

Staffordshire Moorlands District Council

Leek Trestle_{Market} Hall

Outline Business Case - Final draft

16th March 2022

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1 Introduction

1.1 Background

This report provides an outline Business Case for proposed investment in the physical upgrading of Leek's Trestle Market (also known as the Market Hall). The market has declined in popularity and currently operates at a financial deficit to the Council and requires revitalisation in order that it can contribute positively to the overall markets offer of the town which also includes the adjoining Buttermarket and Outdoor Market, a tradition that stretches back over more than 800 years. It draws on and complements accompanying reports prepared by Quarterbridge:

- Leek Market Hall: Options Appraisal (January 2021); and
- Leek Markets: Operational Management Review (January 2022).

1.2 Purpose and scope of the Business Case

Business cases provide the justification for an investment of public money and are required for all public sector expenditure, with levels of effort and detail in proportion with the scale of proposed investment. Its purpose is to document potential options and identify a preferred option for taking the investment forward based on a comparison of the costs, risks, and benefits of the alternative options.

The 'five cases' approach established by HM Treasury determines that a proposal should ensure that it will:

- provide strategic fit and is supported by a compelling case for change;
- maximise public value to society and offer value for money through optimal activities;
- result in viable procurement and a well-structured 'deal';
- be affordable and fundable; and
- be able to be successfully delivered, monitored, and evaluated.

Business cases incorporate appraisal techniques set out in the HM Treasury 'Green Book' in consideration of the economic case and other matters.

1.3 Recommendations

It is recommended that:

- the positive Outline Business Case (OBC) for investment in the Market Hall is noted;
- the particular merits of the Enhanced Market (Option B) as the preferred option are considered; and
- if a decision is taken to proceed further, then a detailed project should be developed in the context of developing a Full Business Case (FBC).

2 Strategic Case

This section sets out the strategic context for the project and the case for change.

2.1 Strategic Assessment

2.1.1 *Strategic fit – policy and organisational objectives*

The project is designed to improve an important element of the retail and visitor offer of Leek town centre and has a strong fit with national, sub-regional, and local policy.

At the local level, it aligns in particular with:

- Staffordshire Moorlands Growth Strategy (December 2018)¹ – the project supports the strategy for growth in Staffordshire Moorlands developed jointly by the County and District Councils, including for town centres, in particular ensuring that Leek remains as a strong independent market town (see Options Report, P.24).
- Staffordshire Moorlands Local Plan 2014-33 (adopted September 2020)² – the project will support the general aim of creating thriving, distinctive, market towns and in particular Policy SS5 (Leek Area Strategy) with regard to consolidating the main retail core and the market area and protecting and enhancing its distinctiveness, vitality, and viability.
- Staffordshire Moorlands District Council Corporate Plan 2019-23³ – the project will in particular support the aim of creating a strong economy through further regeneration by improvement of the Market Hall as an important aspect of Leek's town centre retail offer, as well as supporting local communities and providing a value-for-money solution to an identified need (see Options Report, P.24).

It is less clearly aligned with the sub-regional Strategic Economic Plan which focusses growth on Stoke and certain urban centres, but it is strongly supportive of the national aims of DLUHC to invest in local areas to drive growth and create jobs, deliver needed homes, support community and faith groups, and support local government, planning, and building safety, as well as more generally the Government's Plan for Jobs, the Plan for Growth, and levelling up.

2.1.2 *Alignment with other projects and programmes*

The project complements other on-going regeneration in Leek town centre, for example the refurbishment and re-use of 1-3 Market Place and 2-4 Stockwell Street for a mix of residential, retail, and food and drink purposes within the context of the Town Centre Masterplan.

2.2 The case for change

¹ <https://www.staffs Moorlands.gov.uk/article/4078/Growth-Strategy>

² <https://www.staffs Moorlands.gov.uk/localplan>

³ <https://www.staffs Moorlands.gov.uk/article/1430/Our-performance-priorities>

2.2.1 *Aims and objectives*

The key aim of the project (see Options Report, P.5 and P.7) is to deliver a more vibrant market offer within the Market Hall that attracts a wider range of traders and customers and provides a wider range of socio-economic benefits associated with successful markets. The Market Hall should support the wider market service, acting as a complementary offer to the Buttermarket, the outdoor market, and market events.

The key objectives (Options report P.34) are:

1. To increase footfall over the medium term.
2. To attract a greater proportion of younger customers.
3. To provide new trading infrastructure that enables stallholders to display goods at various levels.
4. To deliver a scheme that is operationally breakeven or profitable (excluding management recharges) and repays initial investment within an appropriate period.

These are to be considered further in terms of their specifics, measurement, achievability, and timing within the final business case.

2.2.2 *Existing situation*

The Market Hall in which the Market Hall is situated accommodates up to 32 trestle tables which are used for pop-up markets on three days each week (see Options Report, P.25). A general retail market is held on Wednesdays and Saturdays, with a mix of regular and casual traders and a pre-COVID19 utilisation rate of 81% (26 stalls), offering a variety of predominantly traditional goods. An antiques and collectors market was previously held on Fridays, operated by Archers Fairs, with a pre-COVID19 utilisation rate of 38% (12 stalls), but has recently been terminated with the Market Hall currently offering general goods on a temporary basis.

