

# The Highland Council

<b>Agenda Item</b>	<b>12a</b>
<b>Report No</b>	<b>CIA/18/24</b>

**Committee:** City of Inverness Area Committee

**Date:** 27 May 2024

**Report Title:** Inverness Common Good Fund, Victorian Market and Inverness Town House - Update

**Report By:** Assistant Chief Executive - Place

## 1. Purpose/Executive Summary

This report updates Members on the progress made on the delivery and further development of two key assets of the Inverness Common Good Fund (ICGF) being:

### 1.1 Victorian Market

- i. the Victorian Market via the 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 (the Market).
- ii. The current temporary management arrangements for the Market which have been in place since May 2023 and a structure chart is shown at **Appendix 1**. The report highlights the benefits and challenges of this mixed approach, which includes both internal and external support.
- iii. Since the last report to this Committee in May 2023, a process of monitoring and review of the efficiency and effectiveness of the management arrangements for the Market has taken place. Officers believe that this unique retail facility within the City has benefited significantly from the mixture of private sector and Council led management arrangements.
- iv. All available retail Units are now fully let as shown within the table in **Appendix 2**.

### 1.2 Inverness Town House

The Inverness Town House (the Town House) was vacated by the Council as an office base for the delivery of Council Services in April 2023. Scoping has been undertaken on the future use and commercial opportunities of the building as a whole internally and we are now in a position to commission a feasibility study which will aim to enable the Town House to continue to play a key role in the future of the City well into the future. The Town House remains fully functional as a base for Civic events.

## 2. Recommendations

### 2.1 Victorian Market

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 Area Committee and the success in the letting of all available Units in the Market;
- ii. Note the success of the marketing programme presented to the Committee as shown by the increase in footfall detailed in the report provided at **Appendix 3**.
- iii. Agree that the current management arrangements continue for a further year, until May 2025, in order to consider what operating and management structures are required for both the Victorian Market and Town House; and
- iv. Note that a further report will be presented to Committee in 2025.

## 2.2 Inverness Townhouse Members are asked to:

- i. Note the work of the Estates Team to attract tenants into the rear part of the Town House
- ii. Instruct officers to prepare a Feasibility Study into the future use of the Inverness Townhouse which accounts:
  - for its status as a Civic building in the heart of the City
  - the need to undertake renovations of the interior which are respectful of its status
  - flexibility regarding the type of activity that can be undertaken subject to it being complimentary to the status and heritage of the Townhouse.
  - the need for the Council to achieve Best Value for the ICGF
- iii. Note that if agreed, third party contractors will be engaged to provide the Feasibility Study, the cost to be met from the ICGF Townhouse Future Planning budget with updates on the progress of the study being provided to the ICGF Sub-Committee. With the Feasibility Study being completed no later than December 2024.

## 3. **Implications**

### 3.1 **Resource**

#### Victorian Market

The operating budget for the Victorian Market is agreed annually as part of the [Inverness Common Good Budget](#) Setting process. As noted in the report, prior to finalising the future operating and management delivery model, it is important to consider the alignment between the Town House and the Victorian Market as two key Common Good assets.

The investment in infrastructure to allow the provision and sale of retail hot food has now been completed. There will be a continuing gap between income and expenditure until the incentive periods for rent and service charge have expired in March 2025. There remains the opportunity to let three further Units once issues around increasing electricity supply have been addressed. Otherwise, there are no further resources implications foreseen at this time. The need to increase the seating area to accommodate the number of visitors, will reduce annual income by approximately £12k. This is balanced by the increase in footfall and the long-term vibrancy of the Market.

### 3.2 The Town House

The Town house has seen significant investment in its infrastructure following the £7.4M renovation project. WIFI has been installed at a cost of £0.98m and non-structural works have been undertaken to enable occupation by a number of third-party

tenants detailed in para 5.1.6 to the rear of the building. Funds are available to provide for the Feasibility study from the Town House Future Planning budget, however any recommended works or other investments required to delivery any recommendations will be the subject of a further report to this committee as they will require to be funded by the ICGF or other third-party funding sources. As part of any options for the operating of the Town House, a delivery model requires to be considered.

### 3.3 **Legal**

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

### 3.4 **Community (Equality, Poverty, Rural and Island)**

The newly refurbished Market is helping to attract private sector investment and promote job growth and help support the whole of the City and Area. The Townhouse is also acting to enhance the attractiveness of the City as place to invest and to visit.

Options for future use of the Town House will need to be considered for impacts as part of the development process.

### 3.4 **Climate Change / Carbon Clever**

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

### 3.5 **Risk**

#### Victorian Market

Delivery of the Action Plan, supported by the Business Case, continues to address risks. Strong relationships are being built with all Market tenants and steps are being taken to formulate stronger links between Market businesses and those in the wider City Centre in collaboration with Inverness BID. There is a risk that if consideration is not given to the future operating needs of Common Good assets in the City Centre in the round, opportunities will be lost to identify and deliver efficiencies for the Common Good and maximise commercial opportunities.

### 3.6 The Town House

Without further investment, the opportunity will be lost for the Townhouse to play a key role in both City vibrancy and as an income generator for the ICGF especially noting the expected completion of the Castle Project in 2025.

### 3.7 **Health and Safety (risks arising from changes to plant, equipment, process, or people)**

In applying any resources within the Market and the Townhouse, the highest regard is given to Health & Safety policies and procedures.

### 3.8 **Gaelic**

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

## 4. **The Victorian Market**

### 4.1 **Background**

4.1.1 The 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.

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

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

4.1.3 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.

