



1. PURPOSE OF REPORT

- 1.1 To provide a financial trading position statement on Markets and to seek Executives views on the financial subsidy required to support the Hinckley Markets in 2014/15.

2. RECOMMENDATIONS

- 2.1 That Executive supports the financial subsidy of £14,472, as detailed in section 6 for 2014/15 which is a 70% reduction on the level of subsidy from 2012/13.
- 2.2 That Executive recognises the difficult economic trading circumstances facing Market traders and note the positive work that Officers are undertaking to reduce the net operating loss.
- 2.3 That Executive approves two corresponding supplementary budgets as follows:
- a decrease in the Market expenditure budget of £29,300 (market contract saving)
 - a reduction in the Market income budget of £25,010 (market rental reduction £30,510 offset by additional rental income £5,500)

And note the net impact would be a £4,290 saving to the overall budget position 2014/15.

3. BACKGROUND

- 3.1 National Overview - over a third of markets have shown a decline in trader numbers over the last two years, 34% in total showing a decrease. Incomes have also been hit, in line with trader numbers, with 37% of markets showing a decline in income. *Source NABMA*
- 3.2 Local Picture - Hinckley Market was in decline during the mid 2000's, but with the appointment of a new Markets Superintendent, investment into new stalls and strong political support, the performance of the markets started to improve. Income went from around £110,000 per annum to a high of £191,000 during 2008/2009. This was mainly driven by the improvement of the Friday Market from a bric-a-brac market into a general market. However, since the economic downturn income had dropped significantly.
- 3.3 In 2009 there were 119 traders per week but in 2013 this has reduced to 97, this represents a reduction of around 22 traders per week or 18%.
- 3.4 Key reasons for the reduction of income include:
- Economic downturn
 - Poor weather
 - High fuel prices
 - Ageing traders who are retiring
 - Competition from Pound shops
 - Internet shopping
- 3.5 The Market Development Group, consisting of Traders, HBBC, including Street Scene, Hinckley BID and Councillor representation, have all been proactive in the quest to increase income and to seek efficiency savings.

4. FINANCIAL SUMMARY

4.1 The table below sets out the income generated for the Markets:

Year	Income	Average Stall No's
2007/08	£180,000	56
2008/09	£191,000	58
2009/10	£183,000	60
2010/11	£170,000	57
2011/12	£170,000	55
2012/13	£153,000	53
2013/14 budget	£184,000	55
2013/14 forecast actual	£154,000	55
2014/15 original budget	£184,000	55

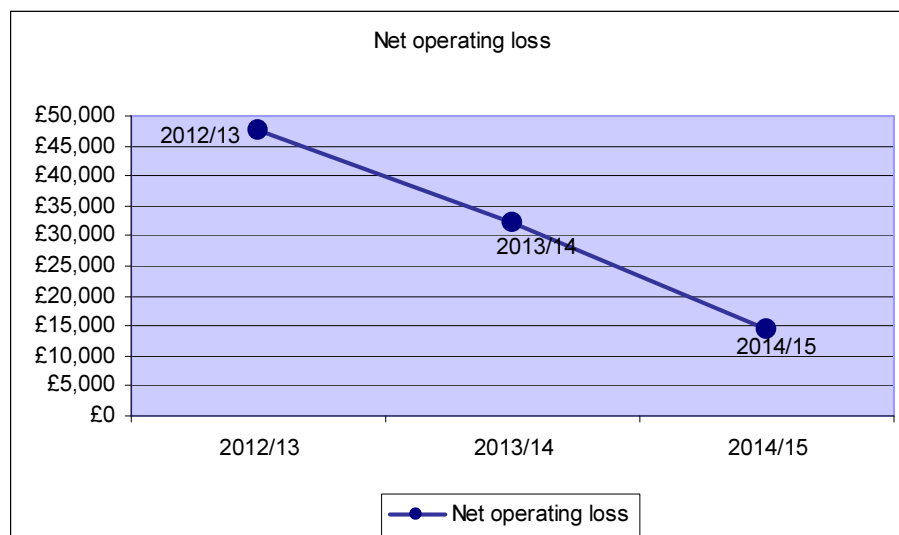
4.2 The table below summarises the 'Net Operating Loss' made in 2012/13 financial year.

2012/13	Budget	Actual
Expenditure (including recharges)	£196,250	£201,023
Income	(£183,510)	(£153,269)
Net Operating Loss	£12,740	£47,754

4.3 The table below compares the budgeted and forecasted 2013/14 income/expenditure position

2013/14	Budget	Actual (Forecasted) Dec 2013	Budget to Actual variation
Expenditure	£219,890	£185,140	£34,750
Income	(£183,510)	(£153,000)	(£30,510)
Net Operating Loss	£36,380	£32,140	£4,240

This shows a reduction in subsidy from 2012/13 and it is predicted the subsidy will drop even further for 2014/15.