With the ability to fold and stack the tables and provide a clear floor area, the Hall has the potential to be used for other functions, and is alternatively used on occasions for community events, although the operational costs are disproportionately high as it is not self-contained and does not have its own facilities (see Options Report, P.5).

However, the market is not meeting commercial or community aspirations, and the costs associated with maintaining and operating the building are not currently being met. The current trader base operating in the Market Hall (and Buttermarket) are of an older generation and the customer base is perceived to be also predominantly of older people (see Management Report, P.4).

2.2.3 *Needs and demands*

The Market Hall is accommodated within a relatively attractive rectangular single storey building with access directly to a rear car park and indirectly via the Buttermarket to the Market Place in the centre of Leek, and is reported by all respondents to a small market traders' survey in 2021 (Options Report, P.27) to be of a good or very good appearance consistent with a

traditional market. However, it suffers from a number of significant needs, in particular a declining and ageing customer base and stallholders, and as part of the overall markets operation that currently runs at an operational loss (after internal re-charges) to the Council in the order of £24,000 p.a.

Demand from market traders was sufficient to sustain a relatively strong 75% overall utilisation of trestle display tables (24 of 32) prior to COVID-19 on the basis of opening on 3 days per week. It is considered that the Market Hall has the opportunity to attract the next generation of traders and a younger customer demographic as a basis to secure its long-term sustainability (Options Report, P.25). Markets across the UK are increasingly embracing diversified models which include the provision of events, flexible markets, and street food anchors. This style of trading appeals to younger traders and customer demographics, with younger market traders often having very different trading styles to traditional markets. Although no market testing data is available for Leek Market, some level of confidence can be inferred from attendance levels at the Totally Locally market and the market traders' survey which, although based on a small sample, did not express negativity about the future of the Market if improvements were made.

2.2.4 Justification for public sector support

The Market Hall is loss-making (as part of the overall Markets offer after internal re-charges) in its current form (Options Report, P.33) and the private sector is very unlikely to consider a standalone traditional market within Leek as commercially viable (Management & Operations Report, P.18). The rationale for public sector investment can potentially be justified in terms of the provision of a 'public good' that improves the efficiency of the town centre as an economic hub and promotes social equity.

2.2.5 Constraints and dependencies

There are a number of constraints and dependencies, including:

- The physical limitations of the Market Hall;
- Competing requirements regarding possible uses;
- Meeting traders' wishes;
- Limited financial and other resources; and
- Economic and social changes resulting from the legacy of recession and the current COVID-19 pandemic on retail and shopping activity.

3 Economic Case

This section sets out the preliminary economic assessment of the project in terms of costs, benefits, and value for money. The options for the future design of the market and management are currently under review (see Options Report and Management Review) and therefore aspects of the economic case have yet to be determined. In addition, the costs and benefits are based on initial information only.

3.1 Long list of options

An initial range of alternative approaches has been considered in relation to potential improvements to the Market Hall in terms of:

- Layout and design – as described in the Options Report (P.36) with regard to physical arrangement, including display tables/units, seating, access, windows, lighting, and flooring; and
- Management and operation – as set out in the Operational Management Review (Section 4), encompassing a range of models (wholly SMDC ownership, joint venture, private sector, CIC, and Trust) within the context of the three linked markets (Buttermarket, Market Hall, and Outdoor Market) as a whole.

3.2 Critical success factors

The long list of options has been assessed on the basis of key success factors/objectives (Options Report, P.34, and Operational Management Review, Section 4) including improved footfall, a wider audience, improved appearance, financial viability, together with strengths/weaknesses from which a short list of options has been selected and considered in further detail. By implication, these also take account of achievability, capacity and capability, and affordability. In relation to the proposed layout and design (and associated extended operating hours and a potential broader offer of events), these are set out below. The operational options are considered as part of the management case.

3.3 Shortlisted options

Three intervention options have been selected and considered in more detail in relation to layout and design (Options Appraisal Report, Section 4) comprising: the continuation of the existing market with extended opening, with the addition of speciality markets (Option A); an enhanced market offer with some permanent food and beverage (F&B) facilities, improved trading tables, extended hours, and events (Option B); and an enhanced market offer with mainly permanent units, including F&B facilities, and some events (Option C) - together with the 'do nothing' option to identify the reference case. These are summarised below, together with the outline of their respective advantages and disadvantages:

- Option A: Market and ‘Out of Hours’ Use (Do Minimum)** - under this option, the focus would be on retaining a fully flexible hall with no fixed units but with extended opening hours/days, together with speciality market events.

Advantages – public sector capital costs would be low, and it could provide some increase in shoppers while retaining flexibility and enabling community use.

Disadvantages – may not improve prospects for existing traders, specialty market events would require additional funding and organisation, viability may be difficult to achieve, and it could compete with or displace activities in other venues.

- Option B: Enhanced Market** - this option would introduce 2 - 3 small permanent F&B kiosks along with improved trading tables and seating, and enable extended hours and hosting of speciality markets, as well as the flexibility to accommodate entertainment events alongside community uses. Additional permanent units could be installed in response to demand.

Advantages – this option would require some public sector capital investment, but a F&B offer could attract additional visitor footfall and support existing and new traders. Having a small number of permanent kiosks would retain maximum flexibility for specialty market and entertainment events and could increase prospects for the viability and sustainability of the market, with the potential for an on-going revenue stream for the Council.

