



Report of the Cabinet Member for Investment, Regeneration & Tourism

Cabinet – 16 July 2020

The Impact of COVID-19 and the Recommendation for the Treatment of Rents at Swansea Market

Purpose:	To agree an approach to the treatment of rents at Swansea Market as an interim measure for the support of Swansea Market traders to adapt and re-build their businesses following the COVID-19 pandemic.
Policy Framework:	Corporate Priorities, Swansea Central Area Regeneration Framework (SCARF), Financial Procedure Rules
Consultation:	Access to Services, Finance, Legal, Property Services, Swansea Market Traders Federation
Recommendation(s):	It is recommended that: <ol style="list-style-type: none">1) The collection of rent at Swansea Market resumes following the rent free period already granted (9 March – 28 June 2020);2) Rents are initially discounted and increase in increments over the next 5 months – with full rent recovery due by the rental period 16 November to 13 December 2020;3) The application of this rental discount is backdated to 29 June 2020;4) For special cases, rents continue to be waived in full as a short term measure (subject to criteria set out in paragraphs 9.4.1 and 9.4.2).
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1. Introduction

- 1.1 In response to the COVID-19 pandemic and the subsequent closure of the Market, Swansea Market Traders were granted a waiver on rental

payments from 9 March to 28 June 2020. Corporate Property tenants were granted a waiver for 3 months.

- 1.2 This concession was made in order to support the viability of the 100 plus local businesses contained within Swansea Market and to help secure its long term future.
- 1.3 Swansea Market derives an annual income of over £1.1million per annum. The 'rent free' concession has incurred approximately £367,060 of lost revenue to date.
- 1.4 Throughout this period, City Centre Management has provided support to Swansea Market traders through regular communication on COVID-19 developments, signposting to government assistance and reputable sources of business advice and assisting with business related queries and problems.
- 1.5 The Market closed to the public on 28 March 2020. However, it remained operational for a core group of traders to utilise the facility as a 'delivery hub'. City Centre Management promoted these services heavily and also promoted those traders that were offering delivery services from home or using other means to engage their customers.
- 1.6 On 19 June 2020, the Welsh First Minister advised that all non-essential retail would be permitted to re-open if safe to do so from Monday 22 June 2020. Swansea Market has re-opened and about 40% of traders also re-opened their stalls on the first day.
- 1.7 Numerous, strong representations have been made by Swansea Market traders and the Chair of the Swansea Branch of the National Market Traders Federation to continue with a rental concession.
- 1.8 The following report sets out in more detail why these requests should be considered, options for Cabinet to review, their implications and a recommendation for an agreed strategy.

2. Re-Opening of Swansea Market & Implications for Traders

- 2.1 Necessary and reasonable measures have been undertaken in Swansea Market to make it as COVID-19 safe as possible and these were implemented on Monday 22 June when the Market re-opened.
- 2.2 Measures include:
 - Limiting the number of customers in the Market to 250 people at any one time.
 - Closing the Quadrant entrance. It is the least busy entrance and as a link to the Quadrant (which is also limiting capacity) would be difficult to control.
 - Making some entrances one-way only.
 - Introducing queuing systems into the Market.

- Reduced operational hours – 8.30am to 4.30pm (changed from 8.00am to 5.30pm).
- Supporting Traders with advice regarding their own business operations and actions they may need to take. For example, City Centre Management have provided a Risk Assessment template and checklist.

2.3 These measures have been taken following full consideration of guidance provided by Welsh Government, Public Health Wales and NABMA (National Association of British Market Authorities), together with a review of experiences and best practice of indoor markets that have already opened in England.

2.4 It is recognised that these may need to be flexed as and when appropriate but without compromising safety. However, by nature these measures present unavoidable difficulties for traders returning to the Market – notably footfall and sales opportunities.

3. Footfall & Sales Opportunities

3.1 At the last footfall survey in 2009, it was estimated that between 1,000 and 1,500 shoppers would be in the Market at any one time during a normal period. There has been a steady decline in footfall since this estimate but it still gives a good indication of the impact of a controlled capacity of 250 customers and therefore limited sales opportunities.

3.2 Following the re-opening of the Market, approximated 2,640 customers visited the Market on the first day. In comparison, the count for an average Monday would usually be around 10,000. At any one time, it was noted that around 130 customers were present in the Market.

3.3 As customer confidence grows and further government restrictions are lifted (e.g. the stay local/ within 5 miles rule), footfall is expected to slowly increase but the above demonstrates that it is clearly an issue in the short term.

