

<b>REPORT TO:</b>		Cabinet	
<b>DATE:</b>		22 January 2025	
<b>PORTFOLIO:</b>		<b>Councillor Noordad Aziz - Deputy Leader of the Council (Transformation, Education and Skills)</b>	
<b>REPORT AUTHOR:</b>		Steve Riley, Executive Director (Environment)	
<b>TITLE OF REPORT:</b>		Market Chambers Operating Costs	
<b>EXEMPT REPORT (Local Government Act 1972, Schedule 12A)</b>	<b>No</b>	Not applicable	
<b>KEY DECISION:</b>	<b>Yes</b>	If yes, date of publication:	20 December 2024

## 1. Purpose of Report

- 1.1 The purpose of this report is to seek confirmation from Cabinet that the Council is committed to financially supporting the proposed development of Market Chambers through a commitment to provide annual funding towards the operational costs of Market Chambers once opened in late 2027 in accordance with the estimated sums set out in paragraph 4 below. Such funding will need to remain in place unless and until the Market Chambers scheme is in a position to self-fund without the need for significant support funding from the Council. The Council's independent advisors, Bradshaw Advisory, have produced financial forecasts confirming their advice that Market Chambers will be largely self-financed within 10 years from opening. Although from that point onwards, the Council should assume that it may be required to provide some funding in the region of up to £50,000 to £60,000 per year whilst identifying alternative revenue generating opportunities to ensure that Market Chambers no longer require any Council support.

## 2. Recommendations

- 2.1 That Cabinet notes and agrees that in principle, subject to Council formal approval as part of the annual budget setting process, savings from the existing Market Hall budget and all surplus income that results from the development of both the Burtons Chambers and Market Hall schemes, be directed, insofar as is necessary, to support the ongoing Council funding which is likely to be required in respect of Market Chambers.
- 2.2 That Cabinet notes the report and agree to identify and include the ongoing operational costs of Market Chambers in the Council's budget setting proposals in the sums identified in the table in Section 4 of the report, allowing for a potential increase in these sums in the event that other income sources underperform (and the potential reduction of the same if additional income is secured from other sources); at a reducing rate from year 5 (2032) to year 10 (2037) and thereafter at a reduced level of circa £50,000 - £60,000 per year.

2.3 That Cabinet notes the report and agree to recommend that the Council's Medium Term Financial Strategy is updated to reflect details from this report.

### **3. Background**

3.1 Members will be aware that the Council is currently promoting a Compulsory Purchase Order (CPO) for Market Chambers, Accrington. An Inquiry was opened with an Inspector appointed by the Secretary of State for Levelling Up, Housing and Communities in December 2024. That inquiry has not yet closed but has been adjourned for closing submissions to take place in early 2025. The Inspector has not yet determined whether or not the CPO will be confirmed.

3.2 To provide the best opportunity for the CPO to be confirmed by the Inspector, it is necessary for the Council to demonstrate that the proposed development, is likely to contribute to achieving the promotion or improvement of the economic, social, and environmental well-being of the Council's area. The Council must also show it has a clear plan for the land's use including confirmation that the required funding is available. This includes both development costs and reasonable ongoing operation costs for the proposed development. There must be no physical or legal impediments that would prevent the development from being implemented and maintained in the future.

3.3 In January 2022, Cabinet gave its formal approval in support of the Town Centre Stakeholder Board's recommendations that the Council's LUF submission and key priorities should focus around a single scheme that included the following three principal interventions, noting that at the time of submission 2 and 3 were not in the Council's ownership;

1. Redevelopment within the Indoor Market Hall and outdoor pavilions along Peel Street – the intervention known as Market Hall.
2. Improvements and redevelopment to the block 61-69 Blackburn Road – the intervention known as Burtons Chambers.
3. Improvements and redevelopment to the block of properties at 43-59 Blackburn Road / 2-4 Church Street – the intervention known as Market Chambers.

