

## **Delegated Officer Decision: Delivery of the “Makers Emporium” and “Pop up Shop” Project.**

### **1. Background**

- 1.1 The “Makers Emporium” project was originally financed by the award of £268,000 from the High Street Renewal Fund in 2013, with the Council taking a five-year lease (which expired on 9 February 2019) on Nos; 22 to 30 High Street, Rotherham. The project comprised two “Pop Up Shops” (Nos; 22 and 30 High Street) and a shared retail space – “The Makers Emporium” at Nos; 24 to 28 High Street.
- 1.2 The property was opened by the retail consultant and broadcaster, Mary Portas in April 2014. The shared space in the “Makers Emporium” allows local makers, artists, designers and crafters to occupy a portion of sales space in exchange for a combination of rent and sales commission, ranging from £10 a month rent and 40% sales commission; to £50 a month rent and 20% sales commission. The two associated “Pop Up Shops” offer rental subsidies and free business support during the first twelve months of trading.
- 1.3 The “Makers Emporium” provides two employment opportunities – a Retail Manager and Assistant Manager. Previously an externally funded trainee position was also provided, with the post holder benefiting from in-house training and experience. Eight occupiers of this position went on to develop careers in the retail sector.
- 1.4 Over 150 local businesses have benefited so far from the project. Benefits include one-to-one business advice with trained advisors, arranged through the project, and the opportunity for “Makers” to test-trade their products in a retail environment, without the associated costs of running a shop.
- 1.5 The Council acts as the accountable body for the project and chairs the Project Board comprising representatives from The Source Retail Skills Academy and the Emporium Manager. The Source receives an annual management fee of £7,500 from the Council in return for day-to-day management of the Emporium.
- 1.6 The “Pop Up Shops” have generally been successful with No. 22 High Street being in continuous occupation by the award-winning “Miele Delicatessen”. No. 30 was occupied by “Yarntopia” from April 2019 to March 2020 and is now vacant.

- 1.7 In three years of operation (2014/15 to 2016/17) the “Makers Emporium” averaged income of £25,000 from commission on sales per annum. However, in 2017/18 sales began to fall and commission earned declined to just over £19,000. Commission earned for 2018/2019 was £13,423 and for the period April 2019 to January 2020, commission stands at £8,921.
- 1.8 Trade has been subject to wider difficulties experienced across the retail sector, including the increased use of internet shopping and the continued attraction of out-of-town retail centres, such as Parkgate. The “Makers Emporium” also suffers from Rotherham’s High Street being peripheral to the main retail centre; and from the loss of Primark in November 2019, a major retail attraction on the High Street.
- 1.9 The Visitor Centre and Civic Theatre Box Office co-located to the premises in May 2018, with an agreed rent of £8,819 per annum. These uses occupy approx. 24% of the property floor space, and pay a charge for utilities and internet provision, etc.
- 1.10 The Makers Emporium temporarily closed as a result of the Covid-19 lockdown requirement but has now re-opened.

## **2. Key Issues**

- 2.1 The “Makers Emporium” brings a presence to High Street, which has suffered from a combination of changing retail trends and the loss of footfall generating occupiers. It is associated with the successful High Street Renewal Fund and Great British High Street awards and provides a retail experience unavailable elsewhere in the Town Centre.
- 2.2 Together with the Visitor Centre and Box Office, it also represents a Council presence and commitment to the High Street, both in terms of creating retail space, but also two employment opportunities. Its interface with the Visitor Centre/Theatre Box Office benefits both occupiers by providing a complementary service and attracts footfall in the surrounding area.
- 2.3 The opportunity exists for reviewing business practices such as rental levels and commissions and management costs as a means of maximising income. However, the business model and product offer will require major overhaul to reach a position of being self-sustaining and consequently in the short term there is a continued reliance on funding to subsidise the initiative.
- 2.4 There are opportunities to reduce costs through either relocating to smaller premises or through the rationalisation of staffing arrangements if the project continues to co-locate with the Visitor Centre and Box Office. This would require additional duties and training for Visitor Centre and Box Office staff.

2.5 The Source will continue to provide day to day management of the project until 30<sup>th</sup> June 2020 but wishes to exit from the arrangement after that date.

### **3. Options considered**

3.1 **Continued operation of the existing model** –The Source has indicated it no longer wishes to provide day to day management of the project beyond 30<sup>th</sup> June 2020. To continue to operate “as is” would require the Council to take on day to day management of the operation. It would also require the existing Makers Emporium staff to be transferred to the Council under TUPE arrangements. The Council would achieve a saving from the management fee payable to The Source but this would be off set by the loss of Charitable Rates Relief which The Source as a registered charity is able to claim for the premises. In addition, the Council would have the cost of the management resource required to administer the project.