3.4 Sales opportunities within the Market are compromised by other effects of COVID-19 and/ or transmission mitigation measures such as:

- Closure of seating areas - cafes can offer takeaway only; loss of seating also means that dwell time has been impacted and lots of other stallholders rely on passing trade.
- Closure of changing rooms.
- Discouraging customers from touching items or trying jewellery.
- Discouraging cash payments – this is a barrier especially for older customers who make up the highest proportion of Market shoppers.
- Loss of tourist trade, especially during the summer period.
- Difficulties with supply chains.
- Difficulties in maintaining appropriate stock of perishables.

3.5 City Centre sales opportunities as a whole are also currently compromised by:

- Closure of the Bus Station and only limited bus services for essential journeys.
- Closure of toilet facilities.
- Closure of sporting and cultural venues.
- Closure of hospitality, leisure and health & beauty facilities.
- Only approximately 70% of retailers in the Quadrant Shopping Centre have opened.

It is expected that these issues will resolve over the course of the next few months. For example, bus services are likely to ramp up mid-July.

- 3.6 Traders are also incurring additional costs as they make adaptations to their stalls and their operations in order to implement COVID-19 safe measures. For example, the purchase of screens, installation of sink units (where possible) etc.

4. Stalls Still Currently Closed

- 4.1 On Tuesday 23 June 2020, it was reported that 50 out of 101 occupied stalls had re-opened in Swansea Market.

- 4.2 Reasons for stalls that have not yet re-opened vary.

- 4.3 Some traders are still not permitted to re-open under COVID-19 regulations. These include beauty salons, nail bars and hairdressers (which accounts for 4 stalls).

- 4.4 Some traders may be shielding or have family members who are shielding.

- 4.5 Other reasons given by traders include:

- Traders are only able to offer takeaway facilities as their seating areas are closed – one cafe trader forecasts a drop in revenue of 75%.
- Concerns about losses if they re-open with a limited footfall particularly among those with perishable goods or high overheads.
- The risk of releasing staff from furlough too soon.
- Ongoing stall modifications to make it a COVID-19 safe e.g. installing clear screens, changing counters.
- Concerns about the transmission risk of COVID-19.

5. Financial Support Provided to Date

- 5.1 In addition to the current rent free period granted by the Council, it is reasonable to assume that traders have accessed one or more of the government grant and support schemes that are available. City Centre Management has consistently signposted traders to these opportunities.

- 5.2 This support includes:
- Business Rate Relief

- Business Rates Grant
- Economic Resilience Fund
- Self-Employment Income Support Scheme
- Coronavirus Job Retention Scheme

5.3 Due to data protection, no information is available regarding who has received what financial support. However, in addition to Business Rates Relief which is universal, the vast majority of traders should have at the very least received the Business Rates Grant of £10,000 per stall. There are only 8 traders in the Market who were not eligible as they trade from tables and do not pay business rates. These were signposted to the other sources of grant support.

5.4 It should also be noted that during the rent free period, some traders have continued to trade and offer delivery services which whilst providing a service to the community.

6. Request for Ongoing Financial Support

6.1 As the expiration of the free rent period has approached, many traders have contacted City Centre Management and in some cases the Leader and Cabinet Member for Investment, Regeneration and Tourism directly to ask for continued financial support. Their reason is that with the challenges COVID-19 has presented and the impact to the footfall in the Market, their businesses will not survive.

6.2 This request has been strongly supported by the Chair of the Swansea branch of the National Market Traders Federation (NMTF).

6.3 At a national level, the NMTF are advising its members that if they are shielding or fall into a vulnerable category, they should not be charged rent and if they are, they should challenge it. The extended shielding period ends on 16 August 2020 in Wales.

6.4 Whilst it is clear how the implications of the COVID-19 pandemic have and will continue to have an impact on these businesses (at least in the short term), historically and quite consistently traders have complained that rents are too high and that they will go out of business unless they are reduced. This has not proved to be the case.

6.5 The approach of other markets operators to these requests is mixed.

6.5.1 A small sample have shared their approach although the effect of these remains to be seen.

- Wolverhampton Markets – charging full rent but advised that they are struggling to collect 50%.
- Wyre Markets – offering one month free then charging full rent.

- Newcastle Grainger Market – charging full rent but acknowledge that they may need to review this in 6-8 weeks' time.
- Bedford Markets – offering 50% rent reduction for two months.
- Amber Valley Markets – charging full rent.
- Halifax Borough Market & Todmorden Market Hall – charging full rent.

