

To: Value and Performance Scrutiny Committee

Date: 28 November 2012

Report of: Member Review Panel on the Covered Market

Title of Report: Covered Market Scrutiny Review: Next Steps

Lead Members: Councillors Fooks and Van Nooijen

Summary and Recommendations

Purpose of report: To report to the Value and Performance Scrutiny Committee on the progress of the Review Panel (RP) on the Covered Market, and to make recommendations for the next steps.

Report Approved by: Councillor Jean Fooks and Councillor Oscar Van Nooijen

Recommendations:

1. The Review Panel advises the committee to:

Extend its brief to encompass:

- Pre-scrutiny and engagement with the developing Covered Market Strategy and Leasing Strategy
- Work to engage with representatives of the Covered Market Traders' Association;
- Review the leasing decision in respect of the unit formerly occupied by Palm's delicatessen;
- Consideration of comparative data from similar markets elsewhere

2. Councillors Campbell, Clarkson and Benjamin have been helpful in the Review Panel's work to date and the committee is asked to invite them to be part of a future Panel.

3. The Review Panel will report on progress at the January meeting of the committee with a full report before the end of the programme.

Introduction

1. The Review Panel (RP) was constituted in the early summer of 2012 and has held several meetings with officers and other members. Councillors Fooks and Van Nooijen are grateful, on behalf of the Scrutiny Committee, for help which has been afforded them by Sarah Claridge and Steve Sprason in particular.
2. This report sets out:
 - Information considered by the RP
 - Current work underway in the Council
 - Proposals for the way forward for the Scrutiny Committee

The Brief

To consider the economic health of the covered market and in particular the effects of rents on the diversity of traders
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3. The Value and Performance Scrutiny Committee set the members a brief to gather data and suggest lines of inquiry for a “Select Committee” to be run in January 2013.
4. Without doing a full review into the economic wellbeing of the Oxford retail sector, it is almost impossible to consider the full ‘economic health’ of the Covered Market. Notwithstanding this, the RP decided to concentrate on the following issues:
 - Council’s rent review process.
 - Maintaining diversity in the Covered Market.

Setting the Scene

5. “The Oxford Covered Market is the Council’s single most valuable investment property asset, generating a gross rental income of £711,000¹ per annum exclusive”. (Covered Market Leasing Strategy, 2006)
6. It is also considered an iconic tourist attraction, often referred to as the jewel of Oxford, it offers a unique retail experience of high quality boutique goods and independent stalls which are sadly missing from the high street. It is an Oxford institution and is recognised by the Council as such in the many Council plans and strategies written to protect its diversity and status.
7. Notwithstanding the market’s status as a community asset, the Council requires a financial return from the Market to fund and be able to

¹ Figure from 2005

maintain and enhance the asset so that the long term community objectives can also be met.

8. During the course of the initial scoping work for the inquiry, it became apparent that significant work is already underway to develop a future strategy for the Covered Market. After discussions with Councillor Clarkson, Councillor Campbell, Steve Sprason, (Head of Corporate Property) and Chris Wood, (Corporate Property) the RP discovered that:
 - The current rent review is the last one before the Covered Market leases end in 2017.
 - The Covered Market Leasing Strategy (responsible for maintaining the diversity in the market) is being replaced in 2013 with a protocol more suited to the aspirations of the Council and the Covered Market Traders.
 - A draft 5 year Covered Market Strategy focussing on the future commercial viability of the Market is in development and is expected to be agreed in early 2013.

Outline of information considered by the RP

Rent reviews

9. The Council reviews and sets the rents in the Covered Market on a 5 year cycle. Rents are based on market evidence and conditions at the time of the review. They then remain unchanged for 5 years.
10. The rent review process often causes publicity in the local media with traders outlining their frustrations at what they perceive to be significant and unaffordable rises and the Council holding the position that rents need to rise to maintain the asset for the future and provide a reasonable income.
11. The Council is currently reviewing rents for 52 leases for 2012 which has caused similar comments in the media with a particular emphasis on current economic conditions. A local independent Chartered Surveyor has been appointed to advise the Council on the rental value of each unit under review. Rents are calculated based on the evidence of open market lettings and other property transactions on comparable properties. The full review process is attached as Appendix 1.
12. Most leases in the Covered Market end in 2017 so this will be the last rent review before leases are re-negotiated.

Maintaining the diversity of traders

13. The Council strictly controls and maintains the diversity of traders at the Covered Market through the Covered Market Leasing Strategy 2006 which details the leasing structure of the stalls and outlines the

Council's vision for the market to remain a destination retail centre, fully occupied and trading to its full potential.

14. The strategy maintains the overall diversity of the market by setting guidelines on who can lease a stall in the market. It maintains the balance of traders by grouping stalls into categories based on type of trade and restricting the categories to set percentages. This strategy is outlined in Appendix 2. It encourages sole traders, independents and local traders and the continuation of boutique and specialist stores.
15. There has been recent criticism of the Council for allowing a chain store to open in the Covered Market. The strategy does not prohibit chain stores from trading in the market but it does discourage them unless "*there is a real and positive benefit to the balance of trades/diversity*". High Street trades that detract from the Market's special character are discouraged for example electrical/white goods, mobile phones and travel agents.
16. Although the Leasing Strategy does protect the diversity of the Covered Market, economic return does play a part.
17. The chain store in question, opened at the Market when a change of use license was granted in December 2011. The timeline outlining this decision for the change of use is attached as Appendix 3.
18. The Covered Market Leasing Strategy 2006 is due to be reviewed in 2013 and is part of current review and negotiation arrangements with Traders.

Current work under way

The Oxford Covered Market Strategy

19. The Council's Economic Development Team are leading a project to create a five year strategic plan for the future commercial success of the Covered Market. The group is comprised of Covered Market Traders, Councillors, Council Officers and other stakeholders and has been holding quarterly meetings to identify the economic issues facing the Market and ways to overcome them.
20. This strategy's overall goal is to provide a basis for substantive actions to meet the aspiration (endorsed by the Scrutiny Committee and stated in the latest version of the Asset Management Strategy) that the Covered Market should be 'preserved' as 'one of the jewels' of Oxford's cultural, historic and retail offering.
21. The group is currently finalising the draft strategy and this will be available for wider consultation in early 2013.

The Covered Market Signage Policy

22. A new signage policy is being developed to improve the visibility of the Covered Market entrances.
23. The RP would like to do more work to fully understand the ramifications of this proposed policy and where it fits into the larger Covered Market Strategy.

Conclusion and recommendations for the way forward

24. Given the nature of the proposed policy changes, it has become clear to the RP that further time is needed to engage closely with the emerging proposals. This would mean that a full 'select committee' in January 2013 would be both premature and unhelpful. Instead the RP suggests that the Committee establishes a Panel to pre-scrutinise the draft Covered Market Strategy and the reviewed Leasing Strategy due in 2013.
25. The additional time which this report recommends would allow the Scrutiny Committee, through the RP, to engage in effective pre-scrutiny of the emerging proposals as well as to engage in a proportionate retrospective consideration of the current position of the Covered Market.
26. The Review Panel advises the committee to:
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