

BRIEFING NOTE

TO: REGENERATION SCRUTINY AND PERFORMANCE PANEL
DATE: 3 DECEMBER 2008

RE: REPORT FROM ST MATTHEWS QUARTER WORKING GROUP

Purpose

To consider a report from the St Matthews Quarter Working Group on its terms of reference and the future management options for Walsall Market.

Background

At the last meeting of the Regeneration Scrutiny and Performance Panel on 2 October 2008 the St Matthews Quarter Working Group (STMQWG) was established.

The Working Group met on 28 October 2008 and as a result can now make recommendations to the Panel on two issues:

1. the future management options for Walsall Market
2. working group terms of reference

This report and attached appendices were included in the agenda for the last meeting of the Panel on 2 October 2008 but they were deferred to a future meeting.

Future Management of Walsall Market

The working group considered an options appraisal for the long term management of Walsall Market.

The options considered were:

1. Council continues to manage the market
2. Council outsources the management of the market
3. Joint venture approach with a developer
4. Joint venture approach with Norton and Proffitt

A full copy of the options appraisal for the future management of Walsall Market is attached at Appendix 1 to the report.

The working group debated the options and were advised that, in its current location the market was likely to see continued revenue decline; however, it was noted that the market relocation to The Bridge was likely to see revenues increase. Working Group Members debated each of the proposals and were able to dismiss the options to outsource the market management and establish a joint venture with a third party developer.

With regard to the Council continuing to manage the market, as aforementioned, it was noted that markets revenue was likely to increase once the market relocated to The Bridge and it was anticipated this could continue once the market relocated to its new permanent location in Lower Hall Lane. The council would maintain full control, but retain all the risk associated with the market operation with option 1.

With regard to option 4, to form a joint venture with Norton and Proffitt/St Modwen, the working group was informed that this would be on the basis of each party having a 50/50 share in a new company. All risk and profit would be shared but the council would benefit from having some private sector business expertise in the operation of the market. Moreover as Norton and Proffitt/St Modwen were the overall developers for the St Matthews Quarter scheme they had a clear interest in ensuring that the market succeeds as one of the key anchors to attract footfall to the area. The working group noted that this option would meet the capital costs in constructing a new market. This approach would commence once the market had relocated to Lower Hall Lane.

Walsall Market Traders Association (WMTA) felt unable to fully support the suggestion in the options appraisal report to undertake a joint venture with Norton & Proffitt/St Modwen without first considering the heads of terms that any agreement would be based upon. The opinions of WMTA were tabled in a letter which is attached at Appendix 2 to the report.

Following a lengthy debate the working group resolved to recommend to the RSPP that the future management of Walsall Market should be either directly by the council or through a joint venture agreement with Norton and Proffitt/St Modwen.

It is for the RSPP to consider the recommendations of the working group and consider its recommendation to Cabinet on 19 November 2008.

Terms of Reference

The working group drafted its terms of reference, which are attached at Appendix 3 to the report for approval by the RSPP subject to any comments or amendments Members may wish to make.

Recommendations

That:

- 1) the Regeneration Scrutiny and Performance Panel considers making recommendations to Cabinet on 19 November regarding the future management options of Walsall Market based on the following two options:**

- a. **Walsall Council continues to manage Walsall Market, or;**
- b. **A Joint venture company between Walsall Council and Norton and Proffitt/St Modwen manages Walsall Market.**

and;

- 2) subject to any comments Members may wish to make, the terms of reference for the St Matthews Quarter Working Group be approved.**

Signed



Councillor Des Pitt
Lead Member, St Matthews Quarter Working Group
pitttd@walsall.gov.uk

St Matthew's Quarter Working Group**Options for the Long-term Management of Walsall Market****Background**

All partners agree that a new market must be an integral part of the St Matthew's Quarter development, and that it should form one of the key anchors of the scheme. As such, consideration needs to be given to how in the future this service can be delivered and managed in the most effective way, continuing as it always has, to adding value to the Town.

The arguments for and against the different ways of managing the market in the longer term have been considered below. The stance taken throughout the options appraisal has been set against the belief that all partners share a willingness to grasp the opportunity to introduce a new permanent, well run and high quality market situated in Lower Hall Lane.

Options Appraisal**Option 1: Council continues to manage market**

The Council could continue to manage and operate the market in the long-term as a part of the redevelopment scheme and in return for the land that the Council will need to contribute towards the St Matthew's Quarter project, the developer would provide new market facilities. It may be that the developer needs to contribute some of its own land when the exact position and layout requirements of the market are confirmed.