Disadvantages – the F&B arrangements and events would require additional funding and organisation, viability may be improved but may not achieve sustainability, and it could compete with or displace other venues. In addition, permanent units would reduce the full flexibility of the space.

- Option C: Permanent Units for Mixed Use** - under this option, the Market Hall would be re-purposed to create permanent units for retail trade uses and F&B around a central space with trestle stalls, and enable extended hours and hosting of speciality markets and some, although limited, flexibility to accommodate entertainment events alongside community uses.

Advantages – this would provide traders with more permanent trading conditions and storage while retaining some flexibility and enable extended trading hours/days. F&B could improve attractiveness and footfall, as well as support some events. It could increase prospects for the market to move closer to viability and sustainability of the market.

Disadvantages – this option would require significant additional public sector capital investment. The larger number of fixed permanent units would reduce the flexibility of future uses including events and may lead to competition and displacement of retail activities elsewhere within the other markets and the town centre.

The components of each option are summarised in Table 4.1.

	Trestles	Fixed stalls	Total	F&B	Use for Events ¹

			units	uses	Additional speciality markets	Entertainment
Do nothing	32	-	32	-	-	-
Option A	32	-	32	-	✓	-
Option B ²	24	3	27	✓	✓	✓
Option C	12	9	21	✓	✓	✓

¹ See Options Report, P.38

² This option could flex the number of stalls/trestles in response to demand

3.4 Additionality

Additionality – the extent to which activities take place that would not otherwise do so – is taken into account to determine the ‘net additional’ effects of the proposed project by considering the proposed alternative options against the ‘Do Nothing’ scenario.

The Benefit Cost Ratio (BCR) is the ratio of net benefits (i.e., after subtracting the benefits which would be delivered in the ‘Do Nothing’ scenario) to net costs (i.e., after subtracting the costs which would be incurred in the ‘Do Nothing’ scenario – in this case, none) and therefore captures the additionality of the intervention options.

3.5 Economic costs

Financial costs of the alternative options include both the initial capital investment and the effect of annual deficits (or surpluses) in relation to the operation of the improved market, as set out in the financial case (Tables 6.2 and 6.3). The economic costs to the public sector are represented by discounted values at constant prices including ‘optimism bias’ (the adjustment to compensate for the tendency to understate outturn costs and/or timescales). The initial assessment includes optimism bias of 17% under Options A and B, which are considered to be ‘medium’ risk, and 24% under Option C, which is assessed to be ‘high’ risk (see management case).

Table 4.2 summarises the estimated indicative undiscounted and discounted public sector economic costs of each option over 10 years at constant prices, showing upfront capital and ongoing revenue costs separately, and then the aggregate net position.

Table 4.2: Economic costs (£000)					
	Financial Cost	Constant Prices Cost	OB	Cost incl. OB	Net present cost
A Capital Costs					
Do nothing	0	0	0	0	0
Option A	14.1	13.8	2.4	16.2	15.6
Option B	134.9	132.2	22.5	154.7	149.5
Option C	285.6	280.0	67.7	347.2	335.5
B On-going Costs / Revenues					
Do nothing	0	0	0	0	0
Option A	157.8	140.3	23.9	164.2	134.7
Option B ¹	(95.0)	(84.4)	(14.4)	(70.1)	(57.5)
Option C	33.1	29.4	7.1	36.5	29.9
C Net Public Sector Costs (A+B)					
Do nothing	0	0	0	0	0
Option A	171.9	154.1	26.3	180.3	150.3
Option B ²	39.9	47.8	36.7	84.7	92.0
Option C	318.7	309.5	74.8	383.7	365.4

¹ Under Option B, the financial projections indicate a positive revenue stream, rather than an on-going cost. The application of Optimism Bias of 17% to this reduces the assumed level of revenue generated.

² Under Option B, the impact of converting the revenues over ten years to constant prices before subtracting them from the constant price capital costs means that the net constant price cost is higher than the net financial cost. The adjustment of the revenue stream for optimism bias means that the net costs after OB are significantly higher than before OB (because the assumed revenue stream is lower).

3.6 Outline economic benefits

The options have been considered in relation to ‘Green Book,’ local, and wider benefits.

3.6.1 ‘Green Book’ benefits

The HM Treasury ‘Green Book’ provides a range of standard benefits that are considered to be appropriate in determining the economic value of projects in relation to appraisal and the preparation of business cases. These benefits are considered in relation to the Market Hall project in Table 4.3.

