

Agenda Item	4
Report No	CIA/14/23

THE HIGHLAND COUNCIL

Committee: City of Inverness Area Committee

Date: 5 June 2023

Report Title: Victorian Market, Inverness – Update

Report By: Executive Chief Officer Communities and Place

1. Purpose/Executive Summary

- 1.1 This report updates Members on the progress made on the delivery and further development of the Victorian Market Action Plan (the Action Plan) agreed at the City of Inverness Area Committee (CIAC) on [19 June 2017](#) and the overall development of the Victorian Market.
- 1.2 The letting of the new units within the refurbished Market Halls is progressing with 7 of the 15 available units let, 1 under offer and one available on flexible weekly terms, and the report also provides an update on the work to market and let all units.
- 1.3 It is proposed that a review of the management and commercial development arrangements for the market are undertaken, building on the learning from the past three years and considering how, now developed, this facility should operate in the future. To support this, it is proposed to extend the current arrangements for a further year, until November 2024, with a report on the review, including recommendations for future management and commercial development arrangements, coming back to this committee by June 2024.

2. Recommendations

- 2.1 Members are asked to:
 - i. Consider and note the progress in respect of the work agreed through the Victorian Market Action Plan since the last report to the City Committee and the work ongoing to progress the letting of all new units in the Market;
 - ii. Agree that the current management arrangements are extended for a further year to enable a review to be undertaken to establish future management and commercial development requirements;
 - iii. Note that a report on the review and associated recommendations will come to the City Committee by June 2024.

3. Implications

3.1 Resource

The resource implications are set out in the report, including the resource required to redevelop the market, the ongoing challenges of letting all units in the current economic climate and the ongoing resource agreed to manage it. As highlighted in the report, the management and commercial development arrangements require to be reviewed and would be subject to a separate report back to this committee.

3.2 Legal

The Council will continue to meet all its legal obligations under the terms of any contracts agreed and processes will comply with the Councils Financial Regulations and Contract Standing Orders.

3.3 Community (Equality, Poverty, Rural and Island)

The proposals detailed in this report continue to attract private sector investment and promote job growth and help support the whole of the City and Area.

3.4 Climate Change / Carbon Clever

All contracts will be managed in a manner which meets the Council's obligations in relation to climate change.

3.5 Risk

Delivery of the Action Plan, supported by the Business Case, continues to address risks, which range from the need to detail management responsibilities, to being clear about expectations on developing the tenancy mix and market brand. The Market is now acting to provide a long-term return for the ICGF and help improve the vibrancy of the City Centre and preserve the reputation of the Council. The need to maintain the confidence of the Tenants continues to be met by ensuring that Tenants are engaged through regular meetings led by the Victorian Market Manager.

3.6 Gaelic

There are no known Gaelic implications arising from this report. Any new signage will comply with Council policy.

4. Introduction

4.1 The Victorian Market is held on the account of the ICGF and is managed by the Council on behalf of the ICGF. The exception to this is the portion of the market that lies between Queensgate and the Market Arcade which is privately owned and managed. The Council is under a duty to ensure that the ICGF assets are managed efficiently and effectively to produce a Best Value rate of return. Council resources are targeted on:

- managing the Market with a focus on producing a Best Value rate of return;
- managing the daily operation of the Market through the Victorian Market Manager which includes provision of daily Facilities Management services and Marketing and Promotion of the Market; and

- ensuring that the fabric and structure of the Market is maintained.

4.2 The mix of tenancies includes a wide range of businesses which fall into the following general categories:

- varied micro and small businesses, many of which are family owned and have traded from the Market for generations.
- specialist businesses such those selling jewelry, for which the Market is well known; and
- Food, drink and hospitality through the letting of tenancies within the new Market Foodhall.

4.3 The Market can be seen as a good place to start a new business and many Tenants' have traded for a number of years through negotiating lease renewals at the end of each lease term. This gives an element of certainty. The location of the Market is in a prime spot within the City Centre.

5. Actions to Date

5.1 **Background**

The report presented to the Committee on [19 June 2017](#) agreed an Action Plan for the development of the Victorian Market. The plan highlighted the need to build a Market fit for the 21st century that meets the needs of the ICGF and of the Businesses who invest their future within in it. This followed consideration of lessons learnt from other markets across the country and led to the City Committee agreeing in November 2019 to progress with the project to redevelop the Victorian Market Hall and Fish Hall into a Foodhall. The importance of the Market is recognised within the City Strategy and will form a key attraction alongside the Castle Hill development.

5.2 The refurbishment was completed in September 2022 and the table below provides the expenditure profile for the Market/Fish Hall Refurbishment project:

Total Project Funding	
Common Good	£1,635,339
Town Centre Fund	£250,000
Place Based Investment Programme	£79,000
Total Budget	£1,964,339
Final Account	£1,820,808

As previously reported to committee, Members will be aware that the underspend of £0.143m has been utilised to assist with final fit out of units in consultation with incoming tenants.