6.5.2 Operators that are charging full rent have done so on the basis that their traders have received government grants and these were in part intended to cover fixed costs such as rents. Whilst this is a reasonable point, the effect upon arrears and occupancy remains to be seen and it is likely that these operators may need to change their approach.

6.5.3 It is recommended that from the outset, the Council sets a fair, realistic strategy that can confidently be supported. The following local factors should also be taken into consideration:

- Ongoing disruption of the regeneration programmes (e.g. St David's, Kingsway).
- The Market's key place within the regeneration strategy.
- The central location of the Market.
- The Market's role as a catalyst for economic recovery and the opportunities provided for entrepreneurialism.
- The strength of representations from the traders.

7. Swansea Market Risks

Applying full rent from 29 June 2020 presents significant risks to the continued operation and development of Swansea Market.

7.1 Occupancy

7.1.1 Prior to COVID-19, occupancy levels in the Market were rising and there was a strong interest from new food and beverage businesses in particular which aligned with the Market's Lettings Strategy. Market occupancy at the beginning of March 2020 was 96% - significantly higher than the national average.

7.1.2 Whilst the Market has been closed, City Centre Management has received a number of enquiries from traders as to their notice period and the process for ending their tenancy should they need to. Some traders have a 6 month notice period and many have a 28 day notice period. The first official surrender notice since the beginning of the pandemic was received on 19 June 2020.

7.1.3 Swansea Market leases are currently being held over as part of a lease renewal process. COVID-19 may influence trader's appetite to renew their leases and jeopardise the negotiations to date.

7.1.4 During 2019/20 when Market occupancy was tracking between 92% and 96%, vacant stalls incurred approximately £52,000 of lost revenue.

7.1.5 The current situation presents a high risk to occupancy which comes with an increase in expenditure as well as a loss in revenue. City Centre Management is required to pay NNDR on vacant stalls after a period of 3 months. In 2019/20, NNDR costs were £26,000.

7.1.6 Occupancy levels are a key factor in the long term viability of Swansea Market. As occupancy falls, the Market becomes a less attractive commercial proposition for potential new traders and it is extremely difficult to curtail the downward trajectory.

7.2 Reputation

7.2.1 Swansea Market is undoubtedly well-loved and much valued locally. It is also well respected on a national level – winning NABMA's 'Britain's Best Large Indoor Market' competition for a second time earlier this year.

7.2.2 Decisions that are interpreted as negatively affecting the traders may be portrayed as threatening the sustainability of Swansea Market as a whole as a place to shop and socialise.

7.3 Undermining of Investment

7.3.1 It is recommended that consideration is also given to the significant investments that the Council has and continues to make in Swansea Market.

7.3.2 This includes the £2.2 million replacement of the Market roof and the delivery of the current Market Improvements Plan. This project, which is valued at £439,000, will see the installation of public toilets, the development of a multi-purpose communal area, upgrading of the entrances and wayfinding solutions and the installation of public WI-FI.

7.3.3 These investments were made to help ensure the long term viability of Swansea Market, but without the quality and quantity of traders to drive rental revenue and attract customers this cannot be realised.

7.4 Wider Effect on the City Centre

7.4.1 Swansea Market is recognised as being the heart of the city centre, both figuratively and logistically. It features heavily in the Council's regeneration plans with links to the Swansea Central development which is onsite. A strong, vibrant market is key to the successful execution of such plans.

8. Treatment of Rents - Options

8.1 In the treatment of rents going forward (from 29 June 2020), the following options are available:

a) Re-instate full rent

Advantages	Disadvantages
<p>i) There is a <i>potential</i> to collect full rental income – however, how much is collected in reality is unknown and there are likely to be significant arrears.</p> <p>ii) It will align with the Corporate Property strategy of full rent collection on commercial properties.</p>	<p>i) Risk to occupancy – and subsequent effect on sustainability of the Market</p> <p>ii) Risk of rental arrears – and unknown effectiveness of debt recovery process given current resources and outcomes of potential court action.</p> <p>iii) Undermining of investment and wider city regeneration plans.</p>

b) Continue a rent free period for a limited time before introducing full rent

Advantages	Disadvantages
<p>i) This will offer a significant financial benefit to traders and signal clear support from the Council.</p> <p>ii) The disadvantages as noted in table a) above will be mitigated.</p>	<p>i) Once the free period ends, the short, sharp transition to full rent will likely be a shock (albeit expected by traders).</p> <p>ii) There is likely to be calls to extend the free period further and /or accumulation of arrears.</p> <p>iii) This strategy is out of sync with Corporate Property who will be applying full rent to commercial properties.</p> <p>iv) The Council is still incurring operational costs which are not being covered.</p> <p>v) Some traders have continued to make good revenue (supported by the Market as a delivery hub) and continue to do so. A 'means tested' approach would be the most fair but impractical and unmanageable.</p> <p>vi) Financial implications – see below (Paragraph 10).</p>

c) Re-introduce rents at a discounted rate with a gradual phasing to full rent recovery

