
**MANCHESTER CITY COUNCIL
REPORT FOR RESOLUTION**

Report To: Executive - 28 July 2010

Subject: Acquisition of the Manchester Wholesale Flower Market at New Smithfield Market

Report Of: Director of Neighbourhood Services and the Chief Executive, New East Manchester Ltd

Purpose of report:

The purpose of this report is to seek the Executive's approval to the acquisition of the building from the administrators of Manchester Wholesale Flowers Limited on New Smithfield Market in order to help facilitate the long term redevelopment of the market. The report also sets out proposals for the future use of the site and the wider opportunities created for the redevelopment of the New Smithfield Market as a result

Recommendations:

The Executive is requested to:

1. Approve the acquisition of the Wholesale Flower Market on the terms set out in this report;
2. Authorise the Director of Commercial Services, Neighbourhood Services to consult with the New Smithfield Market traders in relation to use of the New Smithfield Market Reserve;
3. Authorise the Chief Executive of New East Manchester and the City Treasurer to negotiate and agree the final terms of the acquisition
4. Approve in principle the proposal to refurbish the Wholesale Flower Market in order to relocate the existing fish market to the site subject to the development of an economically sustainable business plan for the redevelopment and request that detailed proposals be submitted to a future meeting of the Executive for approval
5. In accordance with paragraph 14 of Part 4, Overview and Scrutiny Procedure Rules of the Council's constitution, and having consulted with the relevant statutory officers, approve the matter as urgent, in that any delay caused by the call-in process, would seriously prejudice the legal or financial position of the Council or the interests of the residents of Manchester and exempt it from call in

Wards Affected:

Bradford

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	The proposal will help secure the contribution of the New Smithfield Market makes to the sub-regional economy. This initiative will provide the catalyst for further investment and local employment in the east Manchester area.
Reaching full potential in education and employment	The New Smithfield Market is estimated to support around 600 FTE jobs. The acquisition of the Wholesale Flower market at New Smithfield Market will help facilitate the redevelopment of New Smithfield Market helping to sustain employment and create additional jobs in the food services sector
Individual and collective self esteem – mutual respect	None
Neighbourhoods of Choice	The redevelopment of New Smithfield Market will contribute to improving the visual appearance of part of the Ashton Old Road which the market fronts onto thereby contributing to the improving the image of east Manchester as a place to live and invest.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Details are provided in Part B of this Report.

Financial Consequences – Capital

Details are provided in Part B of this Report.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

2008-2018 East Manchester Strategic Regeneration Framework

1.0 Introduction

- 1.1 The New Smithfield Market is predominantly a wholesale food market selling goods to retailers and other food businesses. It has approximately 260 traders operating under licence together with a number of larger businesses that occupy purpose built premises under occupational leases from the City Council
- 1.2 The site on the market previously occupied by the Wholesale Flower Market is currently being marketed for sale following the previous tenants having gone into administrative receivership. This report sets out proposals for the acquisition of the site by the City Council from the administrators in order to secure the refurbishment of the facility for the benefit of the market.

2.0 Background

- 2.1 The Ashton Old Road Corridor is an important economic development generator within the east Manchester area and within this corridor the New Smithfield Wholesale Market is acknowledged as being an important regional, sub-regional and local wholesale market facility. It represents a key focus of wholesale market activity for Greater Manchester and the wider North West region, supporting food retailing and other food businesses across Greater Manchester. The wholesale food market sells fresh fruit, vegetables and flowers and there is a fish and poultry market as well as a covered growers market, small and medium warehouse units, shop and café units and a bank within the 35 acre site. The site also provides for a Sunday market and car boot sale.
- 2.2 New Smithfield Market plays a key role in the food economy of the City and contributes significantly to ensuring that Manchester residents have access to local affordable fresh food. It is therefore plays a key role in the healthy eating agenda for the city where the link between diet and health is undisputed.
- 2.3 The Market is an important employer of local residents providing opportunities for employment at a range of skill levels albeit primarily at the lower end of the skill range. The market supports in excess of 600 gross direct jobs of which over 70% of the employees live in either east Manchester or the rest of the City. This, together with its importance to the retail food businesses in the region, means that it is estimated that the market contributes a Gross Value Added (GVA) of £27.1million per annum within Manchester.
- 2.4 Over recent years the condition of the buildings on New Smithfield Market (NSM) has deteriorated and there is a widening gap between the needs of tenants and accommodation provided. These factors threaten the viability of the market as a whole. This situation was recognised within the 2008 -2018 East Manchester Strategic Regeneration Framework which highlighted the need to explore the need to consolidate and improve the existing New Smithfield Market site. Such a development would not only sustain (and potentially expand) an important source of local employment but also help contribute towards improving the general condition and image of the Ashton Old Road Corridor.