## **4.2. Actions to Date – Victorian Market**

### **4.2.1 Background**

The report presented to the Committee on [19 June 2017](#) agreed an Action Plan for the development of the Market. The plan highlighted the need to build a Market fit for the 21 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 Area Committee agreeing in November 2019 to progress with the project to redevelop the 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.

4.2.2 The refurbishment was completed in September 2022 on budget and, including the total cost of fitting out the units, equates to an investment of £2.296m.

4.2.3 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 completion of 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.

4.2.5 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 in 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. The [website](#) which links directly with social media channels and the Market now has a strong reputation for delivering a consistent quality product.

### **4.3 Marketing**

4.3.1 A £0.050m budget for Marketing was set aside for this year as it was in 2023/24, with the objective to deliver a holistic package of social media and traditional promotional activity to enhance the profile of the Market.

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

4.3.3 Footfall counters have been installed which demonstrate the impact the refurbishment project and marketing strategy are having on attracting increased levels of footfall to the Market. This in turn will have a positive impact on the City Centre as a whole. A footfall monitoring report is provided at **Appendix 3**.

### **4.4 Lettings**

4.4.1 The letting of the new units within the refurbished Market Halls is complete, with 12 units being fully let. A broad range of high-quality retail food providers have been attracted which are listed in **Appendix 2**.

4.4.2 The 12 new units bring in a rental income of £62,500 (after incentives). It is worth noting the rental for the units is considered low as the Market has significant running costs which the food hall tenants cover via the Service Charge.

4.4.3 As outlined in previous Committee papers, to attract new tenants, rent and service charge discounts in the tenants first year were granted. As tenants pass the first-year anniversary, the ICGF is beginning to see an increase in income as discounts come to a stop. A number of tenants have signed up around March 2024 and therefore it will be March 2025 before the incentives expire.

4.4.4 The combination of the incentive and vacant units means the refurbished Market will therefore not make a profit in 2024/25 financial year. It is anticipated the Victorian Market will make a positive return in 2025/26. Looking to the future, as the food court becomes more established, rent levels will be reviewed as leases come to be renewed or when new leases are agreed at which point, dependent on market conditions, it is hoped the rental levels will increase.

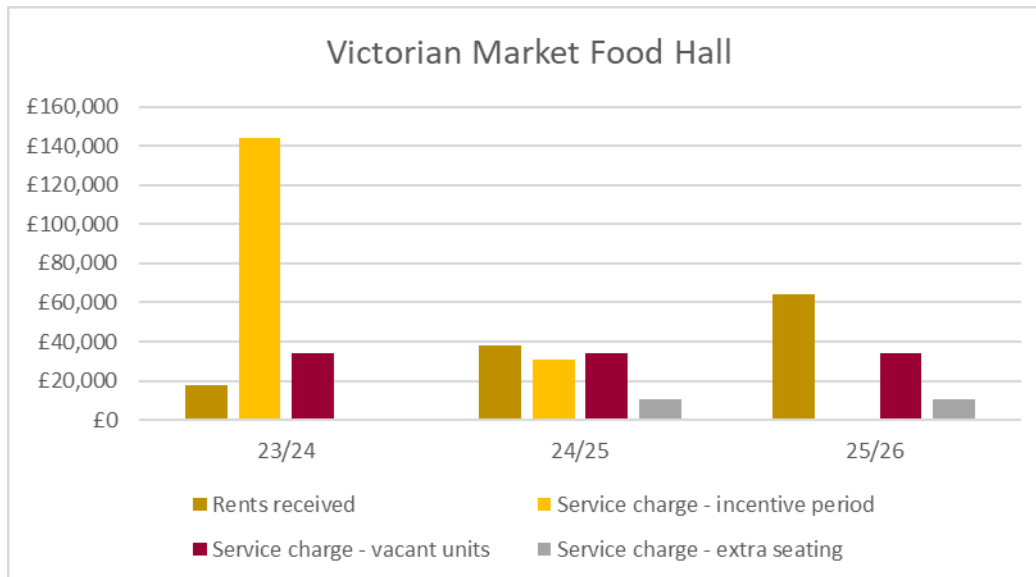
4.4.5 As reported previously to Committee, due to a lack of electrical supply/capacity within the Victorian Market, three units remain vacant whilst the energy consumption is monitored. The ICGF is required to cover the Service Charge contribution for the 3 vacant units which is approx. £34,200 per annum

4.4.6 Resolving the lack of power will be key to enhancing income potential. Investigations are underway as to the options available to enable appropriate use of available mains power and the potential to enhance existing power production from the array of Solar Pannels currently installed on the roof of the Market. The Market Manager continues to talk to potential tenants with consideration given to the electric loading. A further report will be provided on progress in due course.

## 4.5 Financial Projections – Victorian Market

4.5.1 The graph in paragraph 6.2 gives guidance on the reducing impact of the incentive period which provided for the successful lettings programme. It shows a gradual increase in rental income which will become an increasingly significant contribution to the costs of running the Market and will allow us to work towards achieving the targets set by the Business Plan for the refurbishment.

4.5.2



4.5.3 Vacant units, if filled, will provide additional rental income and service charge contribution however this would require further investment providing for an increased power supply capacity either from the mains electricity network or from an alternative energy source.

## 4.6 Market Management

4.6.1 On 19 June 2017 Council approved the creation of the Victorian Market Manager post, with the funding of that post being met from the ICGF. In doing so, the Council retained direct management of the Market. This was extended in 2020 for a further 3 years and again in 2023 for additional year, to enable completion of the refurbishment project and move towards letting of the majority of units.