3.2 **Continued operation with rationalisation of staffing** – this option would require the Council to renew its lease on 22 – 30 High Street potentially at a reduced rent (N.B. the Council negotiated a rent reduction in March 2019 from £25,500pa to £20,000pa) and would allow the Makers Emporium to continue to trade on the High Street. The Makers Emporium Manager and Assistant Manager would be made redundant saving annual staff costs of approximately £38,000. One- off redundancy costs of £2,800 would be payable and the Council would lose the cost saving from the Charitable rates relief. The Visitor Centre and Box Office staff would be provided with training and required to provide day to day retail and sales functions of the Maker Emporium “shop”. Other duties of the Makers Emporium Manager and Assistant Manager including sourcing and negotiating with “makers” would be allocated to RiDO staff. As with the previous option the Council would also have the costs of the management resource required to administer the project. Although this option does provide cost savings it does not address the issue that revenues for the project are declining.

3.3 **Relocate the project to smaller, lower cost premises and rationalise staffing** – This option is similar to that described at 3.2 above in a number of aspects and has additional property savings. Commercial premises, owned by the Council, with a retail floor area of 611 sq ft have been identified on Howard Street in the town centre. The annual rent for the unit (which consists of a ground floor retail space with counter and first-floor office) is £13,500 +VAT. These premises do not offer the opportunity to let “Pop Up” shops and so this income stream would no longer be available. The central location next to the Market Hall offers the potential for increased footfall and consequently sales. However, the retail sales area is significantly smaller than the current space on

High Street (1,827 sqft) which would require the Makers Emporium offer to be condensed to display a smaller range of items. This is likely to further impact on sales although the presence of the project would be maintained.

- 3.4 **Continued operation with major review of all aspects of the business model and product offer** – this option recognises that after initial success the project is no longer delivering the impact on the town centre that it was expected to achieve and that it has not achieved a position of being financially self-sustaining. The objectives of the project to support independent retail, provide a good quality product offer in the town centre and attract footfall and spending remain valid and are important in delivering regeneration of the town centre. Under this option it is proposed to work closely with officers in Culture, Sport and Tourism to “curate the offer” and explore options to enhance the retail offer by providing more of an experience and attraction. The extent of changes under this option may need to be far reaching and essentially all aspects of the operation are on the table for review and adaptation. It is recognised that as the changes needed to implement this model are not yet known with certainty the costs of implementing these changes are not yet defined. The parameters for this model are to work within existing budgets and produce a robust business plan that shows how the Emporium can operate on a more sustainable financial basis.
- 3.5 **Close the project** – This option is to bring the project to an end on 30 June 2020 and relocate the Box Office to the Civic Theatre - this would avoid the need for the Council to continue to subsidise the project although it would result in the closure of an award-winning project and the loss of a Council presence on the High Street. Relocating the Box Office to the theatre would significantly reduce overheads as well as improve staffing efficiency. The Visitor Centre would need to be relocated and could be accommodated within the Centenary Market. Miele Delicatessen would need to agree a direct arrangement with the landlord of the premises to continue to trade from the pop-up shop.

#### 4. **Costs and Funding**

- 4.1 The project is currently funded by the Council from the Rotherham Economic Regeneration Fund (RERF).
- 4.2 The current operating costs for the Makers Emporium based on being managed by the existing compliment of staff is as follows:

<b>Expenditure</b>	<b>£</b>
Staffing	38,000
Rent	20,000
Business Rates	7,680
Running Costs & Equipment	5,000
Marketing	1,500

Staff Training	1,000
<b>Total Estimated Costs</b>	<b>73,180</b>
<b>Income</b>	
Pop-Up Shops Rental Contribution	10,000
VC/Box Office Contribution	8,819
Makers Rent & Commission	10,500
<b>Total Estimated Income</b>	<b>29319</b>
<b>Net Cost - Funding Requirement</b>	<b>43861</b>

4.3 The potential to secure external funding has been explored; however, having reviewed the funding opportunities, there is a clear lack of support available for retail uses. This is compounded by the fact that it is highly unlikely that the project will become self-sustaining and continued funding assistance is likely to be required. Unless major changes to existing programmes, or new grant programmes, are introduced (possibly to support the recovery phase from COVID 19) the prospects for securing external funding are low.

