



**Government Response  
to the House of Commons  
Communities and Local  
Government Committee  
Report “Market Failure? –  
Can the traditional markets  
survive?”**

*Presented to Parliament  
by the Secretary of State for Communities and Local Government,  
by Command of Her Majesty  
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# Government Response to the House of Commons Communities and Local Government Committee Report “Market Failure? – Can the traditional markets survive?”

## Introduction

1. The Government welcomes the Select Committee’s report into traditional retail markets and the recognition it gives to the importance of local support for markets and our work to include markets in our national planning policy.
2. We agree with the Committee’s assessment of the valuable contribution that street, covered and farmers’ markets can make to local choice and diversity in shopping, as well as to the vitality of town centres. And we know that efforts to secure the survival of street markets can lead to regeneration of the wider area.
3. Farmers’ markets in particular can support the local community and the wider rural economy. They are often used to showcase local and regional produce and can inject money into rural economies and help boost the development of small businesses.
4. There are a wide variety of challenges faced by markets today, arising both from competition and, more recently, from the economic downturn. These challenges are very similar to those facing other small retailers, and town centres. For example, there is competition from major supermarkets and there is also increasing competition from the internet. This document sets out our response to the Select Committee’s report. In particular it considers the Government’s policies on support for small business and for town centres; and on devolution of power; as well as our policy frameworks for planning and regeneration. Annex A sets out a detailed response to each of the key recommendations for central Government.
5. We are pleased that the Committee agrees that local authorities are best placed to have a vision for their town centre and to be the key source of public support for markets.
6. We have considered carefully the Committee’s recommendation that the Department for Communities and Local Government (CLG) play a more strategic lead in central Government. We agree that there should not be a specific minister but CLG will take on a co-ordination function across interested Departments in Whitehall and bring together the industry with the relevant Departments when issues to both parties arise, and that this inter-Departmental working group will report as appropriate, both to the Minister for Local Government in CLG and Minister for Regional Economic Development and Co-ordination at the Department for Business, Innovation & Skills (BIS), and to the Minister for Food at the Department for Environment, Food and Rural Affairs (Defra).

## Small business support

7. Government has introduced a range of measures to help businesses survive the recession and come through it in a stronger shape. These include:
- Action to ensure businesses get the finance they need. Government has secured legal commitments that will ensure that over the 12 months from March 2009, Royal Bank of Scotland and Lloyds Bank will lend, on a commercial basis and subject to demand, an extra £27bn to businesses. Barclays Bank and HSBC have made an additional £6.5bn of business lending commitments.
  - A Working Capital scheme to free bank capital for additional lending and, because a major constraint on working capital is the withdrawal of Trade Credit Insurance, the government has within this scheme introduced a Top Up Trade Credit Insurance Scheme.
  - The Enterprise Finance Guarantee (EFG) encourages banks to lend to businesses who would not otherwise secure a loan. A £1.3bn facility is in place to be accessed by the end of March 2010. It is designed to help viable businesses which are creditworthy but do not have sufficient security available to support their borrowing request on a normal commercial basis. Over £840m of eligible applications from over 7,300 firms have been granted, are being processed or assessed, and over 5,500 businesses have been offered loans totalling over £560m.
  - From 1 October 2009, there are two further types of EFG facility available via lenders – an Invoice Finance Guarantee top-up and an Overdraft Guarantee top-up.
  - HM Revenue and Customs' Business Payment Support Service reviews payment of businesses tax liabilities and tries to come to an arrangement that allows them to spread the payment over a period that meets the needs of the business and helps them over temporary difficulties. So far, there have been over 150,000 agreements made with businesses to spread more than £3.7bn in business taxes. Changes to tax rules allow loss-making businesses to temporarily extend trading loss carry-back from one to three years for losses up to £50,000. Businesses have been receiving payments since late April, with up to 75,000 businesses expected to benefit by £175m in 2009-10.
  - The Business Link Health Check provides a free review of your business with a professional business adviser for hands-on advice and help accessing the full range of government help. To date, over 80,000 businesses have benefited from health checks.
  - Government Departments have committed to pay their bills within 10 days to help small businesses, and we have encouraged big companies to sign up to a Code of Practice to help their suppliers. Up to now, 522 organisations have signed up to the code. We are also helping businesses manage their finances (over 93,000 guides on 'Help with managing your cashflow' have already been downloaded from the BusinessLink.gov.uk website).

8. All of this help, plus access to a portfolio of Government support for business (including training and exporting), is available through Business Link who offers free, independent advice based on an assessment of business needs.