4.6.2 The Property Management Team work closely with the Market Manager. Tenancy opportunities are marketed by Property with any interested parties meeting with the Market Manager to discuss how the potential use will fit with existing outlets. This ensures that the Market offers a balanced range of retail to the public. Both the property Management Team and the Market Manager also work closely with other Council services and regulatory authorities to ensure that new tenants receive the best possible support in establishing their businesses within the Market. This often involves ensuring that new business have the appropriate access to business advice and support. Close coordination also takes place between the Market Manager and the Clerk of Works in relation to any fit requirements of new tenancies.

4.6.3 The new Service Charge provision applicable to the Foodhall is managed through close working relationships involving the Market Manager, the Property Management Team and our third party specialists, Graham & Sibbald.

4.6.4 The successful letting of the Market depends on complex synergies described above working efficiently and effectively, especially in support of young fledgling businesses who are often taking their first fixed premises. Ongoing support is also provided by the

Market Manager who ensures the balance offered to the public is maintained and that marketing opportunities are made best use of in support of all the Market businesses.

- 4.6.5 The operating structure provided at **Appendix 1** details arrangements which have been in place since May 2023. It is fully funded within the terms of the ICGF budget. It shows a mixture of skill sets required for the delivery of a successful operational plan for the Market. Processes have been streamlined with regard to the operation of the service charge, tenancy management, maintenance, cleaning, health and safety and overall management. At the present time, this structure is delivering against the operating requirements of the Market.
- 4.6.6 However, the Market has only recently begun to operate at full capacity (excluding the 3 units that cannot be let) and a complete summer season not yet been experienced with this operating capacity. It is therefore not yet proven whether this structure will deliver in the longer term.
- 4.6.7 This is also at a time when consideration is needed of the requirements for the operating and management structure and commercial opportunities for another asset within the Common Good portfolio – the Town House – as detailed at section 5. Given this, it is recommended that the current structure is retained for a further year, until May 2025, to ensure that the potential alignment in operating and management models can be considered for both assets. This also provides the opportunity to consider the connectivity between wider city centre businesses, the Market and the Town House as part of the City Centre Vision
- 4.6.8 At present the overall strategic responsibility for the Market rests with the Senior Community Development Manager (Inverness and South), but there is a need to consider where best this sits in the future, given the changes in management structures within the Council.

## **5. Inverness Townhouse**

### **5.1 Background and current use**

- 5.1.1 The Townhouse, is a property asset of the ICGF, administered by the Council. It ceased operating as an administrative base for Council Services in April 2023. It remains a fully functioning hub for civic activity in the City. Work is also underway to extend its use and increase income potential for the ICGF.
- 5.1.3 It is located in the centre of the ‘capital of the Highlands’ next to the refurbished Castle, which is soon to become a major visitor attraction. There is a requirement to consider a range of options for its future use, including the functions and uses, market sectors and interest. Unlike some larger former Council offices/chambers, the Town House is not of a scale or design that could readily convert to hotel or residential use.
- 5.1.4 The office space, to the rear of the building, is now being advertised for lease. The Town House offers a unique environment with access to high quality civic space and meeting rooms. Areas for improvement continue to be identified and addressed as new tenants occupy the building.
- 5.1.5 There is some income generated from Police Scotland and Social Security Scotland and these leases have now been formalised. The Council continues to operate the Service Point from this location and a new lease has been granted to HITRANS. Current income is £56,380 per annum recovered from the following tenancies.

### 5.1.6

Tenant	Comment
Police Scotland	Located in Civic section
HITRANS	5 year lease
Social Security Scotland	Annual lease
The Highland Council	Service Point

5.1.7 It is unlikely the office space will ever be fully let in its current format as the layout works against multiple lets, given that access to some spaces is only possible via other offices.

5.1.8 In addition to the office rental side, work has been undertaken to develop a website in order to market the Town House as a general event space, including for appropriate musical and other live performances and as a potential wedding venue. This is of course whilst not prejudicing its primary function as a first-class location for Civic Events. Work is underway in conjunction with UHI Inverness to develop a new logo alongside the website, in order to create a branding for the Town House. However, it is important to consider longer term strategies and potential uses for the Town House to maximise its use and ensure sustainability going forward.

## 5.2 Feasibility Study

5.2.1 A potential approach is set out below allowing for options to be taken forward in a logical sequence. It involves three main parts:

- 1. Understanding the building** and its potential, including roles (range of permissible, desirable, acceptable/unacceptable).
- 2. Appreciating the market** for the potential roles and commercial opportunities – with hospitality element, from civic to commercial, educational to ceremonial.
- 3. Identifying what may be needed** – and terms of intervention, permissions, and potential indicative capital and revenue implications.

5.2.2 As with the development of the Victorian Market Action Plan, a key element will be engagement with stakeholders, with the principal aim of delivering a first-class asset fit for the 21<sup>st</sup> century which provides for a sustainable future to the ICGF.

5.3.3 The advent of the completed Castle Project provides a major opportunity to consider how the principal City centre property assets of the ICGF fit with commercial opportunities whilst, at the same time, preserving their key Civic functions. The Market has arguably achieved success in re-inventing itself whilst enhancing the viability of the excellent array of pre-existing businesses.