4.4 The expenditure savings of £34,750 as stated in 4.3 are largely due to a predicted saving in payments to refuse collection (the markets operational account) of £31,000. This is to reflect the reduced level of labour required to erect and dismantle stalls as discussed in 5.2. The remaining savings of £3,240 are due to savings in supplies and services. To ensure that the contract savings are genuine and not creating a budget pressure in another service area, the table below shows the forecast budget position for the markets operational account. Although

the reduced level of activity will decrease the income received by this service area, a corresponding decrease in expenditure is also forecast to reflect that agency and overtime payments will not longer be required to fund this activity. On this basis, the net budget is forecasting no variance.

2013/14	Budget	Actual (Forecasted) Dec 2013	Budget to Actual variation
Expenditure	£90,630	£59,630	£31,000
Income	(£91,300)	(£60,300)	(£31,000)
Net position	(£670)	(£670)	0

5. IMPROVING FINANCIAL PERFORMANCE

5.1 Sustaining Income levels

- Additional income Sunday car boot
- Enhanced marketing seeking new traders
- Stallholders now pay in advance of trading
- Increased the number of Christmas Markets
- Rental fees have not been increased since 2008. We are proposing that next April an inflationary increase in fees will apply resulting in additional income circa (£5,445).
- Improvements in the way the Council manages its debt recovery from Traders.

5.2 Reducing expenditure

Following positive consultation with Town Centre Partnership and LCC Highways, the erection/take down of the market stalls commenced in May 2013. This has been well received and no operational issues have been reported. The positive result is that expenditure has been reduced by approximately £30k per annum.

As the stalls remain erected on a Sunday, a consortium of local business, supported by BID, has taken the responsibility for managing a regular car boot/craft fair every Sunday. HBBC receives a small income of £100 per week.

Sunday footfall in the town centre has risen by 85% which has encouraged retail units to open enhancing the retail offer to the public.

5.3 Alternative delivery mechanisms have been preliminary investigated into how the markets could be managed. These include:

- Seeking a private operator to manage the markets on behalf of the authority
- Develop a partnership arrangement with Hinckley BID to operate the Markets

Early indication is that both options do not offer the financial incentives required and is felt wouldn't offer the best operating solution. Retaining an 'in house' operation is desirable.

6. FINANCIAL IMPLICATIONS (SJE)

6.1 The financial position for markets for 2013/14 is detailed in section 4.3. Rental income due for the year is forecast to be £153,000 against a budget expectation of £183,510. An income shortfall of £30,510 is therefore expected. That said, changes in set up processes will allow a saving of £31,000 in expenditure to the year end. Therefore, it is currently expected that the net effect of above will ensure a trifling net outturn variance.

6.2 The markets budget for 2014/2015 is detailed below. In light of the issues noted, these budgets have been reviewed and a proposed revision is also included in the table.

<u>Expenditure</u>	Budget 2014/15	Proposed 2014/15	Movement
	£	£	£
Employee Costs	53,080	53,080	0
Premises Related Expenditure	117,112	87,812	(29,300)
Supplies and Services	6,940	6,940	0
Central Charges	23,440	23,440	0
Capital Charges	1,700	1,700	0
Total Expenditure	202,272	172,972	(29,300)
<u>Income</u>	(183,510)	(158,500)	25,010
Net position	18,762	14,472	(4,290)

6.3 Given the income levels achieved in previous years, it is proposed that the 2014/2015 income budget should be reduced to the rental levels achieved in 2013/2014. In addition it is proposed that the budget for "premises related expenditure" also reduced to reflect the reduction in costs of set up.

6.4 In light of the issues identified in 2013/14, two supplementary budgets are requested in 2014/15:

- a decrease in the Market expenditure budget of £29,300 (market contract saving)
- a reduction in the Market income budget of £25,010 (market rental reduction £30,510 offset by additional rental income £5,500)

The net impact would be a £4,290 saving to the overall budget position.

6.5 Given the levels of these changes, both supplementary budgets would require approval by Executive in line with Financial Regulations.

6.6 No budget adjustments are required in relation to the Markets Operational Account due to this budget being adjusted as part of the budget preparation process in November 2013.

7. LEGAL IMPLICATIONS (AB)

7.1 None raised directly by this report.

8. CORPORATE PLAN IMPLICATIONS

8.1 The Markets income relates directly to the Borough Council's Corporate Plan in particular:

- Thriving economy
- Safer & Healthier Borough

9. CONSULTATION

9.1 None raised directly by this report.

10. RISK IMPLICATIONS

10.1 A risk has been logged onto the SIP which will allow us to track this matter.

10.2 The key risks are being mitigated by the fact that there are a number of interventions planned.

11. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

11.1 None raised directly by this report.

12. CORPORATE IMPLICATIONS

12.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- Human Resources implications

Background papers: SLB reports 23rd October 2013 and 14th March 2013

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