

# CARDIFF COUNCIL CYNGOR CAERDYDD

## CABINET MEETING: 21 SEPTEMBER 2023

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### CARDIFF MARKET RESTORATION PROJECT

### INVESTMENT & DEVELOPMENT (COUNCILLOR RUSSELL GOODWAY)

#### AGENDA ITEM:

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Appendices 1, 3, 4, 5, 6 and 7 of this report are not for publication as they contain exempt information of the description contained in paragraphs 14, 16 and 21 of Schedule 12A of the Local Government Act 1972.

#### Reason for this Report

1. To update the Cabinet on the proposals for Cardiff Market and to propose the funding strategy for delivering the proposals.

#### Background

2. Cardiff Central Market is located on a large site in the heart of Cardiff city centre. It is a well-loved and popular destination in the capital and is a representation of the continuation of Cardiff's trading heritage from the town's foundation in the late 11th or early 12th century. The market consists of two shopping levels, a ground floor and a balcony level which wraps around the market exterior walls on the interior. Entrances to the market are located at St. Mary Street, Trinity Street and from an alleyway off Church Street.
3. The market is a Grade II\* listed late Victorian cast iron and glass roofed market hall which opened on 8th May 1891. The market is essentially made up of a large rectangular hall fitted within an irregular site. This approach has created a brightly lit, substantially glazed market hall with fine yet simple detailing. The market has stood the test of time substantially unaltered and takes its place amongst the last of the great market halls to have been built in the late Victorian period. A number of traders in the market have also been operating for over 100 years.
4. Cardiff Market is owned and managed by Cardiff Council and currently houses over sixty businesses covering a range of commercial activities. The Market provides affordable space for small businesses within the city centre, whilst also being an iconic heritage destination for visitors in its own right. For many businesses, the market provides an opportunity to start their business in the city centre on terms that would be otherwise

difficult to access from private sector provision. Some businesses choose to remain whilst others move onto bigger premises within the city and beyond.

5. Given the importance of Cardiff Market to both local business and the city centre generally, it has been identified as a key element of the city's placemaking plan and is included in the city's Recovery and Renewal Strategy as a key component of the city centre's post Covid regeneration strategy.
6. The strategy specifically identified the need to consider the city centre, its role in supporting the Welsh economy, and the jobs it supports and creates. This included supporting existing businesses to grow and become more productive; take a more direct role in managing the future of the city centre to reflect the needs of residents, workers, businesses and visitors; and making a city centre that is safe, clean, welcoming and attractive for people of all ages and backgrounds. The strategy identified a key project in delivering this ambition as "deliver[ing] further investment in Cardiff Market as a leading destination for local produce."
7. Subsequently the City Centre Recovery Action Plan, which sets out in more detail the city centre aspects of the Recovery and Renewal Strategy includes a number of key commitments relating to Cardiff Market, notably the need to:
  - Regenerate Cardiff Market as a great destination linked to the network of historic arcades; and
  - Promote the city centre's unique assets including Cardiff Castle, Cardiff Market, its Victorian arcades and sports/cultural venues.
8. The Council's Corporate Plan, which outlines the Council's objectives between 2023-26 includes a commitment to work with partners to support the retail and hospitality sectors in successfully re-emerging from lockdown, including progressing proposals for investment in Cardiff Market.
9. This approach is embedded in the 'town centre first' principles adopted by the Welsh Government. Notably the market's location in the heart of Cardiff city centre means that it supports footfall and activity across the city centre, whilst also being accessible by sustainable transport options.

## **Issues**

### Cardiff's Post-Covid Recovery Plan

10. The Market provides both accessible space for local businesses, whilst also maintaining a city centre market presence that both attracts visitors and provides useful services such as the sale of fresh produce, street food, clothing, footwear, jewellery & watch repairs along with a vast array of other offerings for local residents. The market attracts over two million visitors annually, making it among the more popular markets within the

UK. In addition, it has seen significant increases in patronage as the city has emerged from the pandemic.