Costs and values would also need to be reviewed, particularly in the light of the currently difficult economic climate, with any deficit identified having to be met by either the developer or the Council. It should be noted that current estimates of costs and values suggest a gap in capital funding which would have to be met by the Council. Alternatively, a new market could be developed which is equal in value to the current Council land assets, but that could compromise the aspirational quality, scope and design of the new market facility.

If the Council were to continue to manage the market facility, there is no guarantee that the required up-lift in quality, operation and maintenance could be achieved within current financial constraints, and any good practice/ operating procedures adopted by the private sector would be lost. Any potential developer partner would not be supportive of this option because it would have a lack of input into the management of the market, and this approach could jeopardise having a co-ordinated approach to the overall management and maintenance of the wider St Matthew's Quarter scheme.

In this scenario, the long term success of the St Matthews Quarter project in transforming the viability of this part of the town centre could be compromised by the Council's possible inability to keep pace with good practice and the wider management regimes adopted throughout the new development. Any failure to instil confidence and certainty that the Council can deliver a high-quality management regime in the long term could impact on the investment decisions needed to succeed in delivering this project through the current difficult economic conditions.

Option 2: Council out-sources the management of the market

The Council could consider outsourcing the long-term management and operation of the market to the private sector. An arrangement could be reached with a potential partner concerning an up front premium for the operation of the market, or an annual dividend or share of the operational profits, whilst consideration would also need to be given to which party meets the infrastructure and any additional land costs noted above.

However, the critical issue with this option is that the Council would lose control of the market, including rental levels, the range and quality of market stall-holders, and would have to consider staffing issues in respect of the existing markets team. This option would be extremely sensitive with traders and citizens, and could be regarded as an abandonment of one of Walsall's most important historic and cultural facilities. Most importantly, and as also referred to in the option of the Council continuing to manage the market, there would potentially be even less long term certainty that the market could maintain that step-change in management quality with the resultant impact on the integrity of the wider project. If the responsibility for the market lay with neither the Council nor the developer investing in the St Matthews Quarter project, the control of the essential linkages with the overall development would be permanently lost.

Option 3: Joint venture approach with a developer

The third option for the long-term operation and management of Walsall market is the creation of a joint venture. In effect, the Council would contribute its land assets towards the joint venture, and a developer would build the new facility as its contribution. In the resulting costs and values analysis, there could be a shortfall, which could be met through either party committing a capital sum or an agreement reached on the share of future income until the shortfall is met. The meeting of any shortfall would ensure that the joint venture was an equal 50-50 partnership from the opening of the new market. Clearly, this point may be more than two years away dependant upon the programme for the St Matthew's Quarter development, but it would be essential that the Market Traders Association were fully engaged in finalising the specification for the new market.

The management of the market would be undertaken by a joint management Board, and an agreement could be reached on an appropriate management policy with the developer. Critically, the Council will share equal risk with the developer, maintain equal ownership and control through an equal number of Board members, control of rental levels and the quality/range of stall-holders, and bring in much needed external business knowledge. Any joint venture approach could also bring on board specialist market management knowledge if considered relevant. However, this option would create greater complexity in the management of the overall scheme if the same developer was not involved in both the market and wider scheme elements.

Option 4: Joint venture approach with Norton & Proffitt

Potentially, there may be a number of parties willing to deliver a joint venture. However, developers Norton & Proffitt/St Modwen are currently promoting the retail/leisure led scheme in the St Matthew's Quarter which proposes a new market facility as an integral part of the scheme and one of the key anchors to the development.

Norton & Proffitt are the major landowner in the area, and have continued to show commitment to the regeneration of Walsall town centre in a period of economic uncertainty. However, it is unlikely that the wider St Matthew's Quarter scheme could be delivered without the developer being confident that this essential element of the project was to be satisfactorily managed in the long term to complement that investment. For its part, the developer has a very real interest in ensuring a successful market and would be best placed to ensure the highest quality operating regime. Norton & Proffitt/St Modwen are very enthusiastic about the future of the market, and see its success as integral to the success of the overall scheme. Therefore, there is an obvious incentive for them to make the market a success through this approach.

District Centres

Walsall has a number of markets within its district centres (Bloxwich, Darlaston and Willenhall), which together with the Walsall Town Centre market form the overall market provision for the borough, administered and managed by the Council. Consideration must be given, whichever option is chosen, to how these district centres markets will continue to be maintained and serviced by an effective markets team. This would not be possible through the out-sourcing option, as a lone district centres management option is not commercially viable on its own, but can be considered through any proposals resulting from the remaining two options.

Conclusion

In view of the options outlined above, it is recommended that the Working Group advises the Regeneration Scrutiny and Performance Panel of its support for option 4, a joint venture approach to the future long-term management of the Walsall Town Centre market with Norton & Proffitt/St Modwen, with a commitment that consideration is also given to a mechanism to maintain the long-term effective running of the three district centres markets.