Table 4.3: Market Hall – relevance of ‘Green Book’ benefits		
Measure	Description	Relevance to the Trestle Market
Land Value	Change in land value before and after	Market Hall currently rated as a

Table 4.3: Market Hall – relevance of ‘Green Book’ benefits		
Measure	Description	Relevance to the Trestle Market
Uplift (LVU)	the investment (“betterment”)	market hall – no change proposed
Wider LVU	Betterment in surrounding areas	Adjacent uses (Buttermarket, car park, public conveniences) unlikely to see improved values
Amenity value	Currently provides values for recreation, landscape, ecology, and tranquility. Other benefits (e.g., removal of dereliction) yet to be quantified	Proposed internal works not considered to enhance local environmental amenity
Culture & heritage	Currently provides values for museums and heritage/place	Market Hall not considered to contribute significantly to heritage / value of place
Transport	Values of user and provider benefits in terms of time, cost, reliability, etc.	Not a transport project
Labour supply	Values of entrants to the labour market	Potential new employment opportunities created
Crime	Value of reductions in crime and ASB	Not considered to contribute significantly
Climate change & environment	Climate change – currently restricted to option analysis. ENCA provides values for the natural environment	Not considered to contribute to climate change or the natural environment
Energy use & GGEs	Values for reductions in energy and greenhouse gasses	Not considered to contribute significantly to energy / emissions reductions
Health	Values ascribed to human health	Not considered to contribute significantly to human health
Wellbeing	Values relating to happiness and satisfaction	Potential benefits relating to the social interaction gained from visiting the market regularly; and from attending arts and cultural events which could be held at the market in future
Distributional benefits	Values of the particular benefits to low-income groups	Potential benefits to low-income households

Of these potential overall benefits, labour supply, wellbeing, and distributional benefits are considered to be of most relevance to the proposed investment.

(i) Labour supply benefits

Labour supply benefits reflect the potential impact on the Staffordshire Moorlands economy of jobs being created as a result of investment in the market, which can encourage more people to join the labour market. This has 'supply side' benefits, by increasing the potential output of the economy. These benefits have been indicatively assessed over a ten-year period in line with guidance provided by the former MHCLG. The benefits are relatively small in this case, reflecting a limited expected increase in jobs and the relatively low output per job (Gross Value Added).

(ii) Wellbeing benefits from social interaction

Green Book guidance highlights the importance of taking welfare, or wellbeing, into account in policymaking. Markets can contribute to wellbeing through the social interaction which they support, particularly for older people, a factor highlighted by the Joseph Rowntree Foundation⁴. Monetary values of this wellbeing effect are provided by the HACT⁵ Social Value Bank. At this outline stage, the social interaction benefit has been assumed to apply to only 10% of market visitors (although it may potentially be higher), and only one year's worth of benefits has been included.

(iii) Wellbeing benefits from attending arts and cultural events

Research undertaken for the Department of Digital, Culture, Media, and Sport (DCMS) has found that wellbeing benefits are also experienced by those attending arts and cultural events. Options B and C assume that a programme of entertainment events could be hosted. Under Option B, it has been estimated that this could attract some 4,800 people per year, and would incorporate a wide range of events including speciality markets, trading fairs, and food and drink fairs. It is assumed at this stage that a small proportion would be 'cultural' in nature and not displace events elsewhere, and could provide wellbeing benefits to 10% of overall attendees. Under Option C (with less flexible space), it has been estimated that a smaller number of events could attract some 960 people per year.

(iv) Distributional benefits

In line with Green Book guidance, an additional weighting has been applied to the benefits experienced by those in lower income groups. The weighting has been determined by the difference between the average incomes of those benefiting from the improvements to the market, and the average incomes of residents as a whole. Average household income levels in Staffordshire Moorlands' lower income areas are 20% lower in Staffordshire Moorlands than for England as a whole⁶, and at this stage this level of distributional weighting has been applied to the benefits.

(v) Green Book benefits summary

The indicative benefits have been estimated for each option and subtracted from the benefits of the 'do nothing' (reference) case each to provide an estimate of the net additional benefits. The assessed benefits of relevant 'Green Book' measures are identified in Table 4.4.

⁴ Joseph Rowntree Foundation, *Markets as sites for social interaction*, 2006

⁵ [Calculating your social value | HACT](#)

⁶ Based on ONS data for 'Total annual household income by middle layer super output area (MSOA)'

	Do nothing	Option A	Option B	Option C
Labour supply	-	12	28	24
Wellbeing – social interaction	-	17	59	59
Wellbeing – arts and cultural events	-	-	119	24
Distributional benefits	-	7	49	25
Total	-	37	235	131

3.6.2 Local benefits

A number of studies⁷ (referred to in the Options Report, P.10) have indicated the importance of successful markets nationally in contributing to economic, social, and environmental wellbeing, by remaining an important element of the economy, particularly in relation to independent retailing, local employment, and business start-up opportunities; providing a sense of place; being part of the nation's cultural heritage; offering local access to fresh produce and other commodities; and reducing environmental impacts.

In these respects, the analysis indicates that the Market Hall makes an important contribution in local economic and social terms to Leek – factors that are recognised in the current Green Book in relation to place-making and contribution to strategic objectives. In particular the initial analysis that has been undertaken to underpin this report (albeit it indicative because of the absence of survey or other substantive data) has suggested the following key benefits:

- Footfall – the estimated shopper/visitor trips made to the market per annum.
- Direct and indirect expenditure: the total gross annual expenditure (including multiplier effects) generated through market trading activity (Wednesday, Friday, and Saturday markets).
- Employment - the gross direct and indirect people estimated to be employed within the market and supported within the wider town centre.
- GVA – the value of gross direct and indirect Gross Value Added (as a measure of economic activity) per annum.

An exercise has been undertaken to estimate the current (baseline) performance in relation to these measures on an initial indicative basis based on limited available information. From this, estimated local benefits that may potentially arise from the Market Hall under each option, together with the do-nothing scenario, have been derived, as summarised in Table 4.5.