5.3.4 The Townhouse has the chance to do the same, but not without careful consideration as to how this can be achieved.

5.3.5 Consequently Members are invited to instruct officers to prepare a Feasibility Study into the future use of the Inverness Townhouse which accounts:

- for its status as a Civic building in the heart of the City
- the need to undertake renovations of the interior which are respectful of its status
- flexibility regarding the type of activity that can be undertaken subject to it being complimentary to the status and heritage of the Townhouse.
- the need for the Council to achieve Best Value for the ICGF



If agreed, third party contractors will be engaged to provide the Feasibility Study, the cost to be met from the ICGF Townhouse Future Planning budget, which currently has £30k allocated within it, from which the cost of the Study will be drawn from. Updates on the progress of the study will be provided to the ICGF Sub-Committee.

The usual procurement procedures will be applied so that best value is achieved for the ICGF. It is anticipated that the Feasibility Study will be completed by December 2024 or before.

- 5.3.6 Once we know the outcome of the Feasibility Study that will also allow for further consideration of alignment between operation of the Town House and other Common Good assets, such as the Market, as outlined at Paragraph 4.

Designation: Assistant Chief Executive - Place

Date: 15 May 2024

Author: David Haas, Senior Community Development Officer  
Kenneth Forbes, Property Manager

Background Papers:

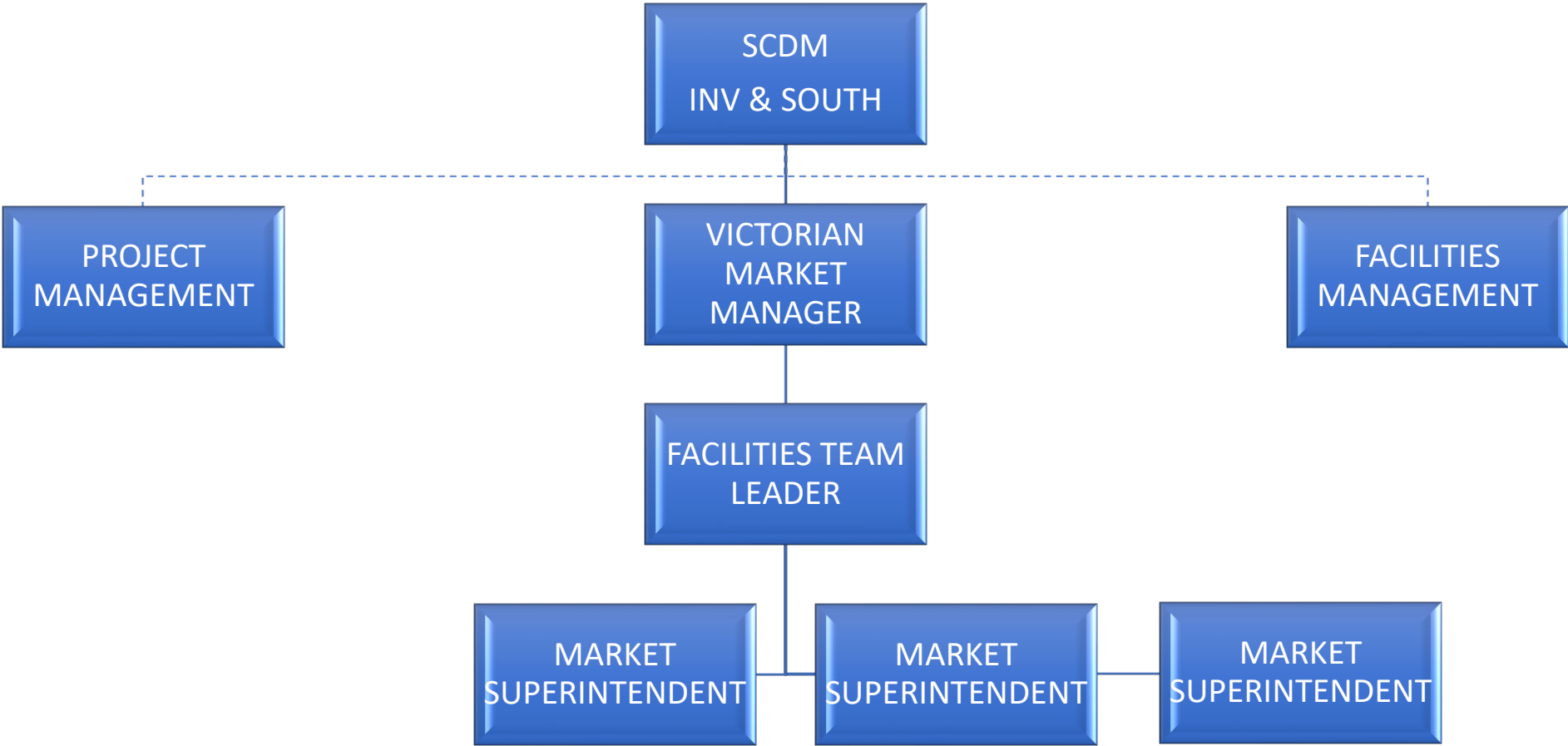
Appendices:

Appendix 1 – Victorian Market Management Structure

Appendix 2 – Victorian Market Foodhall Tenancies

Appendix 3 – Footfall Report

**Appendix 1**



## List of Market Foodhall Tenancies

UNIT	SIZE (SQM)	TENANT
1	24	Vacant – lack of electric
2	32	Vacant – lack of electric
3	19	<u>Ollie Pops</u>
4	19	Highland Hog Roast
5	24	Blazing Pizza
6	19	Moonshine
7	45	Salt N Fire
8	18	Vacant – lack of electric
9	18	Chi Lik Wan
10	17	Good Girl Greengrocer
11	18	Sushi Inverness
12	18	Redshank Catering
13	32	Redshank Catering
14	117	Bad Girl Bakery
15	31	Namaste Inbhir Nis