3.4 Cabinet have received regular updates on LUF funding and the progress of its property acquisition consultant, CBRE, in their negotiations to seek purchase by agreement from the relevant freeholders/leaseholders in Market Chambers. As far as working with freeholders/leaseholders to seek agreement for the acquisition of their land interests, it was also prudent for the Council to consider the use of CPO powers where sale by agreement could not be reached. A report presented to Cabinet by the Levelling Up Portfolio Holder in June 2023, sought and received approval to make of a Compulsory Purchase Order (CPO) for Market Chambers.

3.5 A second report presented by the Portfolio Holder, titled National Lottery Heritage Fund Submission, asked that Cabinet support the recommendation of the Town Centre Stakeholder Board and delegate authority to the Executive Director (Environment) following consultation with the Portfolio Holder to prepare and submit a £5 million Development Plan, to the National Lottery Heritage Fund (Heritage Fund) which included providing all the evidence and documentation required by the Heritage Fund.

3.6 Within the financial implications section of the second report, Cabinet Members were informed that if successful, the Council would likely receive around 10% of the bid to enable the Council to undertake the initial Development Phase works to submit a Delivery Phase submission. This section also stated:

- *that whilst NLHF funding would be used for the capital works to redevelop Market Chambers, there will be ongoing revenue required to manage and operate the centre. This would be either through specific external revenue funding stream/s, income generated from within the facility, annual grant from the Council or a combination.*

3.7 A report presented by the Portfolio Holder for Culture, Heritage and Arts to Cabinet in December 2024, recommended Cabinet:

- *acknowledges the need for a robust business plan to be developed as part of the Market Chambers Development Stage, and additional funding bids made to support the running of the venue in its early years; and*
- *recognises that there may be a need to consider future budget provision to support operational costs during the post-opening period.*

3.8 It has been the Council's working assumption that funding for the Market Chambers ongoing operations costs will be through external grants, event income and the reallocation of savings from the current Market Hall revenue budget, plus new income streams from Burtons Chambers and lease income from the Market Hall. In the report Cabinet is being asked to note and agree that in principle savings from the existing Market Hall budget and all surplus income that results from the development of both the Burtons Chambers and Market Hall schemes, once open, are sufficient to meet the forecast unmet operational costs of Market Chambers until it operates at breakeven or better.

3.9 The advice from the Council's consultant Bradshaw Advisory, has always been to see the LUF funded projects as a whole scheme, with each project: Market Hall; Burtons Chambers and Market Chambers complimenting each other, providing visitor/customer footfall; income generation opportunities and therefore any surplus income generation or savings from one should be diverted to cover costs, where needed by another.

#### **4. Funding**

4.1 Capital funding to the sum of £11m to undertake the necessary capital works on Market Chambers is from the following sources: Levelling Up (LUF) £3.4m; UK Shared Prosperity Fund £0.6m; Lancashire County Council £1m; Hyndburn Borough Council £1m and Heritage Fund £5m. The Council has secured £463,056 from the Heritage Fund as a Development Grant, with the remaining Delivery Grant funding to be applied for following the successful agreement to the Council's Market Chambers Delivery Phase Submission.

4.2 The 5-year business plan for Market Chambers, (attached as an Appendix) was produced by the Council's external bid writing consultant, Bradshaw Advisory in August

2023, as required for the Heritage Fund Development Phase submission. A table outlining Market Chambers Revenue cost estimates, (page 25 of the business plan), indicates the Council will be required to provide funding towards the annual operating costs once the facility opens (shown in yellow below). Due to the delay in the Heritage Fund Development Phase funding approval, the current anticipated opening for Market Chambers is now late 2027, (but could slip into 2028 if the Council did not receive approval of the Delivery Phase funding at the start 2026).

