

SUBJECT:	LINCOLN CENTRAL MARKET
DIRECTORATE:	MAJOR DEVELOPMENTS
REPORT AUTHOR:	JO WALKER, ASSISTANT DIRECTOR – GROWTH & DEVELOPMENT

1. Purpose of Report

- 1.1** To provide a detailed update in respect of proposals to restore and regenerate Central Market & City Square as a key project within the Lincoln Town Deal Programme.
- 1.2** To present the full business case for this project, including the proposed funding strategy and operational arrangements, and to endorse its submission for consideration under the Town Deal governance arrangements, for a final decision in respect of Town Funding.
- 1.3** To seek agreement to delegate final approval of the delivery and contracting arrangements for this project to the Section 151 Officer and the Director of Major Developments. This approval will be subject to securing Towns Fund and a final scheme cost that can be financed and delivered viably.

2. Executive Summary

- 2.1** Central Market is a Grade II Listed Building, of special architectural and historic interest. It was built in 1937 to the design of the architect Robert Atkinson and incorporates the relocated front of the earlier 1737 Butter Market.
- 2.2** Despite the quality of the facing materials (ashlar stone and clay roof tiles) and the design of the principal facades, the condition of the building is poor and the windowless nature of the northern elevation is uninviting to the shopper, undermining the vitality of the adjacent public space.
- 2.3** Despite the Council's long-standing ambition to restore and regenerate the market, a lack of funding, coupled with the marginal viability of the operation, has limited any significant investment to date. The combination of Towns Fund and Heritage Action Zone (HAZ) support now provides an opportunity for major investment to create a sustainable future for the asset, which will in turn support the diversification and recovery of the High Street.
- 2.4** Accelerated Town Fund and Heritage Action Zone (HAZ) funds have enabled work to proceed to the detailed design stage and planning consent was granted for the scheme on 30th June 2021.
- 2.5** The proposed scheme is for a major regeneration of the Central Market building, including opening up the blind arches on the north and east elevations, a new

mezzanine floor, replacement roofing and glazed lantern, demolition of the extension to the south and the construction of a new two storey extension to accommodate a new commercial unit with balcony. It is also proposed to repave and enhance external areas immediately adjacent to the building at City Square and Sincil Street.

2.6 The vision is to stem the decline in footfall, occupancy and turnover by reinventing the market to create a hybrid offer which combines food and non-food retailing, with expanded food & beverage and communal dining. The addition of the mezzanine level will allow for seating and flexible uses, including for events. The creation of the standalone restaurant unit within the new two storey extension, will create a further 'destination' dining space as well as supporting the commercial viability of the proposal.

2.7 The total cost of the capital works to both the Central Market building and adjacent public realm (including fees and management) is estimated to be approximately £8.5m, to be funded through a combination of Town Fund, HAZ, Council reserves and borrowing.

2.8 The design has been developed in consultation with key stakeholders including Historic England and with input from commercial agents, Banks Long and specialist market operator, Quarterbridge. Advice has also been provided in respect of the relocation of existing traders and future operational strategy. In respect of the existing traders, the focus is on providing support to relocate to enable the works to proceed. In respect of the future operations, a dedicated service is proposed to ensure that the market can operate successfully, maximising benefits and commerciality. Additional services would also be procured to ensure professional management, in a similar style to other successful markets and shopping centres.

2.9 This report provides an overview of the business case for the market now that the project has been selected as part of the final Town Deal programme to proceed to Stage 2. Subject to Executive approval, the business case will be submitted for consideration and approval under the Town Deal governance arrangements. Subject to approval of the business case, agreement on final scheme costs and a strategy for relocation, the project could commence in early 2022.

3. Background

3.1 Lincoln Central Market is identified as a key project within the Town Deal Programme to support the economic recovery of the High Street and to contribute towards the long-term vibrancy of the City Centre, providing a 'hub' to nurture the growth of small business.

3.2 The need to revitalise and invest in the market is clear. The Market is located to the east of the main High Street, within the Cornhill Quarter – an area which has benefitted from major investment and regeneration creating over 400 new jobs. In contrast, the Central Market building and adjacent spaces present an outdated appearance and are currently underutilised and under trading. Income has been on a downward trajectory for a number of years and the surplus has been maintained largely as a result of cost-savings.

3.3 The need for investment and diversification has become more pressing as the change in retail patterns and decline in traditional retailing has accelerated as a result

of Covid-19. There is a need to stem this decline by repositioning and repurposing this important city centre anchor and historic asset that is at risk of rapid degradation.