	Do nothing	Option A	Option B	Option C
Footfall (No. p.a.)	60,000	67,500	74,000	73,500

⁷ Including Joseph Rowntree Foundation (2006), Retail Markets Association (2009), London Development Agency (2010), National Market Traders Association (2012), and National Association of British Market Authorities (2015)

	Do nothing	Option A	Option B	Option C
Shopper/visitor expenditure (£m p.a.)	0.2	0.3	0.5	0.5
Employment (No. headcount)	22	27	37	37
GVA (£m p.a.)	0.09	0.1	0.2	0.2

3.6.3 Wider benefits

While direct evidence is currently limited, drawing on studies identified above and the team's experience, it is considered that the Market Hall can also contribute to important wider benefits as summarised in Table 4.6, based on scores where 1 = low, 2 = medium, and 3 = high in terms of the contribution relative to the 'do-nothing' scenario.

	Do nothing	Option A	Option B	Option C
Economic				
Visitors – attracting new and additional visitors to the town	1	2	3	2
Entrepreneurship – enabling people to start trading businesses easily	1	2	2	2
Business sales opportunities – providing a ready outlet for goods	1	2	2	2
Town centre resilience – providing flexible and adaptable retail space	1	1	2	2
An important part of the town's retail offer – integrating with spending elsewhere	1	1	2	2
Source of local authority income – enabling surpluses to support services	-	-	-	1
Culture and heritage:				
An important reason for visits to Leek – attracting visitors to Leek	-	-	2	1
Contribution to distinctiveness, place-making, and attractiveness	1	1	2	2
Community:				
Social interaction, community cohesion, social inclusion	1	1	2	2
Support for lower-income and deprived communities – providing affordable goods	1	1	2	2
Promote community engagement and development	1	1	2	1
Environment:				
Support sustainability - low and recyclable waste, and low food miles	1	1	1	1

	Do nothing	Option A	Option B	Option C
Food & health				
Access to fresh produce for local communities	-	-	-	-
Promote regional and local food	-	-	-	-
Location for information and learning/skills on health issues and healthy eating campaigns	-	-	-	-
Total (out of 36)	10	13	22	20
Total (%)	27.8	36.1	61.1	55.6

Note: the proposed options include a food and beverage offering but not fresh, local/regional, food and a base for information and advice regarding health and healthy eating. It is therefore considered that there are no significant health-related impacts involved.

3.7 Outline value for money assessment

The key results of the outline Economic Case are summarised in the Appraisal Summary Table (Table 4.7).

	Do nothing	Option A	Option B	Option C
'Green Book' BCR:				
Public sector capital costs (£000)	-	15	149	336
Public sector net costs (£000)		150	92	365
'Green Book' 'central' and 'adjusted' benefits (£000)	-	37	241	131
'Adjusted' Benefit Cost Ratio (BCR) (n.: 1) – Capital costs		2.3	1.6	0.4
'Adjusted' Benefit Cost Ratio (BCR) (n.: 1) – Net public sector costs	-	0.2	2.6	0.4
Local benefit values:				
Footfall	60,000	67,500	74,000	73,500
Shopper/visitor expenditure, £m p.a.	0.2	0.3	0.5	0.5
Employment	22	27	37	37
GVA, £m p.a.	0.09	0.1	0.2	0.2
Wider benefits scores:				
Economic	5	8	11	11
Culture & heritage	1	1	4	3
Community	3	3	6	5
Environment	1	1	1	1

	Do nothing	Option A	Option B	Option C
Food & health	-	-	-	-
Total	10	13	22	20
Total (%)	27.8	36.1	61.1	55.6

The BCR provides the central measure of value for money (VfM) in ‘Green Book’ assessments, representing the total benefit for each £1 of costs. A BCR of 2.0 or more generally represents ‘good’ value for money, 1.0 – 1.9 represents ‘acceptable’ VfM, and 0.9 or less represents poor VfM (on the basis of the DCLG Appraisal Guide). Two BCRs are presented in Table 4.7 – one assessing VfM against the initial capital costs, and one assessing VfM based on the net public sector costs, taking into account on-going costs and revenues.

The initial assessments indicate that although Option A appears to offer ‘good’ value for money on the capital only measure, this is because the level of capital investment is so low, and the absolute scale of the benefits is very limited. Option B offers ‘acceptable’ VfM on the capital-only measure, while Option C indicates ‘poor’ VfM.

Calculating the BCR using net public sector costs provides an indication of value for money taking into account on-going costs and revenues. On this measure, Option B offers ‘good’ VfM, whilst Option A and C offer ‘poor’ VfM. Option B also offers the greatest level of Green Book benefits.

In terms of local benefits, these measures provide the basis for consideration of place-based effects of the proposed project. The additional benefits of Option B and C over the do-nothing could be:

	Footfall p.a.	Expenditure p.a.	Employment	GVA p.a.
Option B	14,500	£0.3m	15	£0.1m
Option C	14,000	£0.3m	15	£0.1m

These represent modest increases, but over a period of a period of 5 years (when impact is likely to be most strongly felt) the return on the initial capital costs of £149,000 and £335,500 and net economic costs of £92,000 and £365,000 in terms of discounted economic benefits would be significant:

5-year effect	Footfall	Expenditure	Employment	GVA
Option B	73,500	£1.0m	15	£0.5m
Option C	70,700	£0.9m	15	£0.5m

In relation to wider benefits scores, these provide an indication that Option B, and to a lesser extent Option C, are likely to provide noticeable economic and community benefits, although modest in respect of heritage/culture and environment, and no significant benefit in terms of food and health.