	Y1 (half year)£k	Y2 £k	Y3 £k	Y4 £k	Y5 £k
Events income	75	150	175	190	195
Commercial partnerships and sponsors	1.25	5	8	15	25
Cafe/merchandise sales	0.25	3	4	5.5	8.5
Donations, fundraising & members	0.5	1.5	2.5	3	4
Solar	1	2	2	2	3
Grants	165	225	250	250	275
<b>Council funding</b>	<b>120</b>	<b>230</b>	<b>200</b>	<b>180</b>	<b>160</b>
<b>Total projected income (rounded)</b>	<b>364</b>	<b>617</b>	<b>642</b>	<b>653</b>	<b>682</b>
Staff costs	125	260	270	281	293
Building costs	7.5	16	16	17	18
Utilities and related	127.5	265	276	287	299
Events costs	5.5	11.5	12	12.5	13
Insurances	5	10	11	11	12
Advertising & marketing	12.5	26	27	28	29
Corporate services	6	12.5	13	14	14
Additional costs (detail not provided for this summary purpose)	6	13	13.5	14	16
<b>Total projected costs (rounded)</b>	<b>296</b>	<b>614</b>	<b>637</b>	<b>652</b>	<b>668</b>
<b>(Deficit)/surplus</b>	<b>68</b>	<b>3</b>	<b>5</b>	<b>1</b>	<b>14</b>

4.3 The business plan estimates this annual financial support from the Council to be circa:

- £120,000 in 2027/28 (part year)
- £230,000 in 2028/29
- £200,000 in 2029/30
- £180,000 in 2030/31
- £160,000 in 2031/32

4.4 Beyond the 5-year business plan, the Council will still need to provide funding, but it is anticipated that this will reduce year by year from the level of £160,000 at year 5 (2032) up to year 10 (2037), as the aim is for Market Chambers to be largely self-financing at this point. Whilst this would be the aim, it should be noted that the business plan also highlights it may well not be fully achieved within this timescale and so it would be prudent for the Council to assume it could need to continue with the funding for a further 10 years but at a reduced level, estimated to be in the region of £50,000 to £60,000 per annum.

4.5 The business plan also indicated other income streams would be required to meet the operational costs of Market Chambers. Whilst acknowledging that costs could increase or decrease, if it is assumed these operating costs remain the same, but a reduced income achieved from events or external grants, there would be a shortfall. As an example, if the estimated income generation from the two main income streams: events and external grants, was only 66% of that stated in the business plan, the following **additional** funding would need to be provided by the Council (in addition to that anticipated to be required in paragraph 4.3):

- £79,200 in year 2027/28 (part year),
- £123,750 in year 2028/29,
- £140,250 in year 2029/30,
- £145,200 in year 2030/31 and
- £155,500 in year 2031/32.

4.6 In this scenario and if there was no change, (reduction or increase) in costs, the total annual funding from the Council highlighted in paragraph 4.2 above, would increase circa:

- £199,200 in 2027/28 (part year),
- £353,750 in 2028/29,
- £340,250 in year 2029/30,
- £325,200 in year 2030/31 and
- £315,000 in year 2031/32.

However, it should be noted that if the operating costs of Market Chambers were lower and/or the income/grants higher than anticipated, then the required annual funding required from the Council would be lower than the figures set out in the table at paragraph 4.2.

4.7 In terms of how this funding requirement is anticipated to be met, the Council's financial position from the opening of the Market Hall and Burtons Chambers in later 2025, is anticipated to improve on a year-by-year basis. If the current Market Hall service budget is maintained, noting the Council has been providing funding for the provision of a market offering since Hyndburn Council was created in 1974, (from the amalgamation of local townships) it will have a positive variance for the Council of circa £328,000 per year (comprising £278,000 in respect of savings and £50,000 in respect of income generated from the new market operator lease). In addition, as a result of the operating agreement in place, the Council is expected to receive 60% of the profit from Burtons Chambers, in the order of circa £60,000 from year 5 (2032), or earlier/greater if usage is higher than anticipated. The surplus anticipated to be generated in respect of both Market Hall and Burtons Chambers would provide the Council with sufficient income and savings to support the ongoing funding which is likely to be required in respect of Market Chambers.