Footfall ANALYSIS (Q1 2024)

# Victoria Market



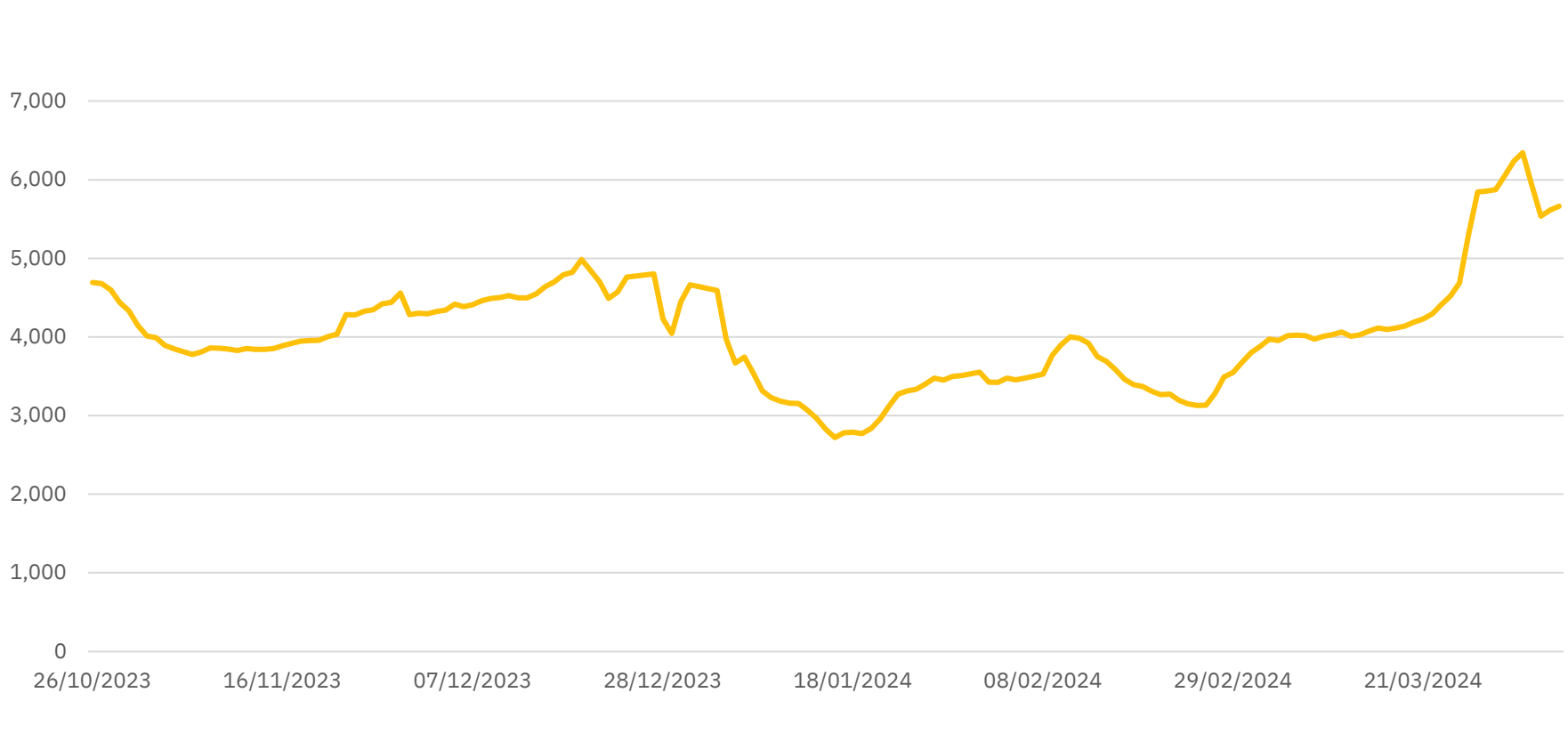
/ Total Footfall

/ Entrance Comparison

# / Total Footfall

## 7-Day Rolling Average

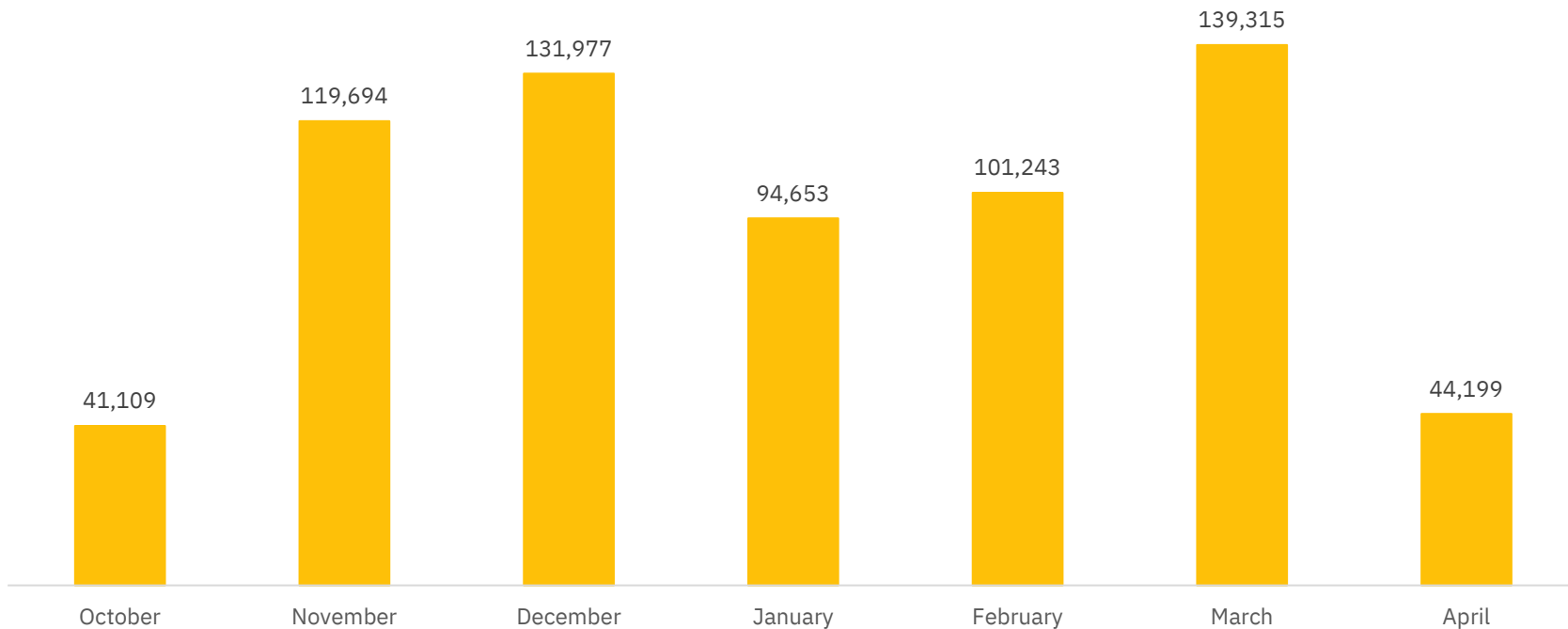
23/10/23 – 08/04/24 / Opening hours as advertised | Excluding: 25<sup>th</sup> & 26<sup>th</sup> December and 1<sup>st</sup> & 2<sup>nd</sup> January



## Total Footfall

### Total Monthly Footfall

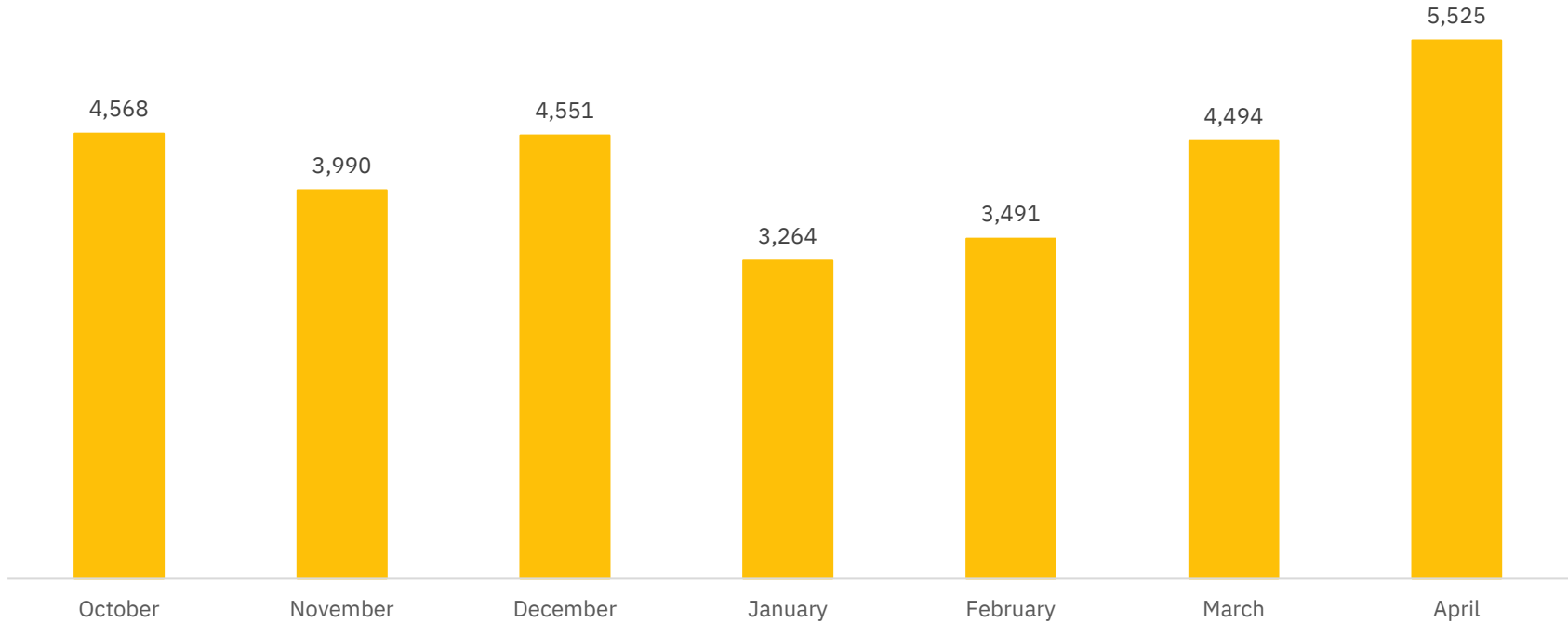
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## / Total Footfall