4.4 The estimated funding costs for each option are:

<b>Option</b>	<b>Cost</b>	<b>Notes</b>
Continued operation of the existing model	<b>Approximately £43,861 (see table at 4.2)</b>	This model is based on the existing Emporium staff managing the project therefore saving the management fee costs. The 80% Charitable Rates Relief will no longer apply.  Income levels are estimated and could be higher or lower than projections. The projected income is the most likely outcome based on previous performance and current trends.
Continued operation with rationalisation of staffing	<b>Expenditure:</b> Rent: £20,000 Business Rates: £7,680 Running Costs: £5,000 Marketing: £1,500 Staff Training: £1,000 <b>Total: £35,180</b>  <b>Income:</b> Pop-up Shops: £10,000 VC/Box Office Contribution: £8,819 Makers Rent & Commission: £10,000 <b>Total: £28,819</b>	This option represents a significant saving in staffing costs and The Source management fee. Redundancy costs would be payable.  Full payment of business rates will be applicable, and consideration has been given for staff training to manage the day-to-day retail and sales functions.  Income levels are estimated and could be higher or lower than projections. The projected income is the most likely

	<p><b>Net Funding Requirement: £6,361.</b></p> <p><b>Additional one-off redundancy costs (2020/21 only) £2,800.</b></p>	<p>outcome based on previous performance and current trends.</p>
<p>Relocate the project to smaller, lower cost premises and rationalise staffing</p>	<p><b>Expenditure:</b>  Rent: £13,500  Rates: £4,096  Running Costs: £3,500  Marketing: £1,500  Staff Training: £1,000  <b>Total: £22,596</b></p> <p><b>Income:</b>  VC/Box Office Contribution: £7,750  Makers Rent &amp; Commission: £3,000  <b>Total: £10,750</b></p> <p><b>Net Funding Requirement: £11,846</b></p> <p><b>Additional one-off redundancy costs (2020/21 only) £2,800.</b></p>	<p>This option generates savings from reduced property costs. The Councils maximum financial exposure is therefore reduced.</p> <p>Income from the Pop-up shops will no longer be available.</p> <p>Income levels from Makers rent and Commission is estimated and could be higher or lower than projections. The projected income has been lowered to reflect the smaller area available for display and sales and is the most likely outcome based on previous performance and current trends.</p>
<p>Continued operation with major review of all aspects of the business model and product offer</p>	<p><b>Expenditure:</b>  Overheads, including Staffing Costs £43,000  Rent: £20,000  Business Rates: £7,680  Running Costs: £5,000  Marketing: £1,500  Staff Training: £1,000  <b>Total: £78,180</b></p> <p><b>Income:</b>  Pop-up Shops: £10,000  VC/Box Office Contribution: £8,819  Makers Rent &amp; Commission: £10,000  <b>Total: £28,819</b></p> <p><b>Net Funding Requirement: £49,361.</b></p>	<p>Overheads include an allowance for a element of cost above staff salary, national insurance and pension contributions</p> <p>Full payment of business rates will be applicable, and consideration has been given for staff training to manage the day-to-day retail and sales functions</p> <p>Income levels are estimated and could be higher or lower than projections. The projected income is the most likely outcome based on previous performance and current trends.</p>
<p>Close the project</p>	<p>£2,800</p>	<p>One off redundancy costs.</p> <p>Additionally, there will be operating losses until closure as the project is not currently trading.</p>

4.5 If the project closes, alternative premises would need to be identified to house the Visitor Centre and Theatre Box Office.

4.6 These cost estimates have been verified with Financial Services and were confirmed on 7<sup>th</sup> May 2020.

## **5. Consultation**

5.1 An options paper was presented to the Housing and Regeneration Programme Delivery Board (HARPDB) on the 4<sup>th</sup> May 2020

5.2 Further discussions have taken place with the Leader and Cabinet Member for Jobs and the Local Economy following consideration at HARPDB.

## **6. Recommended Option**

**6.1 The Recommended Option is to continued operation with a major review of all aspects of the business model and product offer.** This option reflects the views and advice of the Leader, Cabinet Member for Jobs and the Local economy, HARPDB members and officers in RiDO, Culture Sport and Tourism and Finance and Customer Services.

## **7. Legal and HR Implications**

7.1 The Council is currently holding over on the existing lease and could give notice if it does not wish to renew and vacate the premises. If the project is continued a new lease will need to be negotiated and Legal Services will need to be instructed to complete the necessary documentation.

7.2 Ending the project will result in The Source making two members of staff redundant. The agreement in place with The Source does allow The Source to claim back employment costs including redundancy costs which are estimated to be £2,800.

7.3 To continue the project will require that the existing Emporium employees are transferred to the Council under TUPE arrangements.

## **8. Report Authors**

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