11. Cardiff Market not only plays a vital role in providing easy to access commercial space, but it also acts as an attraction in its own right, and links directly with the ethos of the city's Recovery and Renewal strategy that outlines the need to support more 'local and authentic' product to attract visitors to the city.
12. Tenants pay a rent and an associated service charge to cover the operating costs of the building, but the majority of stalls do not attract business rates. The Council seeks to minimise costs for traders and has kept rent levels below market level for comparable space within Cardiff city centre. The market, therefore, provides an opportunity for small and local businesses to operate. All the tenants in the market are also independent local businesses, with no chains or national multiples operating from the market.
13. Reflecting this, it is recognised that Cardiff Market plays a role that is more than simply a commercial market operation within Cardiff city centre.

#### Securing a long-term future for Cardiff Market

14. Whilst the Market remains a popular attraction within the city centre, the building is over 130 years old and needs significant improvements in order to ensure its effective ongoing operation. An approach to keeping service charges and rents low has supported local businesses, however it has also restricted the amount of investment in the Market, and as a result there has been no major renovation or restoration work on the building for over 30 years.
15. This has had an impact on operational and maintenance costs within the building, and the need for continued ongoing maintenance. In addition, however it also raises significant risks in the future of the building, with a number of specific elements in the building in need of replacement or renovation if the building is to remain operational.
16. The Grade II\* listed building has reached a stage where it requires restoration to prevent further deterioration of the heritage asset. Internally the building has become run down in appearance and natural lighting within the two main entrances and main hall is currently masked. Many original external and internal features remain hidden and modern additions to doorways are unsympathetic and outdated.
17. In particular, the flat roofs and glazing on the main dome have a limited life left before placing the building at risk. This work will require substantial investment to maintain the functioning of the market. In addition, the drainage systems are well over 100 years old, and are already collapsed in some places. These issues will ultimately need to be resolved, regardless of whether a major restoration takes place.

18. Whilst there are a number of major issues that require resolution, the slow physical deterioration of the listed building, along with piecemeal alterations, has increased its vulnerability to the extent that it now requires a comprehensive programme of restoration to prevent further deterioration and risks to its heritage.
19. Given concerns over the state of the building, Cardiff Council applied in 2019 to the Heritage Lottery Fund for funding to develop a detailed assessment of the condition of the building, highlighting the areas in need of improvement, and to develop options for investment for the restoration of Cardiff Market. The outcome of this confirmed the defects noted above and suggested additional issues in need of attention:
- An urgent need to restore the roof coverings and associated glazing on the main dome;
  - The drains are the original 1800's system and are collapsed in places;
  - The publicly accessible toilets require complete refurbishment;
  - Lighting system is old, expensive to run and provides substandard lighting in the winter months;
  - Natural ventilation needs addressing to deal with extraction;
  - Continued water ingress that is leading to further decay in other elements of the building;
  - Roof areas are hazardous to access and restrict access for maintenance;
  - Significant amount of timber is decayed;
  - Cleaning is restricted in some areas due to the condition the building.
20. In addition, a number of observations were made around the expectation of a modern and up-to-date facility being offered in a heritage property, namely:
- The current inability to host visits or meetings on site due to a lack of appropriate space;
  - No means of promoting or showcasing the building's history;
  - Improvements to meet current standards of health and safety;
  - The need to invest to meet the needs of the building's listed status;
  - No ground floor seating area for customers, especially important in the context of current food operators within the market.
21. As a result, a business plan was commissioned to look at how these issues can be addressed to ensure the long-term viability of Cardiff Market, ensuring that its iconic status as a heritage asset is preserved, and to support the existing businesses within the market. The business plan is attached as **Confidential Appendix 1**.

## **Cardiff Market Restoration Project - Proposed Business Plan**

22. The business plan proposed a thorough restoration of the market to address the maintenance and operational issues, as well as to enhance the market's heritage status through both the renovation work and also by establishing a conservation management plan for the building and an associated activity programme.

23. The overall Cardiff Market Restoration Project vision is to provide the capital city with:

*“A bustling market which will secure a viable future for the building and improve the infrastructure for the visitor economy; provide a model for the sustainable enjoyment of its heritage environments and engage local communities, visitors and traders in the understanding of the shared heritage that the Market represents.”*

24. To do this, the project proposes:

- To repair the market building, revitalising its structure, historic features and improving its general condition;
- To make the market operation more resilient and sustainable through lower energy costs and reduced environmental footprint;
- To work with market traders to better present and care for their stalls;
- To better present and share the historic buildings significance and the stories around its people, products and place in the city through a range of media and methods;
- To generate new and a more diverse range of audiences to visit and be engaged with the heritage of the market through the variety of activities and retail interest; and
- To increase the positive perception of the market and awareness of its heritage as a vibrant destination within the city Castle Cultural Quarter.