3.7.1 Risks and sensitivities

(i) Risks

Risks are considered in detail in the Management Case, illustrating a medium level of risk with appropriate mitigation measures under Options A and B and a high level of risk under Option C.

The provision included for Optimism Bias is sufficient to adequately reflect these levels of risk at this outline stage.

(ii) Sensitivity

An analysis of 'switching values' has been carried out to test the sensitivity of the value for money results to changes in key variables. The analysis in Table 4.8 calculates how much public sector costs or benefits would have to change in order for the option BCRs to be less than one (i.e., is considered to represent 'poor' value for money).

Table 4.8: Switching values				
	Do nothing	Option A	Option B	Option C
Capital Costs only				
Change in net additional benefits (%)	-	-57%	-38%	155%
Change in net additional costs (%)	-	134%	61%	-61%
Net public sector costs				
Change in net additional benefits (%)	-	311%	-62%	178%
Change in net additional costs (%)	-	-76%	162%	-64%

Capital costs alone, under Options A and B, costs would have to rise substantially, and benefits fall substantially, before they would represent poor VfM, while Option C indicates poor VfM and would require a significant decrease in costs or increase in benefits in order to achieve acceptable VfM.

Based on net public sector costs, under Option B costs would have to rise substantially, and benefits fall substantially, before it would represent poor VfM. Both Options A and C indicate poor VfM and would require a significant decrease in costs or increase in benefits in order to achieve acceptable VfM.

3.8 Preferred option

On the basis of the indicative assessment in terms of net public sector costs, Option B would potentially provide 'good' VfM compared to net public sector costs, the highest values in relation to local benefits in terms of footfall, visitor/shopper expenditure, employment, and GVA, and also the highest wider benefit score, is least susceptible to sensitivities, and has an acceptable 'medium' level of overall risk. On this basis it would be preferred to Option C, which only demonstrates the potential to achieve 'poor' VfM, lower levels of local benefit, is very susceptible to sensitivities, and has high risk. Option A only performs well in terms of affordability.

This provides a basis for further consideration.

4 Commercial Case

This section considers the Commercial Case for the proposed project and the arrangements for the proposed 'deal'.

4.1 Consents and approvals

4.1.1 *Planning and building regulation consents*

The proposed investment works are principally confined to internal fitting out of the Market Hall, with work affecting the external appearance limited to the reopening of an additional access at the rear, which would require planning consent. The proposal does not affect any listed buildings but permanent use for sale of food or drink may involve a change of use, depending on whether the scale was considered to be ancillary to the main retail use or not.

Installation of extraction equipment associated with food and drink stalls may be required and would be a material issue in terms of planning consent if equipment on the exterior of the building was involved. Any fitting out of the Market Hall may also require changes to the mechanical and electrical equipment within the building. There could also be further implications in terms of fire risk and other health and safety compliance issues. Survey work would be required to determine if there are any other structural or condition elements needing attention.

4.1.2 *Environmental health*

It is anticipated that the operator(s) of food businesses within the improved market will need to be legally registered with the Council's Environmental Health department prior to trading. This would not affect the undertaking of the proposed improvement work itself.

4.1.3 *Market licencing*

New market stall traders will need either a temporary ('casual') or permanent licence from the Council prior to trading. Again, this would not affect the undertaking of the proposed improvement work itself. **Tenants of the F&B units would be issued with a lease by the Council. Traders from table locations would be issued with a casual licence to be reviewed after four weeks with an option to have a permanent licence.**

4.2 Procurement

Procurement of works and professional services to undertake the proposed capital investment will be undertaken by the Council under the provisions of the Public Contracts Regulations 2015 and the Council's procurement Procedure Rules for contracting (Standing Orders).

The scale of works, and potentially services, are below the thresholds for larger procurements under the PCR2015 that are subject to particular procedures and advertisement. However, they

will exceed the minimum threshold for tendering by the Council and will therefore be subject to the requirements set out in the Council's Procurement Procedure Rules which will involve competitive processes (tendering) for the appointment of professional services and a main contractor for the proposed works.

4.3 Contractual arrangements

Industry Standard forms of contract for works and professional services (for example JCT Minor Works and Professional Services Contracts, latest and current editions) are expected to be used for the limited scale of investment proposed.

In terms of the future market operation, changes to rent/lease terms with traders may need to be negotiated if changes recommended in the Management Report are adopted.

4.4 Subsidy control

In relation to conformity of the proposed project with current interim Subsidy Control legislation relating to the World Trade Organisation (WTO) Agreement on Subsidies and Countervailing Measures (ASCM) and FTAs, notably the UK-EU Trade and Cooperation Agreement (TCA), it is considered that the aid does not constitute a prohibited subsidy, not least because it does not affect international trade.

It is possible that permanent Subsidy Control arrangements (in relation to which a Bill was published in June 2021) may come into effect before approval of the business case. Further consideration may be necessary but is perhaps unlikely to raise competition or trading concerns.