- 3.4** As a listed building, the starting point for investment was to establish the current condition of the building and the options for restoration and reconfiguration to serve a diversified/change of use. A comprehensive options appraisal for the restoration of the market building was undertaken, informed by a full Condition Survey, Heritage Impact Assessment, reference to best practice examples, the evidence of need and demand and wider commercial input. A total of 7 options were considered, ranging from a do nothing/emergency repairs only to major structural alterations.
- 3.5** From this work, it has been established that the level of investment required just to safeguard the existing fabric is approximately £1.5m. This will not however enable a diversification of use to support a future vibrant high street. Taking into account the declining popularity of the market as a commercial enterprise and the limited viability in its current form, it is considered necessary to “re-invent” the space in order to bring greater opportunity for a variety of traders and to respond to local need and demand, ensuring that Lincoln has appropriate enterprise infrastructure to support business growth.
- 3.6** Investment in the wider public realm is also considered essential in order to maximise opportunities for spill-over activities such as pavement cafes (of increasing importance), events, outdoor trading and to provide quality public space for residents to enjoy.
- 3.7** The proposed redevelopment of the building, and City Square located north of the building, has the potential to deliver a vibrant, attractive and welcoming “place of destination” in its own right producing a market offer which meets current day shopping demands presenting a shopping experience as well as catering for the early evening economy.
- 3.8** There are a number of precedents for this type of change from a more traditional market to a specialised or diversified offer. Successful restoration examples which have informed the brief for Lincoln include, Altrincham, Scarborough, Doncaster and Leeds, which have all moved away from a traditional market to a more food orientated offer, with opportunities for casual dining, entertainment and leisure, combined with strong branding, promotion and online trading options – all with a focus on showcasing local produce. The proposals for Lincoln have now been refined with reference to these examples and with specialist input to try to optimise commercial viability whilst striking a balance between upgraded market retailing and food and beverage. These proposals are considered key to attracting a greater variety of traders and opportunities to the market, with the potential for uplift in revenue over the longer-term to support delivery and viability of the operation.
- 3.9** The rationale for investment in a transformational market project is summarised as follows:

 - The Market occupies a prominent and prime location in the city centre which has been significantly enhanced by the delivery of the Cornhill Quarter and transport hub projects.

- The better and more diverse mix of uses provided within the central retail area will give the wider City a competitive edge over its equivalent and perhaps historically more dominant competing regional town and city centres.
- There is only one Market in Lincoln. A top-quality Market offering therefore has the potential to draw from a wide trader profile and further extend the catchment reach of the city.
- The Market has the potential to create a destination in its own right. Successful Markets across the country have demonstrated the significant positive impacts which the creation of a destination Market offer can bring to a town centre. As a local comparator, the regeneration of the first floor former Corn Exchange trading area now occupied by the Cosy Club within the Cornhill Quarter scheme, has created a destination in its own right and attracted interest from an expanded range of prospective operators not currently represented in Lincoln.
- The Market has the potential to generate significant additional footfall – some reports suggest increases of around 25% (source – Institute of Place Management).
- A repositioned and “re-invented” Market offer will respond to the pre- and post Covid trends of increasing demand from quality independent traders and act as an incubator for new businesses.
- A successful Market will provide opportunities to support and nurture local business, creating jobs and opportunities for the local community and providing opportunities to showcase local creatives and producers.

4 Regeneration Proposals

- 4.1** Feasibility, detailed design and pre-construction work has been progressed with funding secured through the Heritage Action Zone (HAZ) and ring-fenced reserves (to support Cornhill and Market).
- 4.2** The designs for the market building have been carefully developed in conjunction with advice from Banks Long & Co commercial and letting agents, Lincolnshire County Highways, Conservation Officer, Historic England and a full project design team in partnership with Willmott Dixon who have been procured by the Council via the Procurement Hub Framework. The vision has been to design a building of destination; an attractive and modern retailing and leisure space, offering a mix of stalls and delivering a place where people want to visit and dwell rather than simply pass by en route to the High Street or the Transport links in the city.
- 4.3** Consideration has been taken in trying to achieve a mix of uses which is viable over the med-long-term whilst maintaining a recognisable market offer which supports city centre vibrancy. The proposals offer the potential to retain a retail offer whilst also introducing new facilities into the market to attract a wider F&B offer alongside the potential for other uses to promote footfall.
- 4.4** The proposed changes to the market hall, which now have the benefit of planning consent and are now developed to RIBA Stage 4, include:
- Interior refurbishment and mezzanine floor to the western end of the market hall
 - Opening the principal facades to the north and east elevations through the removal of the “blind” arches and insertion of new full height glazing, with

associated internal alterations to relocate stalls away from the glazing (considered essential in improving visibility and footfall to the building).

- New heating and lighting with a more sympathetic design.
- Interior finishes repaired or renewed with decoration of the exposed steel roof structure, plastered walls, exposed woodwork and the replacement of the original terrazzo tiled floor covering.
- The introduction of new freestanding island stalls to the interior spaces, these would be of a contemporary minimal design to avoid conflict with the historic fabric. An area would be created within the centre (and potentially using the mezzanine) to accommodate seating for the associated food outlets within the stalls.
- The introduction of new perimeter market stalls to the western end of the Market Hall to replicate the existing 1938 stalls located to the eastern end of the Market Hall.
- New toilets, including disabled and baby changing facilities as an integral part of the market offer, accessed internally from the Market Hall.
- Creation of new ground and first floor commercial space where the existing butchers and fishmonger stalls are located providing an opportunity for a standalone F&B operator, with balcony at first floor.
- Provision of fresh food stalls within the main Market Hall, below the mezzanine, incorporating its own glazed entrance.
- Public realm improvements to City Square to create an extension to the market building which will provide a flexible space for events as well as for the public and visitors, incorporating seating and greenery and a place for people to dwell and meet as well as a place where people can enjoy a meal or drink by the market building as well as the riverside.



- 4.5** The design process has taken account of feedback from existing traders, wider stakeholders and the wider public during the pre-planning stage and as part of the wider Town Deal engagement programme. Overall, the response to the proposals has been positive, with strong support from stakeholders such as Historic England:

Historic England supports the proposed scheme for the Central Market which will clearly deliver a strategic uplift for the city and significant public benefits. It would represent high quality heritage-led regeneration for Lincoln. (Planning Consultee Response, 16th April 2021).

- 4.6** The cost of the proposed capital project is approximately £8.5m, to be funded through a combination of Town Fund, HAZ and City Council reserves and borrowing. Costs and the indicative funding package for the proposed capital project are set out within the business case.

4.7. Although the income that can be generated by the new scheme over the predicted lifetime of the building is significant, operational cashflow projections indicate that there is insufficient value in the scheme to enable capital expenditure requirements to be financed commercially. This is borne out by research into other market regeneration projects and operating models all of which demonstrate a need for initial capital or long-term financing model to enable a viable operation. The requirement for Town Funding is therefore essential to underpin the commercial viability of this scheme. The operational model, cash-flow projects and funding strategy is discussed in more detail below.

5. Operational Proposals & Commercial Case

5.1 Profit & loss figures based on the current market operation have been analysed to provide a baseline for future operating proposals and to inform the funding strategy and commercial case. Since the 2016/17 financial year the income generated by the market has dropped by £60,580, representing a fall in income of 23.8% over the five-year period. The declining revenue provided by the market has been mitigated by cost savings to maintain a positive outcome to date.

5.2 Income and expenditure figures are projected to increase over the next 5-years, but it is difficult to see how the market will achieve the projected income targets without any investment in the building, given the downward trajectory to date.

5.3 Market research has been undertaken to assess the occupancy and revenue potential of the new scheme and enable refinement of designs. Rental levels within the new market hall must be pitched at a level to ensure trading opportunities are accessible to new, small and growing firms and to ensure maximum occupancy. Securing a strong mix and a high-quality offer is also key. Specialist advice suggests that in order to optimise the revenue from the Lincoln scheme, then the focus of the project should move towards a predominantly food and beverage offer.

5.4 Taking this into account, whilst also considering the local context, it is felt that there is an opportunity to deliver a hybrid market scheme which seeks to bring together the food and beverage offer and traditional market stalls under one roof. This is in view of the timing for delivery, which follows the significant multi-million pound regeneration works which have occurred around the railway station, new bus station, 1,000 space pay-as-you-leave car park and the well-publicised success of the Cornhill Quarter development. Future proposals for the next phase of Cornhill development will also support the proposal.

5.5 The design team has worked with the commercial agents and agreed on a final layout which seeks to future-proof the scheme by installing mechanical extraction ventilation, drainage and water supplies to a number of stalls to allow as much flexibility as possible to cater for demand from food and beverage operators. The proposal will therefore accommodate the following target occupiers, with a focus on quality, sustainability and supporting local producers and suppliers:

- Market retailers (food and non-food)
- Food Hall vendors and casual dining

- Self-contained food and beverage operator, to replace the existing Butcher's Alley. This unit will be accessed via a separate entrance from Sincil Street and include a first-floor area with balcony.