4.9 A further report/s will be brought at an appropriate time, that will provide an update on procurement of a preferred operator and any funding implications associated with such an appointment in accordance with any legal/constitutional requirements.

**5. Alternative Options considered and Reasons for Rejection**

- 5.1 Cabinet could choose not to make the commitment to fund the operational costs of Market Chambers once open, until it is able to self-fund or alternative sources of funding become secured. It is recommended that this option is rejected because the redevelopment of Market Chambers, Market Hall and Burtons Chambers are viewed a single scheme and are key priority within the Council's Corporate Strategy 2023-2028. The scheme is an essential part of the town centre investment plan (TCIP) and is anticipated to act as a catalyst for further development/investment in the heart of the town centre.
  
- 5.2 The three projects are viewed as a single scheme and it has been the Council's working assumption that any savings and income generation from the Market Hall and Burtons Chambers would be the first call for any operational costs of Market Chambers. Without the commitment from the Council to fund, where needed, any deficit in operational costs would affect the long-term success of the Market Chambers project and could also have a negative impact on the outcome of the CPO for Market Chambers.

**6. Consultations**

- 6.1 Leader, Portfolio Holder, Chief Executive and Section 151 Officer.

**7. Implications**

<p><b>Financial implications (including any future financial commitments for the Council)</b></p>	<p>The capital costs for the Market Chambers scheme are funded through a combination of external funding and the Council's own funding as set out in Section 4.1 of the report.</p> <p>With regards to the different development periods of the projects within the scheme, current estimates are for Burtons Chambers and Market Hall to open Autumn 2025 and Market Chambers late 2027 (but could slip into 2028 if the Council did not receive approval of the Delivery Phase funding at the start 2026).</p> <p>The Operator, (who will be identified as part of the Development Phase work), will produce an up to date business plan, identifying any funding gaps and with assistance from the Council, will look to secure external revenue grants for its operating costs during the development stage. Bradshaw Advisory have noted it is</p>
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highly likely greater success will be achieved as the facility becomes more visible/known within the heritage/culture/arts grant funding marketplace.

Paragraph 4.2 to 4.4 highlights potential levels of funding the Council will be required to make in meeting the operational costs for Market Chambers once open and this can be funded by one or more of the options below.

1. Savings on the Market Hall's existing Council budget, as the Market Hall re-opens under the new operator.
2. Income received from the lease agreement with the new Market Hall operator.
3. Income received from the profit share agreement with the new operator for Burtons Chambers (split 60/40 in favour of the Council).
4. It may not be necessary to allocate all the £450,000 Cabinet approved to be set aside at its meeting in March 2024, to cover shortfalls, (during the initial years) in net operating costs for the new Burton Chambers Management Agreement.
5. Any other funding identified by the Council at the time of Market Chambers opening in 2027/2028.
6. The revenue allocation (up to £5m) from the Council's 10-year Long-Term Plan for Towns Funding. This was secured under the previous government back in 2023 (but its release was paused due to the general election being called). However, the recent budget statement by the new government provided reassurance to those authorities the funding remains in place and new guidance being released from 2026.

These suggestions have been identified at this point but there may be others available which the Council may consider at the time of Market Chambers opening to ensure sufficient funding is in place when required.

During the CPO enquiry the Council external consultant Bradshaw Advisory provided an oral update to the inspector of the possibility