3.0 The Future Development of New Smithfield Market

- 3.1 Over the last 12 months the City Council and New East Manchester Ltd have been working on a range of options that would lead to the consolidation and improvement of the existing New Smithfield Market site. In doing so officers have sought to identify opportunities to rationalise and improve NSM facilities, addressing tenant needs and increasing operational efficiency whilst exploring the potential for releasing surplus land on the NSM site that would be brought forward for development in support of the East Manchester Strategic Regeneration Framework.
- 3.2 At the heart of those considerations has been the future of the New Smithfield Market Fish Market. This facility is in particularly poor condition which, when coupled with impending developments in food hygiene and health and safety regulations, will have a significant impact on the facility's short to medium term future. A failure to not comply with these regulations would lead to the closure of the Fish Market. If the Fish Market were to close such an event would significantly dilute the one stop offer which is critical to the success of NSM and would present a significant risk to the future of the market as a whole and, as such, put at risk not only the jobs at the Fish Market but potentially those in the wider market.
- 3.3 Officers have considered a range of options for the future of the New Smithfield Market, however, the announcement that Manchester Wholesale Flowers (MWF) had gone into administrative receivership and that the building that they occupied on the market was vacant provided a new opportunity to rethink the options under consideration. The Manchester Wholesale Flowers facility within the NSM site became vacant in January 2010. This facility is a relatively newly constructed purpose built warehouse totaling 18,191 sq.ft, held on a long leasehold from the City Council. The long leasehold interest is currently being marketed for sale by the administrators who are seeking to conclude the process as quickly as possible.
- 3.4 Officers reviewed the opportunities that would arise by seeking to acquire this facility as and when it came onto the market and have concluded that it would be a potentially suitable location to relocate the existing Fish Market facility into. The acquisition of the MWF facility and subsequent refurbishment of this facility to facilitate the relocation of the Fish Market into it will provide an opportunity to demolish the current Fish Market building. In doing so this will create a key development site of circa 5.95 acres within New Smithfield Market that fronts onto Ashton Old Road. These proposals would provide a platform for growth for both an extended Fish Market and wider Wholesale Market offer.
- 3.5 To test out this emerging investment strategy officers have commissioned a full Economic Impact Assessment to help properly inform the business case for both acquisition and future investment. This work will be available in August. In parallel with this work a detailed Business Plan for the refurbishment of the MWF building is in preparation. The outcomes of this work will be presented to the Executive in due course.

3.6 Officers are of the view that the City Council should proceed with the acquisition of the Manchester Wholesale Flowers building on New Smithfield Market. Officers are satisfied that a sound funding plan will be brought forward and that there are significant opportunities to be explored with the private sector to secure a strong partnering platform to take forward the redevelopment of New Smithfield Market.

3.7 Should the business case for further investment in the refurbishment of the acquired MWF building prove to be weak officers are of the view that the acquisition still represents a sound investment. This is on the basis that the acquisition would merge the ownership of the freehold and leasehold within the Council and provide the opportunity to bring forward future development and provide a beneficial long term use within this part of the city, delivering the ambitions set out in the current East Manchester Strategic Regeneration Framework. In a worse case scenario the building could be sold on or leased to a third party as it is known there are other interests in this asset.