5.6 Revenue projections, based on applying the above mix to the proposed layout, have been informed by specialist commercial advice. This is included within the business case.

5.7 From a cost perspective, operational costs have been calculated based on a dedicated in-house team with increased staffing and other resources. The proposed costs and assumptions are detailed within the business case.

5.8 At full occupancy, the revenue generated from the new market is anticipated to cover the proposed operational costs, with the potential for growth and surplus. Full occupancy is considered possible with a 12-18 month construction phase for marketing, however the cash-flow analysis put forward to accompany the business case has been carried out based on a conservative build-up of occupancy from 75% at year 1 rising to 95% by year 9, with 95% occupancy sustained thereafter. Based on these assumptions, the overall operation will sustain a loss for the first 5 years, paying back by year 6.

6. Existing Traders

6.1 In order to deliver the capital works, it will be necessary for the existing traders to vacate the market and to relocate. A number of options for relocation and trading have been explored. These options have been informed by early engagement with the traders, advice from commercial agents, specialist market operators and other local authorities. The options are detailed within the business case.

7. Management Case – Future Operational Options

7.1 The existing market service is managed by a cross-departmental team within DCE and DMD (Business Services). Market management is in addition to a range of other duties carried out by these staff, with the exception of the Market Supervisor.

7.2 Specialist advice has been provided in respect of a future operational model and a range of options are set out within the business case. A key requirement is the importance of a clear decision-making structure with clear lines of definition between maintaining the day to day quality of the Market environment but also focussing on continually driving and seeking out new ways to improve the quality of the customer experience which in itself will drive rental growth. Recommendations arising from the options report are set out within the business case.

8. Strategic Priorities

8.1 Let's drive inclusive economic growth

This is a key project within the economic portfolio as part of the Town Deal programme.

8.2 Let's reduce all kinds of inequality

Proposals for the market will deliver quality, affordable commercial space for new and growing businesses. The venue will be open and accessible to the whole community and will provide a range of services within a sustainable City Centre location. The project is part of a wider programme which aims to regenerate and support the vibrancy of the City with a focus on inclusive and sustainable growth.

8.3 Let's deliver quality housing

Whilst the funds have an economic focus, indirectly, by driving economic recovery the programme will have a positive impact on the delivery of quality housing by supporting city vibrancy which will in turn support market demand and viability.

8.4 Let's enhance our remarkable place

The proposals will support business activity within the City and promote economic vibrancy which will in turn help to sustain and safeguard the place.

8.5 Let's address the challenge of climate change

The proposals will support the regeneration of a heritage asset such that it can become more sustainable. It will also provide a sustainable location to support business growth, including through digitalisation and wider adaptations that also align with the net zero objective. Supporting a vibrant City Centre also aligns with our sustainable growth objectives.

9. Organisational Impacts

9.1 Finance (including whole life costs where applicable)

Financial modelling contained within the business case, indicates that the market will make a cumulative surplus from year 6 onwards, however with the current financial pressures facing the Council and the ongoing challenges following the impact of the pandemic it is important to consider the impact of the initial loss on the existing MTFS, which currently assumes a surplus will be made from 2022/23.

The total impact on the current MTFS is an anticipated deficit of £182,920, for which funding will need to be identified. The Vision 2025 earmarked reserve currently has an unallocated balance of £772,410 and could be used to offset this deficit.

The above costs do not include the cost of any additional staffing resources ahead of the first year of operation. As set out in the business case this would be an additional cost and would be funded through a combination of the capital budget and/or in year revenue resources.

9.2 Legal Implications including Procurement Rules

All contracting and procurement activity will be undertaken in accordance with the Council's Contract Procedure Rules and ultimately Public Contract Regulations 2015 and all other relevant legislation.

Initial specialist advice has been procured in respect of powers and subsidy control, to be presented to Executive on 26th July 2021.

Current tenancy arrangements are being addressed.

9.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

An Equalities Impact Assessment is included as part of the business case for this project. Some specific examples of promoting inclusive growth are summarised below.

As identified in the Greater Lincolnshire Recovery Plan, significant increases in unemployment can be expected short term as a result of the Covid-19 pandemic. The proposals for Central Market will support employment by providing the right infrastructure for business growth. In meeting the requirement of local business during this challenging period, the investment in Central Market is seeking to address local needs and create opportunities for all. The overriding objective being to ensure growth is both inclusive and sustainable.