25. The key objective is to preserve and restore the Grade II\* listed building and remove all previous unsuitable interventions and return the building to its original design concept. This will include creating a new ground floor eating area and learning suite to meet the modern retailing needs of its users and its communities. Enhanced interpretation, events, stakeholder working, and audience and community participation will also be undertaken.

26. Both the condition survey commissioned in 2019 and subsequent business plan identified a number of areas in need of intervention, as well as investment that would support the future sustainability of the operation of the market including:

- Repair and restoration of the roof structure;
- Investment in the drainage system;
- Undertaking structural works to ensure the future of the building;
- Investing in heritage improvements to cement the market's heritage status;
- Operational improvements to support tenants;

- Energy improvements to reduce energy costs and make the building more sustainable;
  - Investing in the interpretation of the market – reflecting its iconic status in the city's history.
27. This work has culminated in the concept drawings outlined in **Appendix 2** which has been granted Listed Building Consent.

### Tenant Engagement

28. Initial tenant engagement was undertaken during the inception phase of the project which involved a survey taking place seeking tenants' views and input on what they would like to see included in the restoration project. Following the initial response, further consultations were carried out to gather feedback on the proposed plans. This exercise took place at the market with drop-in sessions across the day. Tenants were asked to complete further feedback forms on the developed plans based on the drop-in sessions. A summary of these responses is attached as **Confidential Appendix 3**.
29. General feedback from tenants was positive on the proposed plan – specifically most respondents supporting the need for restoration of the market building and the need to protect the heritage aspects of the building. Tenants were also keen to ensure that the restoration does not impact the mix of tenants at the market. In addition, traders were also concerned about ensuring that any consideration of a phased relocation was to be undertaken in a timely manner and that any disruption is minimised.
30. Some traders were also concerned about the potential for them to be relocated permanently due to the proposals for a new ground floor eating area space being included in the concept drawings and that no trader should see themselves negatively impacted as a result of the restoration work.

### **Potential Tenant Relocation**

31. In order to put in place the new ground floor eating area it has been proposed to remove part of the northern block of the central aisle. To do this it is proposed that any vacant units from now until restoration will be reserved for potentially displaced tenants, this will include reserving the stalls of those tenants who have expressed an interest to surrender their current lease.
32. It is the Council's intention to relocate all displaced tenants within the Market who wish to remain trading beyond the restoration project and that any vacant plots will be retained for that purpose.

### **Proposed Phasing of the Works**

33. The Council appointed independent experts to advise on how to deliver the works and a number of options were presented to the Council

ranging from total closure to a phased approach thereby allowing traders to remain at the market at all times. The report, attached as **Confidential Appendix 4**, recommended four options:

- **Option 1** – Undertake all works with the Market Fully Occupied and Open.
  - **Option 2** - Undertake the works in two phases: – Phase 1 - Roof and external works, traders to remain. Phase 2 - Internal works (drainage, water, electrical & general refurbishment works) traders to be relocated for the duration of phase 2.
  - **Option 3** – Undertake the works with the market fully vacated and closed
  - **Option 4** - Undertake the works in two phases: – Phase 1 - Roof and external works, traders to remain. Phase 2 - Internal works (drainage, water, electrical & general refurbishment works) traders to be relocated temporarily during multiple smaller sub phases.
34. The project team have engaged with other market projects across the UK to obtain advice and lessons learnt from similar projects in order to consider which of the above options would be best suited to Cardiff Market. Tenants have also been part of the engagement process as outlined above and were keen to see the market remain open and the works phased. It was concluded that option 4 would provide the best option given the ability to minimise disruption for tenants.
35. This will include temporarily relocating tenants on the Hayes for a period of no more than 12 weeks at a time. A temporary relocations options report is attached as **Confidential Appendix 5** that outlines the options considered and the preferred option chosen.

