

DRAFT - 27th April 2011

**Review of the Future of
Kirkgate Market**

Scrutiny Inquiry Report



Introduction and Scope

Introduction

1. At our meeting in June 2010 we agreed to undertake an inquiry to review the future of Kirkgate Market. We were subsequently advised that the Executive Board was to consider a draft market strategy at its meeting on 13th October 2010. It was proposed that Scrutiny Board (City Development) be invited to comment on the draft strategy in September prior to this being considered by Executive Board. We agreed this approach.
 2. In the meantime we arranged for Members of the Board to visit Kirkgate Market in late August 2010 to meet some of the market traders and be briefed by the Head of City Centre and Markets on the key issues of concern at the market.
 3. We were then advised that the market strategy report would be delayed and that it would not be presented to the Executive Board until November and we would be asked to comment at our meeting in October 2010.
 4. The markets strategy did not materialise again at our meeting in October 2010 and we agreed to proceed with our inquiry and approved terms of reference for our investigation.
 5. At the time of writing this report; the market traders and ourselves are still waiting publication of any draft strategy for the market a delay of over six months.
 6. The context of and drivers for the inquiry are:
 - The deputation to Council on 21st April 2010 from the Kirkgate Market branch of the National Market Traders Federation (NMTF) expressing a range of concerns and seeking the appointment of an experienced Markets Manager, a rent reduction, a reduction in parking charges and immediate reinvestment.
 7. It is considered that the scrutiny focus is timely and provides an opportunity to consider all the options available for the future of Kirkgate Market and to make recommendations to the Executive Board on this issue.
 8. We are very grateful to everyone
- The subsequent report and decision of the Executive Board on 22nd June to address some of the concerns expressed by the NMTF.
 - The decision of the Executive Board to ask for a condition survey of Kirkgate Market and the capital investment that will be required over the short, medium and long term.
 - The Government's announcement to cut funding to local authorities and the pressures this will place on all services necessitating a fundamental review of all services provided by the Council.
 - Members own experience of the strengths and weaknesses of Kirkgate Market.
 - The renewed emphasis to achieve "Value for Money."
 - The need to establish the views and opinions of shoppers, traders and ratepayers on how they would like to see Kirkgate Market develop and how this should be done.



Introduction and Scope

who gave their time to participate in this inquiry and for their commitment in helping us to understand and review this matter.

Scope of the Inquiry

9. The scope of the inquiry was to
 - identify the economic and social benefits of Kirkgate Market, the current issues and financial position of the market.
 - consider the results of the condition survey of Kirkgate Market, the capital investment required in the short, medium and long term and the options available to the Council concerning the future of the market.
 - contribute to the development of strategy and action plan for Kirkgate Market.
 - contribute to the development of a strong marketing strategy for Kirkgate Market.
 - consider the outcome of the independent rent review.
 - what resources and other support would be required to implement any improvements identified.

Anticipated Service Impact

10. We hope that the Scrutiny Board has contributed to better understanding of the key issues facing Kirkgate Market at this critical time. We have made a number of suggestions and recommendations to the Executive Board which we believe if implemented, would contribute significantly to developing a strategy for Kirkgate Market that would build on its success and enable shoppers to continue to experience this unique shopping location for many years to come.



Conclusions and Recommendations

Some Facts and Figures

11. We were advised that

- there are a total of over 600 tenants/traders at our markets city wide.
- Kirkgate Market alone generates direct employment for about 2,000 people, not including suppliers, delivery companies, etc.
- In 2009 Kirkgate indoor market had about 10 million visitors, or 180,000 per week. Ten year ago there were about 12m visitors. This reduction which is a national phenomenon at traditional markets is part of a worrying downward trend which has only been bucked by increasing footfall on Wednesdays following the opening of a new specialist Asian themed outdoor market.
- Kirkgate indoor market is one of the largest in Europe.
- In 2010/11 projected income is approximately £4.2m. Expenditure and other charges amounts to £2.1m, leaving £2.1m to support the Council's budget.

Management and Ownership Models

12. Markets are unique in retail and wholesale trading terms in that they are still predominantly managed by the public sector; 669 (60%) of traditional markets across the country are run by

the public sector, although 321 (29%) are now run by the private sector.¹

13. There are currently three common forms of market management in the UK: local authority run markets; privately operated markets; and markets run in some form of partnership such as a joint venture, or contracted out operational management. There are also a number of models, which are not currently common, but offer scope for the future. These are: trader-operated markets; social enterprise operated markets; markets run by an arms-length company; and sharing management between a number of local authorities.² The prevalence of these models is listed below:

(i) Local Authority.

The majority of markets, like Kirkgate Market, are still directly provided and managed by local authorities. This model offers the advantage of accountability, linking markets to wider policy strategic goals, and by understanding the 'public good' that markets provide. The surplus generated by successful markets are generally taken by the local authority and used to support other service provision within the authority, which can be at the cost of further reinvestment in markets in general.³ Bradford City Council recently agreed to ringfence the surplus of the market for reinvestment, something which Leeds City Council has also previously done. As indicated to Scrutiny previously, the current annual surplus is £2.1m.

(ii) Private

Many markets are operated directly by the private sector, either licensed by the local authority under its market rights,

¹ 'Markets 21', 2010, The Retail Markets Alliance.

² 'Markets 21', 2010, The Retail Markets Alliance.

³ 'Markets 21', 2010, The Retail Markets Alliance.



