing stronger activity to previously weak places. The aim will be for shoppers to visit more frequently, stay longer and spend more.

Consultation

5. An initial consultation was conducted with shoppers and traders in week commencing 22 October in order to:
 - Raise awareness about the proposal for a £1.5m capital investment
 - Ask whether the public and traders support investment in principle
 - Ask what their priorities would be for investment at around the level proposed
 - Test out some of the initial concepts
6. The results of this consultation will be reported at the meeting.
7. A Newgate Market Scrutiny Review took place between 2009 and 2010. The aim was to investigate possible ways of improving the market and its surrounding area as a contribution to the Renaissance Team's work, enabling them to recommend new designs and roles for Newgate Market and the associated public realm.
8. The committee's recommendations included improving the market's general cleanliness, the entranceways, layout and lighting. It was also recommended that a programme of reinvestment in the marketplace should be undertaken and this proposal fits with that recommendation.
9. If the Cabinet approve this investment in principle more detailed consultation will be undertaken including the establishment of a steering group including representatives of market traders and the City Team.

Key Deliverables

10. Initial feasibility work has identified the following key deliverables that would result from a £1.5m capital investment:
 - A market that continues to provide a retail offer for local residents (especially high quality fresh food) whilst at the same time becoming a destination for visitors
 - A market that is popular with existing traders whilst stimulating new business start ups and attracts new traders to enhance the quality of the offer

- Extended trading hours contributing to the evening economy including through evening markets
- Increased footfall, potentially leading to an additional spend in the local economy of £2.3m p.a.
- Contribution to the visitor economy through increased visitor stays with a potential economic impact of £1m
- An additional 171 jobs created indirectly across the local economy through increased retail spend
- At least 10 jobs to be created in the market itself
- An increase in rental income to the Council of around £250k p.a. (initially to be used to repay the investment)
- An increase in business investment from traders
- Sustained improvement in the market environment through the employment of a market porter – to be funded through the business plan
- Improved sustainability through use of appropriate technologies and waste management systems
- Improved linkages with the surrounding businesses such as Marks and Spencer and the Shambles properties
- Initiatives to assist the traders and support business start-ups: Working with partners (Future Prospects, FE/HE sector, Retailers Forum, Visit York, etc)
- Transitional support to ensure that businesses created are sustainable and expandable with potential to move onto the high street

11. The overarching aim of any scheme will be to create a strong trading environment throughout the market where currently trade is only strong in the (congested) Jubbergate area and along the edges of the main market area. Initial consultation and feasibility work suggest that the key physical interventions are likely to be:

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| • Opening up the spaces with a central avenue | • Creating visible gateways that draw the eye in |
| • Using high quality paving and infra-structure to draw customers through | • Diversifying the business opportunities for traders with a variety of new unit types |

The Business Case

12. The investment will aim to build on the success of the existing market whilst learning from the successful features of investment at other markets that the project team have visited during the feasibility stage. The market will work with and complement the specialist markets that are run in Parliament Street throughout the year. The aim will be to increase footfall by at least 1% per annum through the central shopping area.
13. A major study of all London markets undertaken in 2009 found that customers spend on average £17.23 per visit and that their total spend in all shops was £30.15. Whilst these figures cannot translate directly to York, they provide some confidence for using the current York figure for average day spend of £33, given that only £9.37 of this figure is attributable to retail spend. Based on this, the economic impact of a 1% uplift in footfall would be an additional spend in the local economy of £2.3m p.a. In addition, by improving the quality of the market and its offer, the average visitor spend may also increase.
14. A further aim of the business plan will be to contribute to the evening economy through extended trading hours, evening markets, and an improved ambience with entertainment. If 0.1% of current day visitors could be converted into staying visitors through this extended offer, the economic impact of this would be an additional spend in the local economy of £1m.
15. This total economic impact of £3.3m could be expected to lead to an additional 171 jobs across the local economy. In addition, a minimum of 10 jobs are likely to be created in the market itself through increased turnover and trading hours.
16. A trading strategy for the new market will be developed through the proposed steering group that identifies both the key trading propositions of the Newgate Market and that places it in the context of a wider market strategy for the city centre and the suburbs.
17. The proposed rental strategy for traders will guarantee that rents will be pegged for the first 3 years with no increases above inflation. From year 4 it is intended that there should be a sufficiently improved trading environment to project rent increases at 5% above inflation and from year 5, 11% above inflation. This modest increase in rent should be far outweighed for traders by increased turnover.

18. This increased rent level combined with improved occupancy should provide increased revenue to the Council. Over 10 years it is projected that this could generate over £750k which can be used to repay 50% of the investment. After that time it would be recommended that the income was used for further refurbishment. See Annex 1 for detail.
19. A key element of the business plan concerns business support. The City Team will offer an assisted start-up facility to enable entrepreneurs of the future to test their product in a low-risk, high aim, controlled environment. This will be supported by a series of steps taken to ensure that the businesses that are created by this venture are expandable, sustainable and are given every chance to provide the entrepreneur with a future income, leading to the creation of new jobs and a potential move on to the high street. The intention is to create a pipeline from market stall start, to flexible commercial premises opportunity, to something more permanent – working with landlords to free up untapped potential commercial premises as possible.
20. Business support will be coordinated through the Council's Economic Development Team, working with the Markets Team, to ensure opportunities for developing and strengthening the business concept for new entrepreneurs. The potential is unlimited as has been proven by such high profile companies as Marks and Spencer, who started on a market stall in Leeds, Red or Dead, and our own Sarah Coggles – now an international trading brand based in London.
21. The work that the City Centre and Markets Team have already done working with the Future Prospects employment and learning advice service and the social enterprise Blueberry Academy is testament to the potential for markets to bridge the gap between starting up and making the move to viable business proposition ready for commercial premises. Other partners that will be drawn in include Visit York, the two universities and York College.
22. The Made in York proposal that was developed in response to the Mary Portas Review will action many of the recommendations within the Mary Portas Review, specifically:
 - Recommendation 1: A Town Team to lead a vision, strategy for and management of the city centre.