5 Financial case

This section considers the Financial Case for the project, in particular in respect of project costs and funding requirements.

5.1 Project investment costs

The initial estimated budget capital costs of the project are set out in Table 6.1 below.

	Option A	Option B	Option C
Improvement works:	£	£	£
Replacement trestle tables	14,100	10,600	5,300
New fixed stalls (inc. services)	-	79,200	215,600
New seating	-	5,500	5,500
Reinstate side entrance	-	22,000	22,000
Sub-total	-	117,300	248,400
Fees	-	17,600	37,300
Total	14,100	134,900	285,700

Costs have been prepared by Quarterbridge and represent initial budget estimates only (see Additional Information 13/12/21 at Appendix C) at assumed outturn prices. They are not based on surveys or tendered sums and must therefore be considered as illustrative only. The costs allow for the following components:

- Improvement works – comprising replacement trestle tables, and (under Options B and C) construction of new fixed stalls with service connections (water, electricity, and drainage), new customer/audience seating, and reinstatement of the additional side entrance. The costs include contingencies at 10%; and
- Professional fees – the cost of required professional services (under Options B and C only) to provide design and supervision of works, estimated at 15% of improvement costs.

It should be noted that the costs exclude fittings and equipment associated with the F&B units as well as an extraction system. This may be factored into the rental, or reflected in additional costs. In addition, no works to the fabric of the building or services have been identified that would improve conditions and provide more readily for wider uses.

There is no anticipated non-recoverable VAT and figures are shown net of VAT. It is assumed that works would be undertaken in 2022/23.

5.2 Project funding

The funding of the project is assumed to be on the basis that costs will be fully met by the Council from its own resources under the Capital Programme or alternative public sector sources and will need to be considered further.

5.3 Operational performance

A high-level financial profile for the operational performance of the market under alternative options has been prepared (see Options Report, Appendix 1) in relation to income and expenditure in a stabilised year which indicates that only Option B could be expected to operate on a viable basis, and then only on the basis of a marginal surplus. This is illustrated in Table 6.2.

	Income	Expenditure	Surplus / (deficit)	% on expenditure
Option A	126	143	(18)	(12.5)
Option B	175	164	11	6.7
Option C	171	175	(4)	(2.3)

The full cost to the Council over a nominal period of 10 years (assuming continuation of similar annual surpluses/deficits) is estimated to be significant under both Options A and C, while under Option B the net cost is substantially less, as identified in Table 6.3.

	Capital investment	Operational expenditure (net)	Total	NPV
Option A	(14)	(176)	(190)	(155)
Option B	(135)	105	(30)	(45)
Option C	(285)	(35)	(320)	(305)

N.B. Figures have been rounded

The Net Present Value (NPV) of the investment options over a period of 10 years is negative in each case, but substantially better for Option B than for Options A and C. In terms of financial payback, only Option B has the potential to achieve this (but only after a significant period estimated at 12.8 years).

5.4 Financial controls

It is anticipated that Staffordshire Moorlands District Council would be the accountable body for the proposed investment and has appropriate financial procedures and controls in place to administer public funds effectively and appropriately. The project will be subject to strict financial controls that will be exercised by the Executive Team and the Cabinet.

Operationally, the responsibility for setting of annual budgets and the arrangements for appropriate monitoring and control systems will be dependent on the option selected for future operation and management of the markets.

6 Management case

This section considers the Management Case in relation to project delivery. The future organisation and management of the markets is currently under review (see Management Report, P.4) and therefore aspects of the management of the investment project and subsequent operation are yet to be determined.

6.1 Governance, organisation, and management

The governance, organisation, and management of the markets in Leek (the Buttemarket, the Market Hall, and the Outdoor Market) is currently undertaken by SMDC, with a contractor (currently AES) responsible for erecting, dismantling, and storing stalls, and carrying out cleansing activities, in respect of the outdoor market only (see Management Report, P.7).

The Chief Executive (Andrew Stokes) is responsible for carrying out the policy decisions of the Cabinet and Council assisted by the relevant senior management personnel - the Executive Director of Place (Neil Rogers) and the Head of Regeneration (Sarah Porru). The Markets Team currently comprises a Markets Superintendent, a Regeneration Officer, and an Administrative Officer (all part-time, a total of only 0.8 FTE). (see Management Report, P.7).

A long list of eight potential options for future management of the markets as a whole have been assessed for further consideration (see Management Report, P.20-29), a summary of which is provided in Table 7.1.

Option	Description	Main advantages	Main disadvantages	Recommended
1 Do Nothing	Continued SMDC ownership & management	• Familiarity	• Steady decline	No
2 SMBC with specialist assistance	Continued SMDC ownership & management with specialist assistance	• Some expected performance gains	• Short-term improvement only	Yes
3 Market operator (contract)	SMDC ownership, with market operator (contract)	• Professional management with some retained SMDC control	• Limited investment potential	Potentially yes
4 Market operator (lease)	SMDC ownership, with market operator (lease)	• Professional management over medium-long term	• Reduced SMDC control and limited investment potential	Potentially no
5 Joint	JV between SMDC	• SMDC shares	• Time &	No

Option	Description	Main advantages	Main disadvantages	Recommended
venture	and a market operating company	rewards (& risks) with a professional operator over medium-long term	resources involved in establishing a successful JV	
6 Private sector operator	Sale to market operating company	• Capital receipt for SMDC and discharge of future responsibilities	• Loss of any control of market futures	No
7 Community Interest Company	Formation of CIC to operate the market	• CIC would focus on reinvestment and social value	• Reduction in wider SMDC objectives	Yes
8 Management Trust	Formation of a Trust to operate the market	• Favourable tax treatment	• Establishing a Trust, reduced SMDC control, and limited investment potential	No

The preferred option for the Leek Markets Service is a continued in-house operation, with additional outsourced support for events and marketing delivery as required (Option 2).