	<p>Market Chambers may not become fully self-financing and that it could continue to require annual funding from the Council at a reduced level, circa £50,000-£60,000 per annum.</p> <p>It is likely the Heritage Fund Delivery Phase grant conditions will require funding to be returned if Market Chambers was to be closed within 20 years of the project being opened.</p>
<p><b>Legal and human rights implications</b></p>	<p>The Public Libraries and Museums Act 1964 gives the Council power to provide financial support for the provision of museums. However, the Council cannot lawfully give an open ended or unlimited commitment to meet the cost of Market Chambers and the recommendations in this report do not seek that.</p> <p>Instead, this is an in-principle decision agreeing to identify and include the ongoing operational costs of Market Chambers in the Council's budget proposals and where there is a shortfall in funding (as per section 4 of this report) from events, external grants, income generation from within the facility for the first 10 years of its opening and at a reduced level of financial support where required for a further 10 years.</p> <p>No decisions have been taken about who will operate Market Chambers. Part of the Heritage Fund Development Stage work is to commission work on governance options, which will inform that decision. During this process the Council will need to carefully consider and ensure compliance with the Subsidy Control Act 2022 and any other applicable legal/constitutional requirements.</p> <p>The Council cannot lawfully fetter its future discretion and decision making (including in respect of budget making which is a matter for full Council) nor can the Cabinet fetter the discretion of any statutory successor to the Council. Whilst Council budgets are set annually, the budget setting process is a resource allocation to meet corporate</p>



	<p>priorities and as set out within the Council's Corporate Strategy 2023-2028 transformation of Market Chambers is identified as a key priority.</p> <p>The Council appointed and commissioned an external independent consultant to produce a Human Rights Impact Assessment to assess the impact of the CPO for Market Chambers. This document will be treated as a 'live' document that is updated as further information becomes available about affected parties. The Council has sought to ensure that there is a thorough understanding of the potential effects of the Order.</p>
<p><b>Assessment of risk</b></p>	<p>Without the commitment from the Council to agree to the funding, where needed, any deficit in operational costs will likely affect the long-term success of the Market Chambers project and wider scheme.</p>
<p><b>Equality and diversity implications</b>  <i>A <a href="#">Customer First Analysis</a> should be completed in relation to policy decisions and should be attached as an appendix to the report.</i></p>	<p>The Council is subject to the public sector equality duty introduced by the Equality Act 2010. When making a decision in respect of the recommendations in this report Cabinet must have regard to the need to:</p> <ul style="list-style-type: none"> <li>• eliminate unlawful discrimination, harassment, and victimisation; and</li> <li>• advance equality of opportunity between those who share a relevant protected characteristic and those who do not; and</li> <li>• foster good relations between those who share a relevant protected characteristic and those who do not.</li> </ul> <p>For these purposes, the relevant protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation. To assist the Council in this regard the existing equality impact assessment will inform the procurement process.</p>

	<p>The Council commissioned an external independent consultant to produce a detailed Equality Impact Assessment in respect of the making of the CPO and this was further updated ahead of the CPO inquiry. The assessment of impacts showed that acquisition by agreement and further actions by the Council since July 2023 have resulted in removing or minimising some potential impacts associated with the CPO. This is such that the equality effects associated with the impacts are likely to be negligible. However, there remains residual potential negative effects of the CPO and to further minimise these effects and enhance positive impacts identified the Council will seek to implement a number of recommendations provided by the appointed consultant.</p> <p>As stated in the previous Cabinet report – National Lottery Heritage Fund Submission, a further full analysis / Equality Impact Assessment will be undertaken as part of the National Lottery Development Stage funding work.</p>
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**8. Local Government (Access to Information) Act 1985:  
List of Background Papers**

National Lottery Heritage Fund Submission – June 23

<https://democracy.hyndburnbc.gov.uk/ieListDocuments.aspx?CId=133&MId=2795&Ver=4>

Authorisation for making of CPO for Market Chambers – June 23

<https://democracy.hyndburnbc.gov.uk/ieListDocuments.aspx?CId=133&MId=2795&Ver=4>

Arts, Culture and Heritage Portfolio Holder Report – December 23

<https://democracy.hyndburnbc.gov.uk/ieListDocuments.aspx?CId=133&MId=2897&Ver=4>

Appointment of Operator for Burtons Chambers

<https://democracy.hyndburnbc.gov.uk/ieListDocuments.aspx?CId=133&MId=2802&Ver=4>