#### **Proposals between now and commencement of works**

36. In 2017, the Council agreed a standardised lease format for all market tenants. The lease is effectively for a period of 5 years, and at lease renewal, a rent review was due to take place in 2022.
37. With the recovery from Covid and the restoration project being worked through, the Council have not exercised the lease review and instead have allowed the traders to remain on the same terms and conditions until the project is completed. This has, in effect, reduced rents in real terms for all traders in the market as rents have been kept at 2017 levels.
38. In order to inform the business plan, a report was commissioned on the potential rental levels that could be achieved post restoration, ensuring that the rents are in line with comparable offers elsewhere, but also reflecting the public benefit purpose of the market. This report is attached as **Confidential Appendix 6**. Any future changes in rent would also be introduced in a phased manner across three years. In addition the proposed restoration of the building also aims at reducing the service charge for all tenants.

39. Whilst any changes in rent as part of this review post restoration will be informed by a market value analysis, it is also proposed to minimise the potential impact of the rent review on any current tenant in the market. As part of this any rent increase will be implemented on a stepped basis over three years.

### **Funding Strategy**

40. As part of the preparing the business case and making the full application to various sources, the works outlined in Appendix 1 have been fully costed and it is anticipated that the works will be in excess of £6m.
41. The funding strategy for delivering the project is included in **Confidential Appendix 7**. This includes a reserved contribution from Cardiff Council, and funding and finance, as a mix of grant and loan, sought from Welsh Government, the Heritage Lottery Fund and the Shared Prosperity Fund. This funding is subject to the necessary approvals from each relevant organisation.

### **Local Member consultation (where appropriate)**

42. Consultation has taken place with Cathays ward members in June 2023. The ward members raised the need to ensure that no current tenants would be displaced as part of the development. This will be mitigated via the approach outlined in this report.

### **Reason for Recommendations**

43. Cabinet will be asked to approve the plans for the redevelopment and the associated funding strategy and to delegate all matter to the project to the Director of Economic Development.

### **Financial Implications**

44. The estimated capital cost of the proposal is currently estimated to be £6.2million including all professional costs. The estimate of costs has increased since initial inception as a result of cost inflation, refinement of costs following surveys and additional works to address current condition of the property. A number of funding sources are approved in principal and awaiting confirmation as part of the relevant funders' due diligence and governance processes. This includes Welsh Government and the National Heritage Lottery Fund. Details are included in confidential Appendix 6. The Council will allocate its own funding as part of its annual Property Asset Renewal Budget over a three-year period as well as the previous match funding allocated by the Council towards the project. Over the period of the development, other external grant funding will be sought where eligible to reduce the level of any loan exposure to ensure the project remains sustainable and to manage any cost risk during the project.



45. Subject to the outcome of tender exercises, the levels of funding and project scope may need to be reviewed to ensure at any contract award that funding is in place to meet the expected costs and project monitoring processes are in place over the term of the project. In taking forward the project, the respective terms and conditions of any funders will need to be considered by the Council including timing and process for claims, but also any conditions in respect to clawback periods, requirements place on the Council in respect of future maintenance standards, alternative use and repayment of any loan funding. Such conditions will need to be considered in future maintenance regimes and the operation of the market and are likely to require formal confirmation from the council as a commitment to obligations prior to funding being released.
46. The proposal also highlights the key revenue implications of the project. This includes:
- the need to manage a loss of income and additional costs of supplying alternative accommodation during the construction phase. The impact of this will need to be factored into the medium-term financial process or managed within existing budgets. The impact of doing this will need to be considered along with other priorities and pressures;
  - increased income from rental assumed following commercial property advice in respect to current levels of rent and also resulting from future tenants as a result of an improved asset when completed;
47. Whilst the above are specific impacts, as highlighted above there are specific grant and loan terms that need to be adhered to and for NHLF these cover a twenty-year period. A management and maintenance plan will need to be in place to ensure that improvements committed to are sustained and loan repayments will need to be the first call on any external additional external grant received or revenue income received. Similar to previous NHLF projects, this would necessitate the ringfencing of the £64,000 landlord revenue budget over a ten-year period and also to keep the current income target for the market at existing levels which is £157,000. Subject to performance in future years this can be reviewed, with the key criteria being to ensure any loan outstanding is repaid. These commitments will assist in securing the additional capital funding and minimise any investment the Council it would otherwise have to incur in retaining the property. The Council will itself need to ensure appropriate skills and resources are in place to manage the build period, to effectively manage the market operations over the grant and loan periods and also ensure rent and service charges that make the market financial sustainable are effectively managed.
48. The NHLF grant proposal also includes an amount £238,000 to support revenue activities of the market in terms of activity space and interpretation over a three-year period. An exit strategy will need to be in place following the ceasing of any grant to ensure no additional impact on the Council's revenue budget after that period.