### Average Daily Entrance – Monthly Comparison.

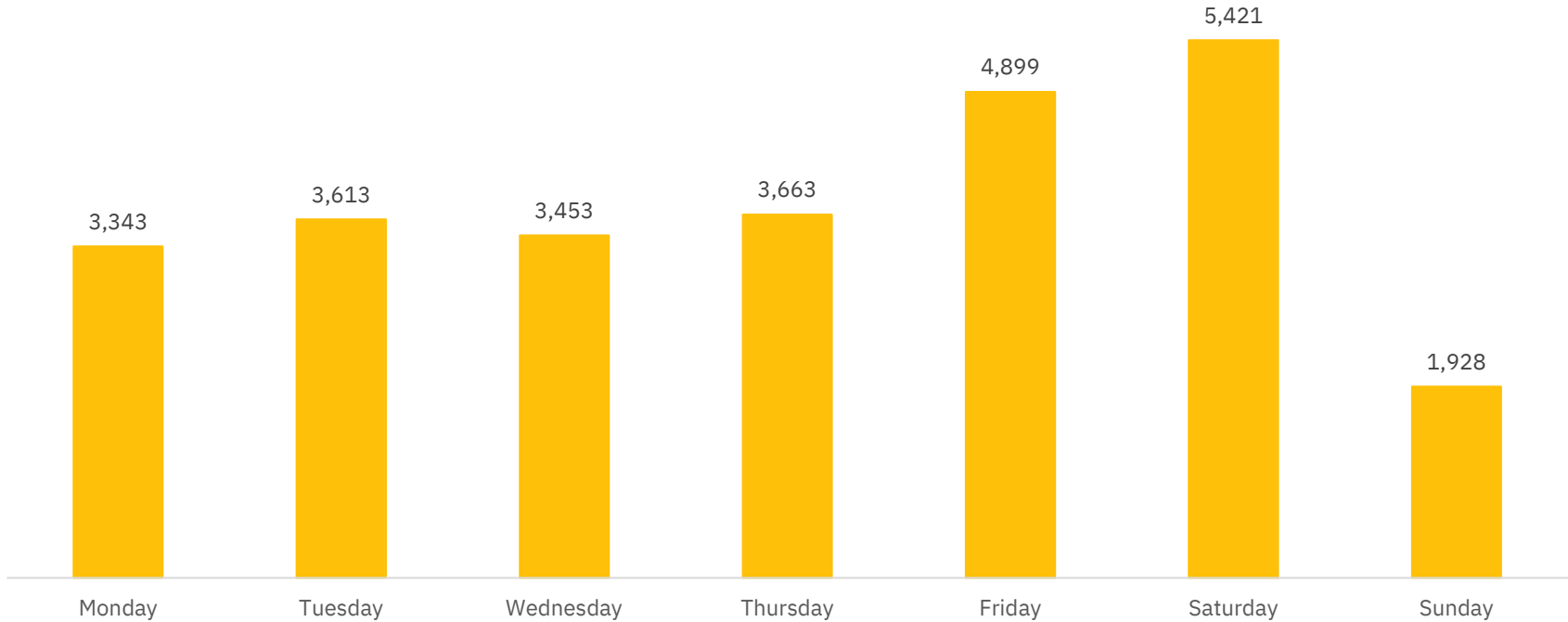
23/10/23 – 08/04/24 / Opening hours as advertised | Excluding: 25<sup>th</sup> & 26<sup>th</sup> December and 1<sup>st</sup> & 2<sup>nd</sup> January



## / Total Footfall

### Average Weekday Entrance Count.

03/01/24 – 31/03/24 / Opening hours as advertised | Excluding: 1<sup>st</sup> & 2<sup>nd</sup> January