- 5.3 The development of the Foodhall has created a modern open plan market with extended opening hours. It has supported an uplift in footfall, with a steady increase continuing especially during traditionally quieter times of the year. The opening hours of the Market have been extended with the Foodhall and as a result, people are beginning to treat the Market as a City centre destination for not only shopping but a quality food experience whilst enjoying good company.
- 5.4 Feedback, especially through social media, has consistently shown that visitors (both local and tourists) to the Market find the atmosphere welcoming. This has been achieved through tremendous collaborative support from both new and existing tenants who have taken collective responsibility to work with us to deliver to the highest possible standard.
- 5.5 The new public toilets, including an accessible toilet and baby change area, are proving to be an excellent asset especially in attracting coach tour and cruise liner business.
- 5.6 The Market has improved its contribution to the economic vibrancy of the City whilst looking to retain and produce a Best Value rate of return for the ICGF.
- 5.7 Delivery against the original objectives of the Action Plan can be summarised as follows:

- **The Market as a Centre of Business** – Our lettings policy has ensured that the market contains/draws a broad range of businesses that complement each other and increase footfall to the City Centre.
- **Wider Benefits to the City and the Highlands** – The Market is being mapped as a year-round destination for Tourists and Local Shoppers and is being promoted widely through social media.
- **Physical Improvements** – Access, Signage, Entrances, Opening Hours, and Shop fronts have been reviewed, and is subject to a programme of continuous improvement.
- **Management and Events/Branding** – dedicated management has delivered on the Action Plan. Clear targets set within a timeframe are helping to generate a consistent Brand for Marketing. A new website has been developed which links directly with social media channels and the Market is developing a strong reputation for delivery a consistent quality product.

5.8 **Marketing**

A £0.050m budget for Marketing was set aside for this year with the objective to deliver a holistic package of social media and traditional promotional activity to enhance the profile of the Market. The focus has been on highlighting the specialist high quality offer along with several events, including regular live Music. The focus is on driving an increase in footfall and dwell time.

A presentation on the different marketing initiatives will be provided at the CIAC in support of this paper.

5.9 **Lettings**

The letting of the new units within the refurbished Market Halls is progressing with 7 of

the 15 available units let, 1 under offer and one available on flexible weekly terms. As agreed as part of the Business Plan, an anchor tenant has been identified – the widely acclaimed Bad Girl Bakery - and they have been joined alongside other very successful and respected local food retail businesses along with a quality offsale licensed premises.

5.10 The table below describes the current units let along with those that remain vacant.

UNIT	SIZE (SQM)	TENANT
1	24	
2	32	Salt N Fire
3	19	Highland Food & Drink Trail
4	19	
5	24	
6	19	Moonshine
7	45	
8	18	Week to week available
9	18	
10	17	Good Girl Greengrocer
11	18	Sushi Inverness
12	18	
13	32	Redshank Catering
14	117	Bad Girl Bakery
15	31	

5.11 The business plan provides for income levels based on full recovery of service costs via a service charge and for a fully let portfolio. The implications of the significant economic pressures outwith our control have provided for a perfect storm requiring special measures to be taken to ensure the success of the Market. These measures have understandably impacted initial income projections.

5.12 To encourage tenants to sign up to a new five-year lease, a one year rent free period and a 50% reduction on Service Charge is being offered. This is in line with market conditions and common practice for commercial developments. Not only will this encourage tenants to commit to the Market, but the aim is to keep it competitive with other opportunities.

5.13 It is anticipated that rental income levels will begin to recover in 2024/25 as the number of tenants increase along with service charge provisions being fully implemented. The projections have been accounted for when setting the ICGF budget for 2023/24.

5.14 Despite major challenges associated with such significant economic pressures it is positive that confidence is building, and we are confident that we can gradually fill the remaining units in the new Market Foodhall noting that the Market Arcade remains fully let. New prospective tenants are supported with bespoke advice from the Council's Building Standards service and Property Team, all supported by the Victorian Market Manager, who reports to the Inverness City Area Manager. Support also includes advice from the Council's Business Gateway Service in regard to the provision of New

Business Start Up Loans.

- 5.15 A new lease for use within the new Food Hall and where opportunities arise elsewhere in the Market is in use. The lease includes a Service Charge provision which Graham and Sibbald (being our managing agents in this regard only) organise and operate. This allows the communal running costs of the Market to be transparent to all and therefore open to scrutiny. Graham & Sibbald liaise with both ICGF and Victorian Market tenants and seek to keep the communal costs as competitive as possible. The introduction of the Service Charge to existing tenants will not result in any immediate increase in costs to existing tenants.

6. Market Management

- 6.1 On 19 June 2017 Council approved the creation of the Victorian Market Manager post in principle on the basis of an initial 3-year contract, with the funding of that post being met from the ICGF. Following the recruitment process the Victorian Market Manager commenced in post on 21st November 2017. In doing so, the Council retained direct management of the Market.
- 6.2 In November 2019, Members agreed to the redevelopment of the Market/Fish Halls and to support this, in August 2020, it was agreed to extend this post for a further three years, recognising the continuing period of development. As noted above, there have been delays in delivery of the project and the recruitment of tenants to the new Foodhall as a result of covid and the current economic climate. It is important to review the current arrangements to best understand how this facility should be managed in the future, including the commercial development of the facility, learning from the experience of the last three years.
- 6.3 It is therefore proposed to maintain the current arrangements for a further year, until November 2024, to enable this review to take place. This would be subject to a report back to this committee by June 2024, providing time to review and also to commence the implementation of the review findings. The current management arrangements are budgeted for within the ICGF budget.

Designation: Executive Chief Officer Communities and Place

Date: 23 May 2023

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