4.0 Acquisition of Long Lease of Manchester Wholesale Flowers

4.1 As set out above the site is currently being marketed by the administrators. The City Council have submitted a bid for the long leasehold which the administrators have indicated would be acceptable. However, there is understood to be at least one other interested party and as a result the City Council need to move quickly in order to secure the site.

4.2 The Head of Corporate Property is satisfied that the City Council's offer reasonably reflects the value of the site. If acquired it is proposed to merge the leasehold interest with the City Council's freehold enabling the site to be included within the City Council's interest in the wider market.

5.0 New Smithfield Market Reserve

5.1 The New Smithfield Market reserve is a ring-fenced reserve within the City Council's accounts which holds the surplus income from successful Sunday Market held on the market. Under the terms agreed between MCC and the tenants as set out in the incorporation memo this fund can potentially be used for either "redevelopment or offsetting service charge". There are sufficient resources within the Market Reserve to cover the costs of acquisition.

5.2 When the reserve was originally set up it was agreed that the City Council would consult with the traders and take into account their views before committing the expenditure. Therefore, subject to the Executive approving the proposals contained in this report it is proposed to engage in a consultation process, led by Director of Commercial Services, Neighbourhood Services, and the views of the traders taken into account as the project moves forward

6.0 Waiver of Call In

6.1 Approval is sought pursuant to Rule 14 of the Overview and Scrutiny Rules

that the decision to acquire the Wholesale Flower Market site set out in the recommendations above are urgent as the delay caused by the call in process would seriously prejudice the legal or financial position of the Council or the interests of the residents of Manchester.

- 6.2 The City Council must be in a position to complete the transaction quickly in order to meet the requirements of the administrator who is marketing the site for sale. If the current decision was called in it would prevent the City Council being able to confirm its offer for the site and would risk the site being sold to another party. Therefore in order to avoid the risk to the transaction due to delay it is considered prudent to exempt the decisions from call in.

7.0 Concluding Remarks

- 7.1 Subject to Executive approving the acquisition of the site, it is proposed to develop a detailed Business plan for the refurbishment of the site to provide a new fish market. This will include a detailed economic assessment of the proposals which will inform both the initial phase of investment to provide the new fish market and the proposals for the future redevelopment of the site
- 7.2 The acquisition of the site would be the first step towards the City Council providing a modern, enlarged and enhanced fish market facility at new Smithfield Market. This will have multiple benefits including allowing the City Council to demolish the current Fish Market building and realise its value through sale of a development site as part of its wider strategy for the regeneration of the NSM site. This disposal would help contribute towards the cost of securing a new fish market.

- 7.3 Recommendations are set out at the beginning of this report.

8.0 Contributing to the Community Strategy

(a) Performance of the economy of the region and sub region

The proposal will help secure the contribution of the New Smithfield Market makes to the sub-regional economy and provide the catalyst for further investment and local employment in the east Manchester area

(b) Reaching full potential in education and employment

The New Smithfield Market is estimated to support around 600 FTE jobs. The acquisition of the Wholesale Flower market at New Smithfield Market will help facilitate the redevelopment of New Smithfield Market helping to sustain employment and create additional jobs in the food services sector

(c) Individual and collective self esteem – mutual respect

None

(d) Neighbourhoods of Choice

The redevelopment of New Smithfield Market will contribute to improving the visual appearance of part of the Ashton Old Road which the market fronts onto thereby contributing to the improving the image of east Manchester as a place to live and invest.

9.0 Key Polices and Considerations

(a) Equal Opportunities

9.1 A key aim of the New Smithfield Market initiative is to ensure that local people can access and benefit from the employment opportunities and wider facilities that are being created. In addition, there will be a commitment to ensure that design standards throughout the development will comply with the highest standards of accessibility.

(b) Risk Management

9.2 The New Smithfield Market Project Board will continually monitor and respond to risks throughout the lifetime of the project.

(c) Legal Considerations

9.3 The City Solicitor will advise in relation to the acquisition of the site. The legal implications of the future redevelopment of the site will need to be considered as the proposals are brought forward.