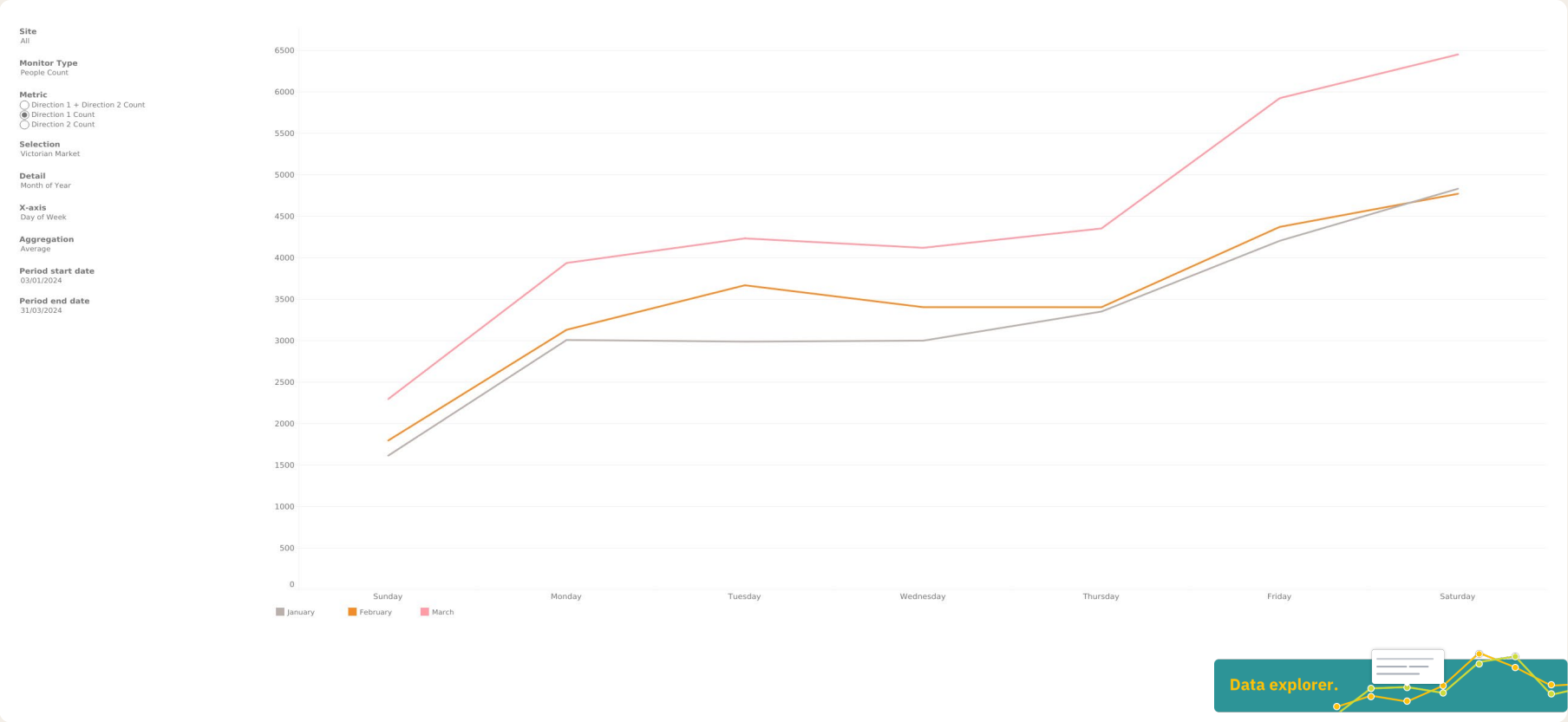




# Total Footfall

## Average Weekday Entrance Count – Monthly Comparison

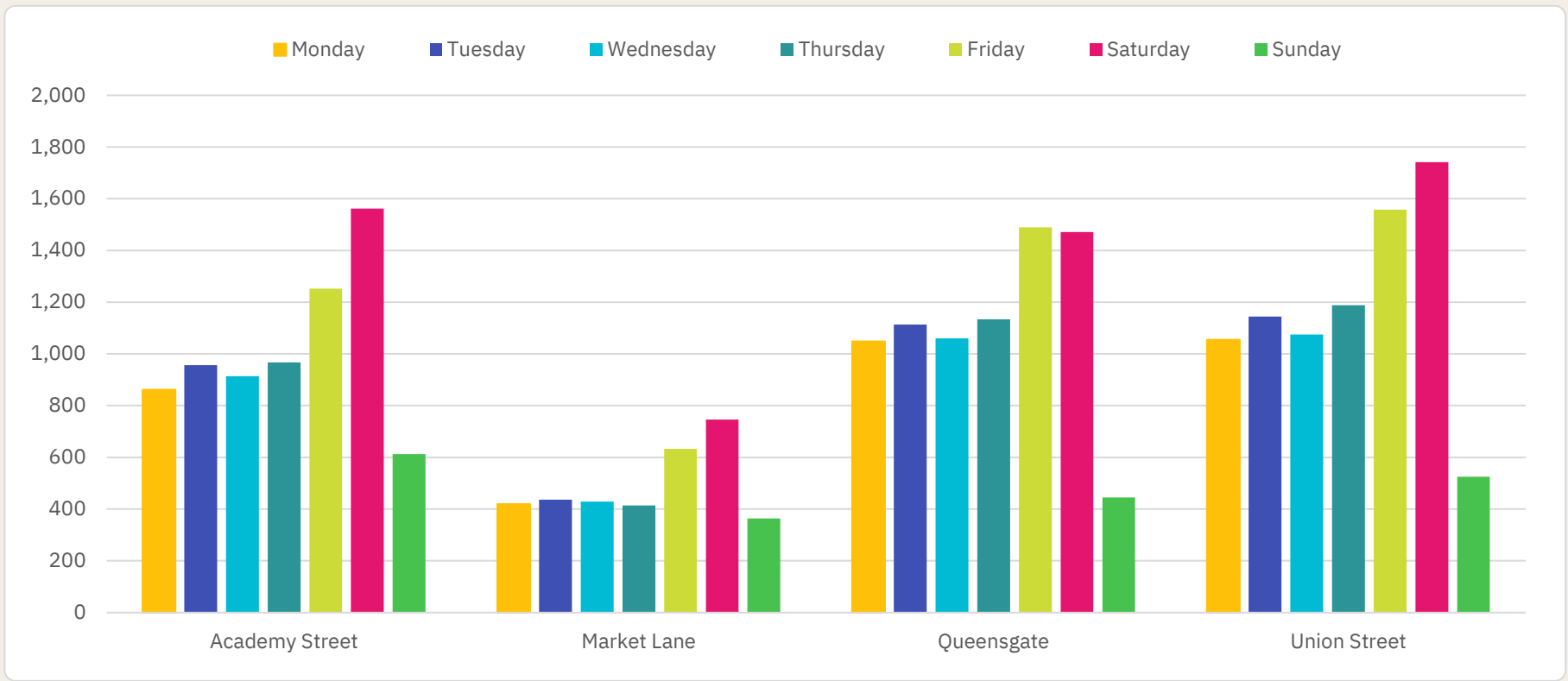
03/01/24 – 31/03/24 / Not filtered by Opening Hours or Excluding any dates



# Entrance Comparison

## Weekday Average Entrance Count

03/01/24 – 31/03/24 | Opening hours as advertised | Excluding: 1<sup>st</sup> & 2<sup>nd</sup> January



## Entrance Comparison

### Average Daily Entrance Count by Month

03/01/24 – 31/03/24 | Opening hours as advertised | Excluding: 1<sup>st</sup> & 2<sup>nd</sup> January



■ January      ■ February      ■ March