Advantages	Disadvantages
<p>i) This will offer a significant financial benefit to traders over an extended period and signal clear support from the Council.</p> <p>ii) The disadvantages as noted in table a) above will be mitigated.</p> <p>iii) There will be an immediate element of cost recovery for some operational costs.</p> <p>iv) A gradual phasing allows time for re-building of businesses and the initial reductions may act as an incentive for new traders.</p> <p>v) The strategy will have some consistency with Corporate Property's approach.</p>	<p>i) Full operational costs will not likely be recovered until March 2021.</p> <p>ii) Financial implications – see below (see Paragraph 10 below).</p> <p>iii. The traders are unlikely to support the application of any level of rent given their intent to secure a further rent-free period.</p>

9. Recommendation

- 9.1 It is acknowledged that Swansea Market traders have received valuable support from Swansea Council in terms of the current rental waiver and they have been able to access grants and other support which was in part intended to cover fixed costs such as rents. However, it is unrealistic to assume that with the impact of COVID-19, they will be able to re-open their businesses and immediately begin paying full rent.
- 9.2 Following a review of the options above, it is recommended that rental payments are introduced at a discounted rate of 35% and increased over a period of 5 months to reach full levels. This gives traders a solid opportunity to re-build their businesses whilst ensuring that there is some recovery of operational costs for the Council.
- 9.3 However, it is recognised that we are in uncharted territory with regard to the trajectory of the COVID-19 pandemic and government response. It is possible that the transition from 35% to 70% may need to be subject to the economic pressures at the time. It is proposed that the 35% discount may be extended if deemed reasonable following a review of conditions at the time.
- 9.4 It is recommended that two trader groups are treated as special cases:
- 9.4.1 Traders who are unable to trade due to continued government restrictions (e.g. hairdressers and beauty salons) to receive a further waiver on rent. Once restrictions are lifted, they would integrate into the same current payment cycle as all other traders.

The loss of revenue incurred would be approx. £2,628 every four weeks. It is anticipated that these types of businesses will be permitted to reopen sometime in July.

9.4.2 Traders who are shielding and are in possession of an official shielding letter. According to Welsh Government guidelines, household members of those who are shielding do not need to also shield and so wouldn't be considered for a continued rental waiver. The extended shielding period ends on 16 August 2020.

10. Financial Implications

According to the 4 week cycle of rental periods, modelling of how a phased approach will look over a duration of 20 weeks has been undertaken and set out in the table below. Please note: rent is not usually paid until the end of the period although a trader can choose to pay in advance / at the beginning of the period.

10.1 The proposal is as follows:

Periods 1 & 2 (July, Aug (8 weeks)):	35% of rent collected
Periods 3, 4 & 5 (Sept, Oct & Nov (12 weeks)):	70% of rent collected
Period 6 & onwards (from Dec):	100% of rent collected

July & August	September, October & November	December onwards
Rental periods: 29 June – 26 Jul 27 Jul – 23 Aug	Rental periods: 24 Aug – 20 Sep 21 Sep – 18 Oct 19 Oct – 15 Nov	Rental period: 16 Nov – 13 Dec
35% of rent payable	70% of rent payable	100% of rent payable
Lost income: £59,647 per period £119,294 over 2 periods Income collected: £32,117 per period £64,234 over 2 periods	Lost income: £27,529 per period £82,587 over 3 periods Income collected: £64,234 per period £192,702 over 3 periods	Lost income: £0 Income collected: £91,764
Total forecasted lost income: £201,881		
Total forecasted income collected over discounted period: £256,936		

10.2 The total forecasted lost revenue to the Council is £201,881. However, during this period, up to £256,936 of income should have been collected (not withstanding any non or part payments by traders).