- Recommendation 28: Using markets as a step on the business ladder
23. The introduction of new traders with new commodities, coupled with modern day technology would transform a 20th century Market into a 21st century exciting, vibrant “fit for the purpose” retail experience that competes effectively with the less personal and less interactive experience of typical high street stores and certainly with the out of town retail experience.
 24. New market entrepreneurs could be grouped together at either a dedicated area on certain day(s) or in Parliament Street. An evening entrepreneurial market could be introduced once a week, after the regular daytime market had finished, with specialist and bespoke goods, supported by some form of entertainment and enhance lighting to create new atmosphere and vibrancy. A cross section of ‘taster stalls’, strategically positioned in the lead up to the entrepreneurial markets, would help to promote the initiative in advance.

Options

25. A reduced scheme could be delivered at £1m. This would have the same key features. It would, however, omit the repaving and resurfacing work proposed in the full scheme. As such, it would lack the visual impact and high quality feel and would not draw customers in through the attractive nature and visual clues that the paving will create. It would not deliver the same economic impact, nor will it deliver the step change required in the market to create a truly destination offer.
26. A small scheme could be taken forward, for example, by developing only Areas A and B. This would not, however, have any transformational effect or economic impact.
27. A bigger scheme could be delivered. A multi-million pound investment could create a covered market. This possibility has been raised in initial consultation. This level of investment would not, however, achieve a significantly increased economic impact and would not, therefore, represent value for money.
28. None of the above options is recommended.

Analysis

29. The proposal for £1.5m of capital investment in Newgate Market is a critical element of the city centre action and investment plan being developed to reinvigorate and rethink the future of York's city centre – as a dynamic and diverse destination for enterprise, visitors and residents. By creating a distinctive, confident and coherent market with a clear USP of quality and fresh, dynamic local enterprise, the renaissance of our markets will serve not only to generate a platform of opportunity for local entrepreneurship, but also as a catalyst for further investment – both through visitor spend and the indirect generation of further business investment – first from retail and leisure investors, for whom footfall is a key indicator for investment, and secondarily from other industries for whom the quality offer of the amenities of a city is a key indicator for investment.
30. The scheme will demonstrate that the face to face, interactive retail experience of the markets cannot be replicated in either a website or a big box retail unit on the outskirts of the city – instead the proposition gives new life to an industry that is facing challenges but has great potential.

Implications

31. **Finance:** The table attached as Annex 1 shows that the funding required from the EIF will be as follows:

Capital	£1.5m to pay for the infrastructure works
Revenue	£114k to cover the loss of income in the first year caused by the temporary relocation of the market
32. The total funding required from the EIF is therefore £1.614m.
33. The total EIF fund is £28.5m, of which £9.905m is allocated to date. If approved this would take the total allocations from the EIF to £11.405m. It should be noted that available EIF funding in 2012/13 is £3.3M. Allocations approved, taking into account this £1.614m now total £4.030m; however, there is flexibility to bring forward budget provision from 13/14 and 14/15, and also it is expected that there will be an element of slippage on the approved commitments for 12/13.
34. The business plan projects additional rental income rising to £659k p.a. Part of this will be used to contribute to funding:

- Improved ongoing maintenance of the market
 - A market porter service
 - Improved marketing of Newgate Market
35. The intention is to complete the refurbishment during the summer months and during this period some income will be lost due to lack of space available for markets. This is projected to result in a revenue loss of £114k. During the following 4 years there will be sufficient additional income to repay the lost revenue income.
36. The remainder over the 10 year period will be used to fund repayment of 50% of the capital investment.
37. **Equalities:** The initial Community Impact Assessment shows that key issues to address during the development of the scheme will centre on ensuring that:
- The design of the market provides excellent accessibility for all
 - Business and employment opportunities are improved especially for those currently least able to access opportunity
 - The retail offer provides access to high quality goods that meet the needs of everyone including the economically disadvantaged

Action plans, supported by consultation, will be developed to address these key issues.

Next Steps

38. Key stages will be:
- November – December: Further consultation with traders and user groups, National Market Traders Federation, Visit York, Retailers Forum, The City Team, market users, EAG, surrounding properties, and other stakeholders
 - January – March 2013: Design work
 - Summer 2013 – transfer of traders on a phased basis to a temporary location in Parliament Street during refurbishment

Council Plan Priorities

39. The project supports Council Plan priorities for creating Jobs, Growing the Economy and supporting Ambition 4 in the York Economic Strategy, that of a world class place.

Risk Management

40. The main risks that have been identified in this report are those which could lead to the inability to meet business objectives and to deliver services, leading to financial loss, damage to the Council's image and reputation and failure to meet stakeholders' expectations. Measured in terms of impact and likelihood, the risk score all risks has been assessed at less than 16, This means that at this point the risks need only to be monitored as they do not provide a real threat to the achievement of the objectives of this report.

Recommendations

41. Cabinet is asked to approve a £1.614m investment from the EIF in Newgate Market, phased over the following periods: £100k (2012/13), £1.4m (2013/14), and to agree a further £114k revenue funding in 2013/14 from the EIF to cover the lost income during refurbishment with a repayment profile as set out in Annex 1.

Reason: To position Newgate Market as a unique and high performing asset for the city centre.

Annexes:

1. Repayment schedule
2. Consultation visuals for illustrative purposes

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Wards Affected:	All		✓
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