Inclusivity was considered as part of the project's design and access statement:

Accessibility to the existing market building remains unchanged, the existing entrance doors to the north and east elevations are retained. The entrance doors to the north façade have a stepped approach whilst the entrance door to the east façade has previously had the external levels raised to enable a level threshold. Accepting the limitations around the Listed status of the building it is proposed that the existing doors to the level threshold entrance off Sincil Street are enhanced by fitting automated door gearing.

Internally floor levels are consistent throughout the market areas and the proposed unisex toilet facility provides both fully accessible, ambulant and standard WC cubicles in addition to a baby changing facility. Lift access is provided to the mezzanine floor level from within the market together with an ambulant staircase in compliance with Building Regulations. External pavings are selected to enable wheelchair access across all areas, further details of which are provided within the separate Re-Form Design and Access Statement.

9.4 Human Resources

The implications in respect of the future management proposals are set out within the business case.

9.5 Land, Property and Accommodation

The proposals will support local businesses occupying land and property. In this regard the proposals will help to safeguard these assets and support economic recovery/city vibrancy.

Requirements in respect of the current tenancy arrangements are set out in the business case.

9.6 Significant Community Impact

The Central Market is considered to be an important asset for the City, borne out by the popular response to the recent survey. This scheme has taken account of public consultation and will continue to be refined to address these findings.

9.7 Corporate Health and Safety implications

Corporate Health & Safety Requirements will be considered in full as part of the contracting and delivery arrangements for the capital project and future operational model. This will be subject to approval of the final business case and full funding strategy.

10. Risk Implications

10.1 (i) Options Explored

A full options appraisal for the regeneration and operational proposals is included within the business case and summarised in the report.

10.2 (ii) Key risks associated with the preferred approach

A risk register is appended to the full business case. Key risks and mitigating actions include:

Funding Strategy – the project is dependent on Towns Fund and a wider package of funding from HAZ, reserves and borrowing. Towns Fund will require approval under the Town Deal governance arrangements/by government.

Mitigation – project has been developed to detailed design stage; full business case informed by specialist advice and wide-ranging consultation; funds are ring-fenced within the town deal programme and full financial modelling carried out to inform the funding strategy.

Project Costs – risk that costs will be greater than budget.

Mitigation – detailed designs are being developed to achieve cost-certainty prior to entering into contract, with appropriate contingencies; experienced PM/QS to oversee project and ensure value is achieved throughout.

Commercial viability – risk that occupancy targets will not be achieved, impacting revenue assumptions.

Mitigation – commercial and specialist advice has informed revenue/cash-flow assumptions; early marketing and dedicated management to be in place during construction phase to allow for lead-in; specialist support to be provided during this stage; design is flexible so that the market can accommodate retail/F&B and respond to demand.

Outputs/Outcomes – risk that the project will not deliver on outputs/outcomes which may impact funding.

Mitigation – specialist advice to inform appropriate quantification and monitoring of outputs; sensitivity built in and regular monitoring to review. Town Deal is the key funder and decisions in respect of this funding ultimately rest with the accountable body, City of Lincoln Council.

Timescales – risk that the project will not deliver within the proposed timescales for Town Deal.

Mitigation – Town Deal programme extends to 2025/26; current forecasting for this scheme, subject to a number of dependencies, is to complete during 2023/24 allowing for contingency within the programme.

11. Recommendation

- 11.1** To acknowledge the update in respect of proposals to restore and regenerate Central Market & City Square as a key project within the Lincoln Town Deal Programme.
- 11.2** To approve the submission of the full business case for this project for consideration under the Town Deal governance arrangements, for a final decision in respect of Town Funding.
- 11.3** To agree to delegate the final approval of the delivery and contracting arrangements for this project to the Section 151 Officer and Director of Major Developments, this being subject to securing Towns Fund and to a final scheme cost that can be financed and delivered viably.
- 11.4** To approve the proposals in respect of the existing traders and to authorise Officers to proceed to notify traders of these proposals, which will be provisional upon securing the full funding package.
- 11.5** To agree the inclusion of a £8.439m capital estimate in the General Investment Programme, with associated funding including new prudential borrowing of a maximum of £1.732m (subject to Towns Funding being awarded).
- 11.6** To delegate the approval of the final revenue estimates to the Director of Major Developments and Chief Finance Officer dependent on the final of the delivery and contracting arrangements, this to include the resourcing of any upfront staffing costs. With any revenue shortfall against the MTFS to be funded from the Vision 2025 earmarked reserve to a maximum of £0.183m.

Is this a key decision? Yes

Do the exempt information categories apply? Yes

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? 0

List of Background Papers: None

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