

CHESHIRE EAST COUNCIL

LOCAL SERVICE DELIVERY COMMITTEE (MACCLESFIELD)

Date of meeting: 26th November 2013
Report of:
Subject/Title: Macclesfield Markets
Portfolio Holder: Councillor D Topping

1.0 Report Summary

1.1 To provide a briefing paper on Macclesfield Indoor and Outdoor markets.

2.0 Recommendations

2.1 Councillors should consider the information contained within this report.

3.0 Reasons for Recommendations

3.1 N/A

4.0 Wards Affected

4.1 Macclesfield

5.0 Local Ward Members

5.1 Macclesfield Charter Trustees

6.0 Policy Implications

6.1 N/A

7.0 Financial Implications

7.1 N/A

8.0 Legal Implications

8.1 N/A

9.0 Risk Management

9.1 N/A

10.0 Background and Options

10.1 Macclesfield Indoor Market

The Indoor Market Hall is situated within the Grosvenor Shopping Centre, owned by Eskmuir Properties, and is on the ground floor of one of the Council's "pay to park" car parks in the centre of Macclesfield.

The market hall is open to the public six days per week from 09:00; the closing time is 17:00 on Mondays to Wednesdays and at 17:30 on Thursdays to Saturdays.

The market hall consists of fifty two shop style lock up units rented to traders through a lease issued by Cheshire East Council.

The current occupancy level for the Indoor Market Hall is 95%; this figure has remained constant for the last three years.

Vacant units are advertised within the market hall and traders are expected to apply to trade for a minimum period of one year.

The rent charged to each trader is based on the size and position of the unit they occupy within the market hall. The level of rent is reviewed every three years by an independent surveyor against property values in similar size towns; the next rent review is due in April 2015.

A service charge is also levied and reviewed annually, based on the Council's costs incurred whilst managing the market during the previous financial year. The Council's premises costs include the annual charge from Eskmuir Properties to lease the area used for the market hall and the multi storey car park.

The process for determining the rent and service charges is defined within the traders' leases. The traders are responsible for making payments at monthly intervals; Council employees do not collect cash from traders.

The rent and service charge applied to any new trader is currently reduced by 50% for the first three months of trading as part of a business start up incentive.

The traders are responsible for payment of their individual Business (Non Domestic) Rates.

The market hall is open to traders from 07:00 and locked one hour after the closing time. In order to provide staff resources to cover these times, one market operator is on duty four days per week with another being employed for two days per week. Periods of staff absence for leave, training and sickness are covered through overtime or the use of a "Casual" member of staff.

10.2 Macclesfield Outdoor Market

The Outdoor Market is held in Castle Street every Tuesday, Friday and Saturday with traders using market stalls owned by Cheshire East Council and erected by Council employees. Market Place, an area close to the Town Hall, is also available to traders every Friday.

The rent for a stall is £18.50 per day; traders pay their rent in cash, collected by Council employees and the cash is paid in at the Town Hall.

The market stalls are stored at West Park Macclesfield and are transported from there every market day at 05:30 and then erected by a team of up to seven operatives. At the close of business the market stalls are dismantled and returned to West Park by the same team at 18:00.

The market stall team members who perform these tasks are employed by Cheshire East Council Waste & Re-Cycling and are paid overtime to create and dismantle the market due to the unsocial hours required to complete the workload.

All levels of income generated at the Outdoor Market are subject to seasonal variation.

The market currently consists of an average of forty five traders per week, a figure decreased from an average of sixty traders per week recorded in January 2011.

Following a trader recruitment drive initiated by the Town Centre Management team, there has been an increase in the number of traders in Market Place every Friday. This initiative has successfully attempted to attract “artisan type” traders into the area and as such trader numbers will fluctuate during the winter.

The market is full on a Friday however space and equipment is available to allow an additional ten traders to attend the market on Tuesdays and Saturdays.

Without an initiative to reduce the cost of creating the market, an additional thirty traders will be required each week in order to create a situation whereby the Outdoor Market achieves a financial break even position.

The market stall equipment used in Macclesfield differs from that used elsewhere at Cheshire East Council markets. Whilst the style of the market stalls is similar, the metal stall frames used for example in Crewe are more lightweight and therefore fewer staff resources are required per market stall to create the market environment in Crewe than in Macclesfield.

There is no formal advertising of opportunities to expand the Outdoor Market other than by word of mouth by the traders, nor is there a business start up concession.

A privately managed “Treacle Market” is held successfully in Macclesfield on the last Sunday of each month; the emphasis at this market is on Artisan products and produce associated with arts, craft and food, rather than the Council managed market where the focus is on retail goods.

10.3 Financial performance

The difficult economic trading conditions currently being experienced in town centres has had a recessionary impact at all markets, with a particular emphasis on a downturn in sales at indoor markets; various forms of rent incentives and concessions are being offered to traders at markets UK wide.