10.3 Rent levels are dependent upon size and location of stalls. As an example of what this would mean to an average trader:

Average Rent @ 100% (per period)	£766
Rent @ 35%	£268
Rent @ 70%	£536
Total payment over the 5 discounted periods (i.e. 20 weeks)	£2,144
Weekly rent payable	£107

As a comparison, a 2 month rent free period would derive the following:

Average Rent @ 100% (per period)	£766
2 rent free periods	£0
Rent @ 100%	£2,298
Total payment over the 5 periods (i.e. 20 weeks)	£2,298
Weekly rent payable	£115

The difference in total lost revenue to the Council would be similar but the phased approach offers stronger benefit to traders as it gives reassurance of a longer period of support.

- 10.4 It is estimated that the initial rental waiver (£367,060) plus the proposed phased re-introduction of full rent will incur a total loss of revenue for 2020/21 of approximately £568,941.
- 10.5 This represents a significant loss to the annual revenue budget but it is expected that full operational cost recovery can be made. Operational costs were approximately £400,000 in 2019/ 20. Whilst there have been additional resources required to implement COVID-19 measures, it is expected that the £256,936 collected under the proposed discount strategy, plus full rent recovery going forward will comfortably cover full operating costs.
- 10.6 This recommendation is made to help ensure that in 2021, Swansea Market has a fighting chance of maintaining a healthy occupancy rate of traders who have made a strong recovery. These measures together with the delivery of the Market Improvements and complimentary PR and Marketing Strategy, will help provide an offer that will continue to attract customers to the Market and the wider city centre.
- 10.7 These proposals are based on what is known currently in terms of the progression of Covid-19 and Welsh Government's approach to the virus. Further consideration will need to be given regarding the Market in the event of a second wave or local outbreak.
- 10.8 The preceding financial implications rightly focus specifically on the considerations facing Swansea Market. The wider financial position facing the Council must however be borne in mind and Cabinet must be mindful of any potential precedent created by granting further extensions

to any one group of businesses over another, even if potentially otherwise justified given the nature (strategic scale, importance of wider draw and footfall into City Centre, quasi- traded status of the Market itself).

- 10.9 Cabinet has yet to receive an overarching report on the Council's finances but from estimates compiled by the Section 151 Officer and used as the basis for estimates of increased spend and income and tax losses and grant claims from Welsh Government it is clear the budget will need to flex by a nine figure sum (i.e. over £100 million). Given claims for reimbursement are competitively pitched against 21 other Councils and against national fixed sum pots, not all costs will be fully covered.
- 10.10 A best case scenario would be a seven figure shortfall (i.e several £ million) and a worst case scenario an eight figure shortfall (i.e. over £10 million). That worst case scenario would require all contingency sums to be allocated and several draws made on earmarked reserves to balance the budget in year. Crucially, however, no draw from General Reserves (set at the minimum acceptable level already) is forecast needed.
- 10.11 This uncertainty materially impedes the ability of Cabinet to make decisions to forgo more income now and will increase the likelihood of further draws from earmarked reserves to cover final "losses". It is expected that the overall position will be firmed up in August when the extent of overall support and the success of those reimbursement claims will be better known.
- 10.12 In all cases it is explicitly assumed that any voluntary decision to forgo income by reducing or waiving charges due on reopening will mean there is no scope to claim such "losses" from Welsh Government.
- 10.13 If Cabinet were minded to proceed, the Section 151 Officer would recommend the cost be funded by release from contingency (given one off nature) and that Cabinet accepts the draw from other earmarked reserves in due course will likely go up as the available contingency sum shrinks by release and allocation to services. Any draw from contingency, if so approved, will be fully reflected in the first quarter monitoring report on the budget to Cabinet in August.

11. Equality and Engagement Implications

- 11.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.

- Foster good relations between people who share a protected characteristic and those who do not.
- 11.2 In order to comply with the relevant equality regulations, an EIA Screening Form has been completed with the agreed outcome that a full EIA report is not required in this instance.
- 11.3 The EIA Screening Form is appended as a background paper to this report.

12. Legal Implications

- 12.1 There are limited legal implications associated with this report.
- 12.2 Whatever the decision with regard to the approach to the treatment of Swansea Market rents, the point at which any rent is applied brings a risk of arrears, which could be higher than normally experienced. Instrumental to the debt recovery process will be the readiness of Legal and Accounts Receivable resources.
- 12.2 The current Market leases are being held over as part of a lease renewal process. This recommendation does not alter the terms of the lease or the passing rent levels. The recommendation is simply a short term concession in response to an unprecedented situation. Consideration should be taken of the Concessionary Letting Policy.

Background Papers: EIA Screening Form

Appendices: None.