## Support for town centres

9. The Government is committed to a town-centre first policy and promoting the vitality and viability of town centres is a key part of our approach. Successful town centres need investment and a strong retail mix – that includes multiples and independents, niche retailers, large and small, which attract shoppers and provide consumer choice. Markets are part of that mix. But that mix cannot be delivered from a desk in Whitehall. That is why we require local authorities, as an integral part of the vision for their town centres, to seek to retain and enhance existing markets and, where appropriate, re-introduce or create new ones. We have also published guidance on how to manage town centres and how to develop business-led town centre partnerships. Over 500 town centres now benefit from some form of management.
10. Our ‘town centres first’ policy is showing real signs of success – the proportion of new development in centres, and on the edge of centre, has increased from less than 25 per cent in 1994 to 42 per cent in 2006.

### Town centres in the recession

We understand the challenges that town centres are experiencing during the current economic downturn, that’s why we published the *Looking after our town centres* guide on 14 April 2009. The guide has three main aims: making the clearest possible case for positive town centre management based on a partnership approach; explaining the range of powers, guidance and approaches that can help keep town centres attractive and vibrant; and setting out further work that Government is taking forward to help local authorities and their partners take positive action in their town centres, particularly in enabling temporary use of empty shops. The Guide highlights the contribution that markets can make in bringing new colour and dynamism to town centres and high streets.

A new, regular farmers’ market started in High Wycombe this August in the hope of drawing more people into the town and encourage niche local traders. The monthly market is being held in an underused area, Frogmoor, with the aim of connecting it with the main town centre. The market is being run as an initial six-month trial where shoppers will be able to talk to the farmers and producers about where the food comes from and how it is produced. As well as the market’s produce, the Town Centre Partnership is hoping to draw more people into the town with a host of other activities.

Additionally, the Government is allocating £3m to help fund creative ways to bring empty high street shops into use for the local community. Making use of vacant space is good for local people and businesses alike, stimulating new ideas and providing new opportunities for keeping high streets attractive and vibrant places.

## Devolution

11. The Government believes that successful economic development requires devolution to the regional, sub-regional and local levels. The Government has made considerable progress in developing the institutional and policy framework necessary to promote growth and regeneration across the country, including through establishing Devolved Administrations in Scotland, Wales and Northern Ireland, increasingly devolving powers and unringfenced funding to local authorities.
12. We are therefore pleased to see many of the recommendations are addressed to local authorities and that the Committee agrees with Government's view that, with regard to markets, local government is properly the lead, and that Government's main role is at the strategic level.
13. Our concern is to ensure that local authorities consider their markets as part of their retail needs, ensure a diverse retail offer and that, where appropriate, consider the need for new markets. But markets need to adapt to changing conditions and challenges.
14. It is important that local authorities work to ensure that their markets remain attractive and competitive by investing in their improvement. We are pleased to note the role carried out by Local Councillor Dave Goddard, the Local Government Association Markets champion.

## Planning

15. Government has strong planning policies for markets. Planning Policy Statement 6 (PPS6): *Planning for town centres* (2005) requires local authorities, as part of their vision for their town centres, to seek to retain and enhance existing markets and, where appropriate, re-introduce or create new ones. PPS6 also states that local authorities should ensure that their markets remain attractive and competitive by investing in their improvement.
16. We encourage local authorities to adopt a proactive positive planning approach to their centres and to facilitate a diverse and competitive economy. Through flexible town centre strategies local authorities can encourage new retail and other opportunities such as markets and protect the vitality and viability of their town centres, ensuring that a mix of uses is maintained, in order to meet the needs of the community and promote consumer choice.
17. In May this year, we published for consultation draft Planning Policy Statement 4 (PPS4): *Planning for prosperous economies*. This brings together all of the Government's key planning policies relating to the economy in both urban and rural areas, including in town centres, into a single new streamlined planning policy statement. Draft PPS4 builds on previous planning policy statements and also takes forward the Government's Responses to the Matthew Taylor Review and the Killian Pretty Review. The aim of draft PPS4 is to create a



coherent and modern set of policies designed to meet the challenges town centres and other areas face both now and over the longer term. As part of this, PPS4 maintains our strong policy approach to markets.

18. Our consultation on draft PPS4 ended on 28 July 2009 and we are currently in the process of analysing the responses received with a view to publishing the final PPS before the end of the year.

## Regeneration

19. The Government's ambitions for regeneration are set out in *Transforming Places, Changing Lives: taking forward the regeneration framework* published in May 2009. This approach aims to support local economic ambitions, and sets the framework for partnership working between the Homes and Communities Agency and regional development agencies. Central to this approach is a focus on improving economic outcomes.
20. Street markets can play an important role in area regeneration – making a visible and powerful contribution to economic and social life within our towns and cities. By providing a focal point for economic and social interactions, attracting visitors to key centres, and providing employment opportunities to local residents, street markets can catalyse better outcomes for people and places.
21. We also know that regeneration is only sustainable when the local community are given the opportunity to contribute to and shape the process. In recognition of this, the Government wants to increase the number of people engaged in the running and ownership of local services and assets, including street markets, to work towards achieving Barry Quirk's vision set out in *Making Assets Work: The Quirk Review of community management and ownership of public assets* in 2007, that in 2020 "*in every locality a proportion of all public assets are in the ownership or management of sustainable and energetic community organisations*".
22. Where this works well, it can create a new cadre of active citizens, owning, directing and running a service and provide good value for money for local authorities and other public bodies, and be responsive to local needs, reflect local ambitions and generate loyalty from the local community.

One example of positive action of community focused groups in relation to markets is Heywood MAGIC (Market Action Group In the Community), in Rochdale. The Heywood Market Traders Committee formed a community led trust in 2002 to bid for the management of the market, which was under the threat of closure by the local council. Although their bid was not the most profitable option, it was successful, as it provided greater benefit to the Community.

Trader occupancy increased and additional stalls developed to increase employment and accommodate traders waiting for vacant stalls. Despite the recession, as at September 2009, Heywood MAGIC only have one small unit empty, rents have not increased all the time the market has been running and the Company has made profits year on year and has built a sensible reserve to ensure the future of the market and its traders. Foyer areas were used for community consultation events and the market was re-established as a base for community activity and training. The Board of MAGIC have made annual community grant awards out of the profits made, for example this year they have made a £5,000 donation towards a new Scout and Guide Hut.

## Annex A

### Key recommendations for government

***Recommendation 2: Specialist markets can add a further dimension to the five benefits identified earlier: economic, social, regeneration, health and the environment (Paragraph 56)***

23. We agree with this recommendation. The economic and social benefits of farmers' markets in particular are well understood. In particular:
- for consumers, an opportunity to escape the conformity and homogeneity of the retail experience offered by the large supermarkets
  - for producers, they are an opportunity to gain a premium for unique, artisan, home produced food which they may not be able to sell to major retailers due to scale and the process of supermarket buying
  - they can inject money into rural economies and help boost the development of small rural businesses
  - a National Farmers' Union study found that 80 per cent of neighbouring businesses saw a boost in trade following the establishment of a market nearby. For example, WH Smith and Debenhams in Winchester, which are both adjacent to the local farmers' market site, reported a rise in takings of up to 30 per cent on market days
  - they are widely perceived to offer social benefits such as improved community spirit and pride in local producers, reconnecting consumers with producers as well as to build social capital
  - they can act as business incubators, with companies that started off in farmers' markets growing into larger businesses
24. Other benefits are less clear-cut. Evidence to support claims that local food is better for the environment is not conclusive. It is necessary to look across the whole supply chain. However, where production and processing systems are similar, choosing produce that has travelled less distance can result in lower overall emissions. The fruit and vegetables sold at farmers' markets tend to be locally in-season (i.e. in season at point of production). Where this is the case then such produce generally requires less energy in production as they rely on natural sunlight and temperatures to grow.

***Recommendation 3: We see no reason why farmers' markets should not retain their identity within a larger 'ordinary' market, and can see advantages for both types of markets in terms of increasing footfall and creating more of an event feel. We recommend, therefore, that local authorities actively consider the benefits of co-location, though we accept that this may not always be appropriate (Paragraph 66)***

25. We believe that it is important that farmers' markets retain their identity and also their integrity with respect to the guidelines for how they should operate. Defra has provided funding to the National Farmers' Retail & Markets Association (FARMA) in order to help it establish its certification scheme which governs what can be sold at one of its affiliated markets. We would support co-location of general and specialist markets where there are benefits to both and to consumers. Any moves towards co-locating a farmers' market with another retail market would need to ensure that consumers' confidence in the particular qualities of a farmers' market was not damaged.
26. It is right that the local authority should consider this provided that it gives proper consideration to the views of the interested parties.

***Recommendation 4: We acknowledge that the use of market charters to regulate market numbers is a complex issue, but believe that it is one that locally-elected councils are best placed to adjudicate on. We would though recommend that councils treat farmers' markets applications sympathetically given the potential benefits they can offer whether in proximity to existing markets or in isolation. We also recommend that account be taken of the status of the organisation wishing to run a farmers' market, and that consideration be given to reducing fees in the event that the organisation is a not-for-profit organisation with clearly articulated social goals (Paragraph 68)***

27. We agree with this recommendation. A number of farmers' markets are run by social enterprises and this may well increase over the next three years. One strand of the Making Local Food Work Programme, funded by the Big Lottery Fund, will focus on supporting 20 farmers' market social enterprise groups covering 200 markets which in turn aim to provide a vehicle for over 2500 producers to provide local food to their communities.

***Recommendation 24: We welcome the Government's decision to include markets within its strategic planning guidance and, in particular, the advice to local governments to retain and enhance existing markets. (Paragraph 124)***

***Recommendation 25: We urge the Government to emphasise the wider non-economic benefits that markets can bring and to encourage local authorities also to take them into account when making planning decisions, both in the PPS document, and in the future iterations of the accompanying good practice guidance. (Paragraph 124)***

28. We are pleased that the Committee welcomes our policy approach to markets set out in draft PPS4. We fully agree with the Committee that successful markets alongside their economic benefits can bring a range of non-economic and social benefits to local towns and communities, including where fresh fruit and vegetables are available supporting healthy eating, while also assisting the regeneration of town centres. Like the Committee, we want to see markets thrive and to fulfil their potential to deliver these benefits.

29. However, we do not consider it necessary to make further changes to our policy or guidance to emphasise the wider non-economic benefits that markets can bring. Whilst our current policy is set out under the specific heading of planning for consumer choice and promoting competition, it, and, indeed, all the policies in the PPS must be considered within the context of the Government's objectives for prosperous economies set out in paragraph 6 of the policy statement. These include non-economic benefits such as promoting social inclusion and sustainable patterns of development alongside economic benefits such as enhancing consumer choice and ensuring competition between retailers. Local planning authorities should take account of these objectives in setting their development plan policies for markets and other economic uses and in their decisions on individual planning applications.
30. On the non-economic benefits and specifically on food policy, Government recognises that where fresh fruit and vegetables are sold on a traditional street market there is a clear contribution to food policy, with clear benefits to consumers and/or the wider community, in both rural and urban communities, by providing:
- local choice and diversity in shopping
  - good value fruit and vegetables and the potential to:
    - provide stalls to promote behaviour change e.g. healthy eating and lifestyle, pro-environmental behaviours
    - provide a flexible and affordable first step to market for young food businesses and
    - where producers are present, an opportunity for reconnection of producers and consumers
31. An action plan for taking forward the “5 A DAY (Brand)” over coming years is under development and will include the potential to work with the market trade associations, as stakeholders, as a means of further disseminating it.
32. The wholesale markets that supply street markets offer an additional or alternative outlet for producers and may potentially be used as a hub for local and regional food, supporting the local economy and offering the benefits of being locally in-season (i.e. in season at point of production).
33. We also recognise that local markets encourage cohesion in communities by promoting meaningful interactions between traders and producers who work together to produce an economically viable event and between people who attend who, over time, might use traders on a regular basis, therefore building relationships. Local markets also promote a sense of local belonging which is also a core component of community cohesion.

**Recommendation 13: We are persuaded that there is a strong case for London authorities to be given greater powers in respect of their street markets. (Paragraph 101)**

**Recommendation 14:** We recommend that London local authorities and CLG, whose support will be necessary to ensure that legislative change comes into effect, work together to change the relevant provisions of the London Local Authorities Act 1990 and other relevant legislation specific to individual London boroughs. In doing so, however, they should be mindful of the need to include a requirement to work in partnership with market trader organisations on the development of London street markets. Where local authorities gain additional powers in relation to market rents, stall location and management structures, it should be incumbent upon them clearly to articulate their strategic vision for the future of their street markets, and the benefits that will ensue for both traders and the wider community, before they put these powers into practice. (Paragraph 101)

34. London has some of the most vibrant street markets in the country today, and the Government – like the Committee – is keen to see the recent and welcome renaissance in street markets in the capital continuing. However, it is not the Government’s role to review the unique legislation governing street markets in London.

35. The London Local Authorities Act 1990 (and associated legislation for the City of Westminster) is a piece of local legislation, not national legislation. It should be for London Boroughs, working collectively through London Councils, to take the lead on any reform of this legislation. They are best placed to work in partnership with market trader organisations and other stakeholders to ensure the legislative framework is fit for purpose and can stimulate – and not hinder – the further development of street markets across London. The active support of CLG or any other Department is also not necessary for any reform of this legislation under Parliament’s private bill procedures.

36. Already the latest London Local Authorities Bill – which is being promoted by the City of Westminster on behalf of all London Boroughs and is currently in the Lords – includes provisions to allow a London Borough to delegate its powers in relation to street markets down to a “market manager”, enabling the more effective management and promotion of street markets across the capital. This should help to address one of the key issues – the need for greater flexibility in the management of markets – raised by the witnesses to the Committee.

37. It is for London Boroughs now to decide following the Committee’s report whether further specific legislative changes should be put forward to address the other key concerns raised by the witnesses. In doing so, the Government expects Boroughs to consult market trader organisations and other stakeholders as a matter of course.

38. We encourage the further development of effective partnerships between market operators and licensed street traders.

**Recommendation 26:** It should not be central government’s role to intervene in the future of individual markets. Markets are nothing if not local, and it is for local authorities to be the key source of public support. The future of the

industry is best served by an active partnership between the key industry organisations, including market trader organisations, and local authorities. (Paragraph 131)

**Recommendation 27:** We are concerned that there is a lack of clarity within central government as to who has overall responsibility for markets, as opposed to an interest in certain aspects of them. (Paragraph 132)

**Recommendation 28:** There are actions that the Government could take, beyond production of strategic planning guidance, better to fulfil its proper strategic role in relation to markets. (Paragraph 132)

**Recommendation 29:** We are not convinced that there is a sufficiently strong case to appoint a Markets Minister. (Paragraph 133)

**Recommendation 30:** We see a need for a clear central government focus for markets, and recommend that the lead should lie with CLG in recognition both of the wider community aspects of markets and the key role of local government. (Paragraph 134)

**Recommendation 31:** We recommend that CLG takes on responsibility for providing a clear strategic central government focus for markets, and that this is reflected in the portfolio of a named Minister, in the terms of reference of a senior civil servant in the Department and in active engagement with the market industry. (Paragraph 134)

**Recommendation 32:** We recommend that CLG lead an inter-departmental working group to ensure that departments make best use of markets as a vehicle to further wider Government objectives as set out in this report. (Paragraph 135)

39. We have considered carefully the Committee's recommendation that CLG play a more strategic lead in central Government. We agree with the Committee that there should not be a specific Minister for Markets. However, CLG will take on a strategic co-ordination function across interested Government departments across Whitehall and bring together the industry with the relevant Government departments when issues of interest to both parties arise.
40. This inter-Departmental Working Group of officials will report as appropriate, both to the Minister for Local Government in CLG, in her joint role as Minister for Regional Economic Development and Co-ordination at BIS, and to the Minister for Food at Defra. To ensure a joined up approach across Government, CLG will lead on co-ordinating the remit and functions of the working group and its interface with Government departments and wider groups, in partnership with the retail markets industry.
41. In recognition of the fact that many decisions on the running of retail markets are taken at the local level, we are keen that local authorities are involved in the Working Group and we are pleased that the Local Government Association's champion for Retail Markets, Councillor Goddard will be part of the Group.

42. CLG have also been in touch with the retail markets industry, and are working closely with them on the remit and focus for the Working Group. We anticipate holding the first meeting of the Working Group later in the autumn, and envisage that it will subsequently meet around two to three times per year, subject to issues arising. Roger Wilshaw, acting Director of the Local Economic Development and Renewal Directorate, CLG, will chair the meetings.
43. To help ensure the involvement of local persons the Government has introduced the duty to involve as part of the Local Government and Public Involvement in Health Act 2007. The duty came into force on 1 April 2009. It requires local authorities to take those steps they consider appropriate to involve *representatives of local persons* in the exercise of any of their functions, where they consider it appropriate to do so. Principles of the duty are covered in statutory guidance *Creating Strong, Safe and Prosperous Communities* published in July 2008.
44. Under the Local Democracy, Economic Development and Construction Bill, upper tier local authorities will be required to carry out an assessment of the economic conditions in their areas. These assessments will be informed by the views of local businesses, which will be able to comment on the extent to which they are supported by the way that councils deliver services. Completed assessments will contribute to the development of local and regional strategies.
45. The new duty is expected to come into force on 1 April 2010 and a pre-consultation draft of the Department's guidance is available on the CLG website. More detailed practical guidance has been issued for consultation by the IDeA and the Planning Advisory Service and is available from the IDeA's Community of Practice platform.











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