Leek Market would benefit from private sector experience in these respects, but is unlikely to be commercially attractive. The only likely commercially viable route to delivery would be to include Leek Markets with the operation of Glossop Market, which is currently out for tender.

Along with proposals for improvements to the management and operation of the markets, it is proposed to consolidate and strengthen the Markets Team within the Council based on two staff with more focussed roles – a Markets Manager and a Regeneration Officer (1 full-time, 1 part-time, totalling 1.3 FTE) (see Management Report, P.10).

6.2 Delivery resources

In relation to the proposed investment project, the Council has some capacity and capability to successfully deliver the proposed improvement works to the Market Hall through the Head of Assets (Katy Webster), assisted by a Project Manager (to be identified), reporting to the Executive Director of Place (Neil Rogers), with the support as necessary of the Head of Legal Services, the Head of Service Commissioning, and the Head of Finance. Depending on the scope of the capital works to be managed and delivered, external construction project management may need to be considered.

In terms of operation, responsibility for delivery will be dependent on which future management option is selected. Under all options, it is expected that the Council’s own responsibilities will continue to lie with the Chief Executive (with the support of the Executive Director of Place and the Head of Regeneration) in carrying out the policies of the Cabinet and Council.

6.3 Marketing and communications

It is proposed (Management Report, P.10) that significant improvements are made to the existing marketing and promotion activities, which are currently very limited (with an annual budget of some £3,000). The Management Report emphasises the essential importance to the successful operation of the markets. A cost-effective approach based on social media is recommended with an emphasis placed on developing a strong marketing and promotions strategy or plan to underpin future activities and co-ordination with traders.

6.4 Risks and risk management

Options A and B have been assessed as having an overall medium level of risk, with that for Option C being very high, in contrast with a high level of risk attributed to the Do-Nothing option based on the probability that it will result in continued steady decline of the market and the need for a continued subsidy from the Council (Options Report, P.49).

Option	Risk factor	Overall risk
Option A	<ul style="list-style-type: none"> • Unproven demand for new specialist markets • Potential increase in operational costs requiring additional Council subsidy • May not prevent continued decline in general market trading 	Medium
Option B	<ul style="list-style-type: none"> • Unproven demand for entertainment events as well as specialist markets • Entertainment event organisers yet to be identified • Turnover rents for F&B units is untested 	Medium
Option C	<ul style="list-style-type: none"> • Unproven demand by traders for additional fixed units • Additional competition may increase town centre vacancy • A critical mass of pop-up traders may not be achieved, reducing vitality • May adversely impact occupancy within the Buttermarket • Contrary to consolidation of town centre retail floorspace which may adversely affect its ability to respond to changing trends 	Very high

	<ul style="list-style-type: none"> • Turnover rents for F&B units is untested • Opportunity cost in losing the potential for flexible markets and events 	
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In terms of the implementation of the Market Hall improvement works, risks will be managed in association the selected contractor, by the Head of Assets through the appointment of an internal or external Project Manager.

In relation to the on-going operation of the markets, regular reporting will be required incorporating the identification of risks and appropriate mitigation methods.

6.5 Timescales

It is anticipated that the detailed design, approval process, contractor selection, and implementation of works could be undertaken within the 2022/23 financial year subject to the approval of the business case for investment. **Confirmed project delivery will be expected within the 2022/23 financial year.**

6.6 Monitoring and evaluation

Monitoring and evaluation are essential elements of the ROAMEF Cycle that is an integral part of the broad policy making and delivery cycle established in the Green Book. They fulfil two essential tasks: to deliver projects in an efficient manner (project management); and to assess whether a project has produced the desired results.

Very little information is currently known with regard to various issues including the benefits of the market, which is a serious weakness in terms of policy development. An M&E Plan therefore needs to be developed alongside the detailed design and implementation of the project, comprising:

- financial and output monitoring during project implementation;
- monitoring of outputs during operation, based on appropriate KPIs relating to visitors, shoppers, and audiences including footfall, social profile, home location and travel, expenditure, and associated town centre visits, and relevant information on traders (including hours worked, turnover, and employment), as well as social and environmental benefits. This should refine the baseline estimated in the economic case and provide a basis for assessing future changes;
- improvement of financial information relating to the market operation and traders, including invoicing and payment of rent (see Management Report, P.10); and
- consideration of appropriate evaluation to assess the net additional impacts of the market derived from visitors, shoppers, and audiences.

Appendix A – Options Report

Separate attachment

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Appendix B – Operational Management Review

Separate attachment

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Appendix C – Cost estimates of alternative options

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