During the financial year 2012/2013 the operational income and expenditure for Macclesfield Indoor Market produced an excess of income over expenditure in excess of £100,000. The operational income and expenditure for the Outdoor Market resulted in a negative out-turn figure of £27,598

A market has always been seen as a business start up and a small business enterprise opportunity. Inevitably, however enthusiastic and hard working the traders are, some traders are more successful than others; many thrive, some survive, whilst others have had to face the stark reality that their business plans have not materialised.

Traders at the Indoor Market operate within the terms and conditions of leases which define the level of rent and service charge each trader is responsible for, and the regularity (monthly) for these payments.

Whilst the amount due for rent is fixed for a three year period, the service charge element of each invoice is based on the Council's costs for managing the market during the previous year. As a result, invoices cannot be produced until mid May when a draft of the out-turn figures for the previous twelve months has been produced and there is then an additional period of up to two week before the traders receive their invoices and commence making payments. As the Council's finance system defines 90 day and 180 day payment periods, the traders immediately become late payers at the start of each financial year.

Market debt predominantly results from traders defaulting on their rent and service charge payments at the Indoor Market and, as a result, having their lease which enables them to trade, withdrawn.

The level of debt increased due to an inability to effectively monitor the amounts that traders paid, or did not pay, and the regularity, or irregularity of their payments, within the Council's accounting system. This inadequacy has been addressed in the last nine months through the availability of Financial Reporting Centre (FRC) data updated at monthly intervals.

The availability of this data has resulted in a more rigorous method of managing the market from a financial perspective, enabling more accurate monitoring of payments against traders' invoices to be made together with the introduction of a procedure to address the late payment of rent and service charges.

The Council's Debt Recovery team has also provided support in an attempt to recover debts and an external debt collection agency have been involved in certain situations. As a result of this support, the Council has now agreed repayment plans with a number of traders which will reduce the level of unpaid rent by 31st March 2014.

Where the Council's Debt Recovery team and the debt collection agency consider it is uneconomical to recover a particular debt they recommend that the debt is written off against the service budget; an additional option available to the Council is to use the debt collection agency as a bailiff although to date this option has not been used.

10.4 Financial position as at 31st October 2013

Once the traders' invoices have been issued, the Council's financial accounting system credits the market service with the total amount of the invoices issued and at that stage this amount is shown as a "debt" owed by the traders; this level of "debt" reduces during the financial year as traders make payments.

As at 31st October 2013 the Council's accounting system shows a figure of £248,313 as the market debt. Within this amount, the sum of £157,722 is due to be paid by the traders at monthly intervals through to March 2014 under their normal "business as usual" arrangements. A further amount of £90,591 will be repaid under a "repayment plan" option agreed with the Head of Service.

10.5 Appendices

10.5.1 The purpose of a market can be summarised as to provide:

- a retail service to local residents, enabling them to purchase value for money goods

- a business opportunity for local produce suppliers and for start up businesses

- a commercially viable asset that generates a financial surplus for Cheshire East Council as a landlord and an asset manager

10.5.2 The success criteria against which the markets are assessed are as follows:

- financial: exceed the budget projection by increasing income from traders and reducing expenditure

- health and safety: ensure the market achieves safety legislation standards

customer service: ensure the market is valued by its customers.

10.5.3 The following detail has been extracted and summarised from the lease held by each trader at Macclesfield Indoor Market.

Rent review: the rent will be reviewed on the relevant Review Date to the higher of the “rent immediately before the relevant Review Date” and the “Rental Value”, the annual rent at which the premises might reasonably be let in the open market. The Council or the tenants may refer the determination of the Rental Value to an independent surveyor if the Rental Value has not been agreed by the Council or the tenants by the relevant review date.

Service charge: the service charge is determined by the level of cost and expenditure, including all VAT, charges, commissions, premiums, fees and interest paid, incurred by the Council in respect of, or incidental to, all or any of the services provided. The “services provided” are defined within the lease issued to each trader. As soon as reasonably practicable after the end of each financial year the Council must ensure that a certificate, containing a summary of expenses for that year, is issued by an accountant who may also be an employee of the Council.

Alienation Sale of a tenant’s business: if the tenant has been in occupation of the premises for a period in excess of three years and wishes to sell the tenant’s fixtures, fittings and goodwill attached to the premises and business then the landlord shall, on surrender of this lease by the tenant, grant a new lease of the premises to the purchaser of the tenant’s business, provided that the following conditions are first satisfied:

the tenant has throughout the period of the lease observed the terms of the lease and has paid in full all sums due up to the date of the surrender of this lease

the landlord has approved the purchaser of the tenant’s business, such approval not to be unreasonably withheld or delayed and the purchaser has in the view of a surveyor paid a fair price for the business

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name: J Leach
Designation: Streetscape
Tel No: 01270.686836
Email: john.leach@cheshireeast.gov.uk