## Legal Implications (including Equality Impact Assessment where appropriate)

### Legal Property

49. The market is subject to a number of leases granted to stall holders. The service area will need to ensure that any areas of the market subject to leases are determined in so far as it is necessary to regain control and possession of the premises to undertake any works.

### Grant Funding

50. It is noted that the proposal is subject to grant funding. Accordingly, the Service Area will need to be satisfied that the Council can comply with any grant conditions attached to the funding.

### Procurement

51. In respect of any procurement, the Council should comply with the Contract Procedure Rules. The Service Area should seek further legal advice before proceeding.

### General Legal Implications

#### Equality

52. The decision about these recommendations has to be made in the context of the Council's public sector equality duties. The Council also has to satisfy its public sector duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties, Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The Protected characteristics are: age, gender reassignment, sex, race – including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief.
53. When taking strategic decisions, the Council also has a statutory duty to have due regard to the need to reduce inequalities of outcome resulting from socio-economic disadvantage ('the Socio-Economic Duty' imposed under section 1 of the Equality Act 2010). In considering this, the Council must take into account the statutory guidance issued by the Welsh Ministers (WG42004 A More Equal Wales The Socio-economic Duty Equality Act 2010 (gov.wales) and must be able to demonstrate how it has discharged its duty.
54. An Equalities Impact Assessment aims to identify the equalities implications of the proposed decision, including inequalities arising from socio-economic disadvantage, and due regard should be given to the outcomes of the Equalities Impact Assessment.

## Well Being of Future Generations

55. The Well-Being of Future Generations (Wales) Act 2015 (“the Act”) places a ‘well-being duty’ on public bodies aimed at achieving 7 national well-being goals for Wales – a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.
56. In discharging its duties under the Act, the Council has set and published wellbeing objectives designed to maximise its contribution to achieving the national wellbeing goals. The wellbeing objectives are set out in Cardiff’s Corporate Plan 2018-21:  
<http://cmsprd.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Documents/Corporate%20Plan%202018-21.pdf>
57. The wellbeing duty also requires the Council to act in accordance with ‘sustainable development principle’. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without comprising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:
- Look to the long term
  - Focus on prevention by understanding the root causes of problems.
  - Deliver an integrates approach to achieving the 7 national well-being goals
  - Work in collaboration with others to find shared sustainable solutions
  - Involve people from all sections of the community in the decisions which affect them
58. The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below:  
<http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

## Welsh Language

59. The Council has to be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards when making any policy decisions and consider the impact upon the Welsh language, the report and Equality Impact Assessment deals with all these obligations. The Council has to consider the Well-being of Future Guidance (Wales) Act 2015 and how this strategy may improve the social, economic, environmental and cultural well-being of Wales.

## HR Implications

60. There are no HR implications arising directly from this report.

## **Property Implications**

61. The project team essentially consists of members of the Council's Estates team as the property is currently managed by the Estates team,
62. The main objective of the Estates team is to manage the programme and keep an open dialogue with the Market Tenants throughout the process.

## **RECOMMENDATIONS**

63. The Cabinet is recommended to approve the proposals for the redevelopment of Cardiff Market and the funding strategy as set out in the appendices to this report.
64. Delegate authority to the Director of Economic Development in consultation with the relevant Cabinet, section 151 Officer and Director Governance and Legal Services and Monitoring Officer, to deal with all matters relating to the redevelopment proposal including the funding application, procurements, and grants in relation to Cardiff market (and any ancillary agreements) as required in relation to this matter.

<b>DIRECTOR OF ECONOMIC DEVELOPMENT</b>	<b>Neil Hanratty</b>
	14 September 2023

*The following appendices are attached:*

- Confidential Appendix 1: Business Plan - Overview
- Appendix 2: Historic, Current and Future Designs Visuals
- Confidential Appendix 3: Tenant Consultation Feedback
- Confidential Appendix 4: Phasing Options
- Confidential Appendix 5: Relocation Options
- Confidential Appendix 6: Market Rent Report
- Confidential Appendix 7: Business Plan - Funding Strategy