

Agenda Item 1

**RECORD OF DECISION TAKEN UNDER
DELEGATED AUTHORITY FROM
EXECUTIVE/COUNCIL/COMMITTEE
DELEGATED POWERS OUTLINED IN
THE CONSTITUTION**



DELEGATED OFFICER DECISION TAKEN BY:	Strategic Director of Environment and Communities
DELEGATED BY:	Executive (January 2025)
IN CONSULTATION WITH:	Executive Member
PORTFOLIO AREA:	Environment and Communities

SUBJECT: Service Charge Review - Blackburn Market

1. DECISION

To reduce the subsidy given by the Council by increasing the Service Charge recovered from traders in Blackburn Market by 7.5% with effect from 1 March 2025.

2. REASON FOR DECISION

The service charge for Blackburn Market had not been reviewed since prior to the Covid pandemic. There is now a gap between the general running costs of the Market and what is actually being recovered from the traders via an annual service charge. It is important that the service charge recovered is increased to reduce the subsidy provided by the Council to the traders for the general running costs of the Market.

3. BACKGROUND

The service charge at Blackburn Market is used to apportion the general running cost of the market fairly between the traders operating within the Market. All associated costs are totalled up and then turned into a £ per square foot figure which can be then apportioned to each of the traders based on the size of the individual stalls.

The service charge for Blackburn Market had not been reviewed since before the Covid pandemic. The finance officer along with members of the management team have invested time in collating the financial information required to complete the service charge work. This has identified a gap between the general running cost of the Market and what is actually being recovered from the traders.

It is necessary to reduce the current subsidy level by recovering a greater proportion of the service charge from the market traders in 2025/26.

It would be unreasonable to fully recover the full amount of the service charge from traders within one financial year as it would place undue pressure on the traders and there would be a risk that some traders could find the increase in service charge payments unmanageable.

Therefore, it is proposed that the subsidy be reduced initially by increasing the service charge recovered by 7.5% which would increase the cost per square foot from the current service charge at £17.17 per sq ft, to £18.46 per square foot. This would reduce the Council subsidy from its current level of 38% to 33% (based on 2023/24 service charge figures). This increase would generate £30,000 of additional income based on current occupancy levels (these fluctuate throughout the year).

4. KEY ISSUES AND RISKS

The Service Charge for Blackburn Market has remained at its current level since prior to the pandemic. It was important to support the market traders in what was a very difficult trading period, the Market was closed for several months, and many traders had to resort to on line sales to continue trading. Even after the Pandemic ended, the trading environment was extremely difficult, and it has taken a considerable amount of time for turnover to return to the levels they were at before the pandemic.

The Service Charge needs to be reviewed, and the current subsidy level provided by the Council needs to be reduced. Costs have increased year on year which has meant whilst the service charge has remained at a static amount the Council subsidy % increased to support the general running costs of the Market; the running costs would be apportioned to each of the market traders based on the size of their individual stalls.

Implementing a service charge on a full cost recovery basis would result in up to a 60% increase in the service charge which is deemed unreasonable and potentially unmanageable for many traders in the Market. It is therefore proposed that the service charge is increased by 7.5% with effect from 1 March 2025.

5. FINANCIAL IMPLICATIONS

It is proposed to increase the service charge by 15% which would be equivalent to £19.75 per square foot, this would generate £60,000 additional income based on current occupancy levels (these fluctuate throughout the year).

The review detailed in this report was undertaken by Market Staff only. A future full review will be required to be undertaken working with Finance Team and Property Team colleagues to fully understand what is included in the service charge and the value of any under recovery of these charges.

6. LEGAL IMPLICATIONS

Under the market tenant leases, the service charge year is by default from 1 January to 31 December inclusive. The Council will supply to the tenant an estimate of the service costs for each service charge year and of the estimated service charge for the property for that year based on that estimate. The estimate is to be provided before, or as soon as possible after, the start of the relevant service charge year. Until the Council supplies the estimate, the tenant cannot be required to pay any increase in payments on account of the service charge.

Within 3 months, if possible, after the end of each service charge year the Council will submit to the tenant a certified account of the service costs for that year and give notice of the service charge due in respect of the property. The account must be certified by a qualified accountant.

7. RESOURCE IMPLICATIONS

The Market management team and the Finance Officer will meet with the market traders to discuss the implications of the service charge increase for each individual market trader.

8. OPTIONS CONSIDERED AND REJECTED

Not to increase the service charge or increase it by less than 7.5% - these options were rejected because the service charge has not been increased since c.2019 and the service charge being paid by traders is not covering the general running cost of the Market. If a 7.5% increase is implemented, the running costs are still not being fully recovered.

9. CONSULTATIONS

The Executive member for Environment and Communities will be consulted about the proposed 7.5% increase in service charge.

10. DECLARATION OF INTEREST

All Declarations of Interest of the officer with delegation and any Member who has been consulted, and note of any dispensation granted should be recorded below:

VERSION: 1

CONTACT OFFICER: Martin Eden, Paul Taylor

DATE: 13 November 2024

BACKGROUND DOCUMENTS: