



Report of the Director City Development

Executive Board

Date: 22 June 2010

Subject: Response to Deputation by the National Market Traders Federation

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

EXECUTIVE SUMMARY

1. On 21 April 2010 Council received a deputation from the Kirkgate market branch of National Market Traders Federation (NMTF) which called for:
 - a. an immediate lift of the recruitment ban to enable proactive headhunting of an expert who has experience of rebuilding failing markets;
 - b. an immediate rent reduction ;
 - c. an immediate reduction in car parking charges for the Markets and surrounding areas;
 - d. immediate reinvestment.

2. This report seeks to address each of these demands and proposes that
 - a. following a review of markets management and consultation with Trades Unions, a permanent Markets Manager post is created and that the Council's normal recruitment policies are followed;

 - b. there is no immediate rent reduction but that an independent rent review is undertaken and that the charges for extending produce beyond stalls into the 'Yellow Line' area are reduced and that administrative charges for a change in use etc are reviewed and that notice periods are reduced from six to three months in line with notice periods of other commercial Council leases;

 - c. there is no reduction in car parking charges;

- d. a fully costed report on the condition of the whole of the market is prepared for the next meeting of Executive Board;
- e. Tenants continue to be encouraged to take advantage of the Business Support Scheme.

1.0 Purpose of This Report

- 1.1 This report considers the deputation from the National Market Traders Federation (NMTF) which the Council received on April 2010 and provides a response to the issues raised.

2.0 Background Information

- 2.1 The deputation from the Kirkgate market branch of National Market Traders Federation (NMTF) to Council on 21 April 2010 called for:
 - a. an immediate lift of the recruitment ban to enable proactive headhunting of an expert who has experience of rebuilding failing markets
 - b. an immediate rent reduction
 - c. an immediate reduction in car parking charges for the Markets and surrounding areas
 - d. immediate reinvestment.
- 2.2 Each of these demands is considered in turn in Section 3.0.

3.0 Main Issues

3.1 'An immediate lift of the recruitment ban to enable proactive headhunting of an expert who has experience of rebuilding failing markets.'

3.1.1 The Council does not currently have a ban on recruitment. The Markets Service was transferred from Asset Management to Economic Development in December 2009. The Head of Markets, Chris Sanderson retired and responsibility for the Markets transferred to the City Centre Manager. Given the wider responsibilities of the City Centre Manager and to allow for a full review of the management structure of the Markets, an Acting Markets Manager post was created and, following an application and interview, filled by the Deputy Markets Manager for an initial period of six months.

3.1.2 It is anticipated that following the review of the management of the Markets Service and consultation with Trades Unions a permanent Markets Manager post will be created. The Council's normal recruitment policies will be followed for this post.

3.2 'An immediate rent reduction.'

3.2.1 On 9 December 2009 the Executive Board carefully considered a request to reduce rents at Kirkgate and concluded that a rent reduction would not make a significant difference to the overall success of the market. For example a 25% rent reduction for a single stall in the 1976 indoor market building, where vacancy levels are highest, would only amount to a £14 a week saving.

- 3.2.2 Instead a Business Support Scheme to which tenants can apply for assistance was introduced providing independent business support, advice and financial assistance on a case by case basis for those businesses which are suffering from the economic recession and need assistance to continue to trade. This support applies not only to Kirkgate Market tenants but also small independent commercial tenants of other Council owned properties. At the time of writing 67 businesses based within Kirkgate Market have applied for support of one form or another and 14 tenants have received funding. An update on the number applying will be given at the meeting.
- 3.2.3 It is fair to say that when most tenants talk about rent they are in fact referring to an amalgam of rent, service charge and business rates. Clearly the Council has no influence over the level of business rates although assistance has been given to tenants to help them claim rate rebates where they qualify. Service charges cover most but not all the costs of running the market such as most staffing costs, maintenance and security costs. The Markets service simply recharges the costs it incurs to tenants.
- 3.2.4 Officers have compared Leeds rental levels with other markets and considered advice from the last independent rent review for the market. It is extremely difficult to compare rental levels between markets as markets have different charging systems with some, like Leeds, separately charging for rent, service charges and Business Rates and others making a global charge for a stall. Market rents in Leeds vary from £28.75/sq.ft. plus £11.15/sq.ft. service charge in the 1975 building to £52.50 plus £11.15 service charge in parts of the 1904 building. Rents in Nottingham for example range from £42.31/sq.ft. to £51.57/sq.ft., however these figures are inclusive of service charge and rates.
- 3.2.5 Trying to judge whether the cost of having a stall in Leeds is fair compared to the cost of having a stall at other markets is difficult. Independent rent reviews in 2002 and 2005 compared Leeds with a number of Markets in the UK and concluded that it was difficult to draw any conclusions because of the lack of common denominators - the Markets were all of different sizes; the types of leases varied considerably; some occupied prime positions and some poor secondary; and some towns were stronger retail centres than others. The only conclusion that the valuer could draw was that Leeds Kirkgate Market was the largest indoor market in the U.K. and that the retail market in Leeds City Centre was extremely vibrant. As a consequence he believed it must be capable of generating greater rents per square foot for its market stalls than other towns or cities.
- 3.2.6 In the current recession some shopping centres are offering a number of incentives to new tenants – for example the Corn Exchange is offering free rent for the first year, although their service charges are higher than the Council's. The Council does allow existing stall holders the opportunity to rent additional stalls at 10% of the rent, although full service charges are payable. Unlike other markets' incentive schemes this is not time limited, although some tenants feel it gives an unfair competitive advantage to tenants who take advantage of it. Incentives to new tenants are not so generous – any rent reduction is based solely on the level of investment being made by the tenants and are always time limited.

3.2.7 Officers propose that an independent rent review is undertaken to see if the level of rents are appropriate. In the interim and without prejudice to the outcome of the rent review it is proposed that there is a reduction of 50% in the charges for extending produce beyond stalls into the 'Yellow Line' area and the administrative charges are reviewed. The impact of such changes on revenue is difficult to estimate: current income per annum from 'Yellow Lines' is **£63,672.44**, however only 34 stalls out of the 413 which are eligible to have a 'Yellow Line', have one so by reducing the charges some lost income may be recouped.

3.3 **'An immediate reduction in car parking charges for the Markets and surrounding areas.'**

3.3.1 There is both a council owned surface level car park and an NCP multi-storey car park adjacent to the Market. With respect to the Council's car park, a discount is given to drivers who shop in the market on Wednesday afternoons and the car park is very well used throughout the week – it is frequently at full capacity. Parking Services are currently unable to fund any further reduction in car parking charges. A global reduction would not guarantee that more drivers would use the market as the car park is well used by city centre shoppers. Research at both Kirkgate Market and Bradford market (which has a large council owned car park adjacent to its market) showed that the majority of market customers either come on foot or by bus.

3.4 **'Immediate reinvestment'**.

3.4.1 The Council invested around £12m in the market during the eight years up to 2000 - this was for the refurbishment of the open market, the 1875/1904 markets, the relocation of the fish market and installation of CCTV (these last two projects were undertaken c1998/9). Since 2000 the following investment, totaling in excess of £1.4m, has taken place:

- New central toilets - £600k
- Automatic doors on all entrances - £100k
- new floor in 1976/81 - £230k
- Vacant stall improvements - £150k
- Cleaning/plant purchase - £130k
- Electrical switchgear replacement - £50k
- Installation of a safety line system, 1904 roof - £118k
- 1976/81 circulation improvements - £55k
- Installation of a free cash machine
- Improved recycling facilities - the markets now recycle a greater % of its waste than any other council building.

3.4.2 Executive Board in December agreed additional funding of £250,000 over two years from the Council's capital programme to undertake a number of improvements to the environment of the indoor market focusing on attracting and retaining shoppers. A full condition survey on the whole of the market is also being prepared and a report will be brought back to the Executive Board.

4.0 Other measures the Council is taking

- 4.1 More than 10 million people visit Kirkgate every year although more needs to be done to get new shoppers into the market and get existing shoppers to spend more when they are there. It is encouraging that more new traders joined the market (39) than left (37) in the 12 months to 31st March 2010. Partnership with the PCT will bring Jamie Oliver's Ministry of Food to Kirkgate market this summer www.jamiesministryoffood.com.
- 4.2 A new map listing all stalls is being developed.
- 4.3 Marketing. An official website which will feature every trader free of charge is being developed together with an overall marketing strategy, to promote not only Kirkgate market but district markets as well. Traders are being encouraged to participate in the Leeds Loves Food festival in early July, although take up has been slow so far. On the 12th April and on Friday 7th May the Markets were positively featured on national BBC breakfast news a number of times during the two hour broadcasts. The markets have also been filmed in recent months for a number of television dramas. Sadly one bad news story can wipe out months of positive promotion and marketing. Unfortunately recent publicity surrounding the Friends of Kirkgate Market meeting led some traders whose first language is not English to believe that the market is closing in two months time so they were going to stop re-ordering stock. Markets staff have been able to reassure these tenants and we are now producing a regular newsletter to all tenants to help to dispel such myths.
- 4.4 At present tenants have to give six months notice to quit. It is now proposed that this is brought in line with the notice period for other commercial Council tenancies which is 3 months.

5.0 Legal And Resource Implications

- 5.1 It is estimated that reducing charges to tenants for 'Yellow Line' Areas will reduce income by approximately **£32,000**. The extent that reducing charges for changes in use etc, together with a reduction in notice period from 6 to 3 months will reduce income is more difficult to estimate as it depends on the number of tenants applying for a change of use etc or leaving the market. An increasing number of tenants are leaving the market without giving notice; they are often in arrears and it is proving increasingly difficult to obtain the monies they owe the Council.

6.0 Conclusions

- 6.1 It is important to place the difficulties many tenants are facing within the context of the rest of the city centre. All retailers have been affected by the recession and this was compounded in Leeds with the bad weather and bus strikes in winter. Retailers such as Woolworths, Zavvi, Ainsley's and Borders have all gone out of business. It is inevitable that some more marginal traders will not be able to survive this recession – some were struggling even during the retail boom. There are a number of reasons for this including increased competition in Leeds City Centre from Primark, TK Maxx and supermarkets who can often sell goods at a lower price than traders can buy them. Customers expectations are rising, the traditional market shopper is literally

dying out and many tenants are not changing with the times to attract younger often more demanding customers who wish for example to be able to:

- try on clothes before buying them in pleasant surroundings. (Many people will remember when M&S bowed to pressure from customers and introduced changing rooms). Some traders provide this service but not all;
- pay even relatively small amounts by debit or credit card and buy on-line. Again only few traders offer these services;
- shop on Sundays (this is an increasingly popular time to shop) and in the late afternoon/early evening – many shops now open longer, often at least until 6pm and often later catching commuters on their way home or before an evening out in the city centre at the cinema, theatre or in bars or restaurants.

6.2 Much more effective marketing of the markets to attract new customers is required and officers are putting a number of measures in place to address this issue, including a new website, tours by school children and more effective branding and promotion.

6.3 Relatively few tenants have taken advantage of the financial and business support that is available, although they will continue to be encouraged to do so.

7.0 Recommendations

7.1 Members of Executive Board are requested to :

- i. note this report and the actions being taken to support the market;
- ii. endorse the proposal that following a review of markets management and consultation with Trades Unions, a permanent Markets Manager post is created and that the Council's normal recruitment policies are followed for a post of this grade;
- iii. agree that there is no immediate rent reduction but that an independent rent review is undertaken and that the charges for extending produce beyond stalls into the 'Yellow Line' area are reduced and that administrative charges for a change in use etc are reviewed and that notice periods are reduced from six to three months in line with notice periods of other commercial Council leases;
- iv. agree that there is no reduction in car parking charges;
- v. note that a fully costed report on the condition of the whole of the market to be brought back to a future meeting of Executive Board;
- vi. note that tenants continue to be encouraged to take advantage of the Business Support Scheme.

Background Papers

Deputation to Council on 21st April by Leeds Kirkgate Market traders
Executive Board report 9th December 2009: 'Business Support Scheme for the Council's small business tenants and investment in Kirkgate Markets'

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