Conclusions and Recommendations

with their own charter rights, or in some instances, completely outside the licensing framework. This model offers the advantage of faster, streamlined decision making, an increased focus on the core business, and the opportunity for directly raising investment capital. For example, Town & Country Markets Limited is a 100% owned operating subsidiary of Wellington Market Company and is the leading private sector retail market operator in the United Kingdom. Currently it operates markets at 35 locations throughout England and Wales from its own freehold premises, leasehold premises and licensed locations providing around 5000 stalls each week, at markets from Aldershot to **Morley** through to Worthing. The company offers money back on faulty goods and holds regular events and competitions etc to draw in customers.

(iii) Partnerships

These can range from the local authority retaining the strategic management of its markets but outsourcing the operational management, to a formal medium to long-term joint venture between the public and private sector. These models are useful where the local authority lacks the in-house resources to effectively manage and promote the markets, and/or where external capital investment is required. Geraud Markets UK Ltd has worked in partnership with local authorities over an extended period of time to develop, expand and invest in markets. The company currently runs markets on behalf of Liverpool City Council, Allerdale Borough Council, South Derbyshire District Council, Clevedon Town Council, Ipswich City Council and New Covent Garden Sunday market. Geraud Markets Liverpool Ltd is the biggest and probably the best example of Public

Private Sector Partnerships. Geraud Markets Liverpool Ltd in partnership with Liverpool City Council runs over 1,200 regular market days each year. In addition to this there are over 100 Speciality Event Market days, providing residents and tourists with access to choice, value and quality.

(iv) Traders

There are a number of traditional street markets and farmers' markets that are directly managed by the traders themselves. This offers the advantage of reduced bureaucracy and costs, and an increased sense of 'ownership' by the traders. However these are only operated as street markets and therefore are not comparable to a large scale indoor market like Kirkgate. This may be a useful model for the fortnightly Farmers' Market at Kirkgate outdoor market.

(v) Trust

Borough Market – the only fully independent market in London – is owned by a charitable trust, the Borough Market (Southwark) Trust, run by a board of volunteer trustees. According to the formal objectives laid out in its Charity Commission registration, the trust's commitments are to provide a market as a public amenity and, once a year, to pass any surplus to the London Borough of Southwark for the benefit of residents in the parish of St Saviour's. In addition to these registered objectives, the trust has extended its formal charitable commitments to include running community events, providing food related health education and contributing to local community projects and schemes. This model does not enable the raising of significant capital investment.



Conclusions and Recommendations

(vi) Arms length

In 2008, Glasgow City Council became the first UK local authority to establish its markets as an arms-length limited liability partnership (LLP). This model offers the advantage of more responsive, streamlined decision making; an increased focus on the core business, and the opportunity for directly raising investment capital. City Markets (Glasgow) LLP are responsible for the overall management of the market, for property maintenance, cleaning, refuse removal and security. The profits generated by the markets are ploughed directly back into the markets.

Prevalence of Models

The prevalence of these models is listed below for the UK:

Public Sector	669
Private Sector	321
Privately Managed for the Public sector	91
Public Sector Partnership	2
Public Private Partnership	10
Charity	1
Community Association/other	4
Cooperation	19
Membership	3

14. We heard from the Acting Director of City Development who had met representatives of the Leeds Branch of the National Markets Federation (NMTF) and Friends of Kirkgate Market (FoKM) to discuss the ownership and management options available. We were advised that a range of views were expressed and there was no single preferred option by those present. The views expressed were those of the

individuals rather than the traders generally.

15. We noted that the Markets Alliance has identified several critical success factors for retail markets: Critical mass; Good management; Accessibility & permeability; Marketing & PR; Safety & security; Integration with surrounding retail offer and community; and Partnership working.⁴

16. We believe that the advantages of Kirkgate Market remaining with the local authority in particular accountability, linking markets to wider policy strategic goals, and understanding the 'public good' that markets provide outweigh those of any other available options. However, it is important that the following conditions are met:

- That the Markets Manager needs to be allowed to get on with the day to operation of Kirkgate Market
- That management and traders need to be able to react quickly to changing market circumstances
- That the Markets Forum established by the current administration needs to be strengthened in our view to give a greater say to traders and for it to become a Management Committee rather than a forum for discussion
- We recognise that approximately half the traders are Members of the National Market Traders Federation or the Friends of Kirkgate Market the rest are individual traders who should be represented on the Management Committee

⁴ 'Markets 21', 2009, The Retail Markets Alliance.



Conclusions and Recommendations

- The Council's inability to respond quickly to market conditions may be a significant contributory factor in the operation of the market..

Recommendation 1

That in developing a draft strategy for Kirkgate Market; and noting the critical success factors for retail markets referred to in paragraph 15; we would support the management and operation of Kirkgate Market remaining with the Council but with a strengthened role for traders and business representatives through the establishment of a Management Committee for the market, to be Chaired by a market trader. This would replace the current Markets Forum which was recently established.

Condition of Kirkgate Market Buildings and Investment by the Council

17. We were advised that the indoor market covers four distinct sections - the 1904, 1875, 1976 and 1981 sections. We were informed that between 1992 -2000 the Council invested £12m in Kirkgate Market. Works included the refurbishment of the open market, the 1875/1904 markets, the relocation of the fish market and installation of CCTV. In the last ten years it has spent £1.4m on:
 - New toilets £600k
 - Automatic doors £100k
 - new floor in 1976/81 £230k
 - vacant stall improvements £150k
 - cleaning / plant purchase £130k
 - Installation of safety line system, 1904 roof £118k
 - 1976/81 circulation improvements £55k
 - Installation of free cash machine
 - Improved recycling facilities – Kirkgate market now recycles a higher % of its waste than any other council building.
18. In addition, ongoing routine, planned and reactive maintenance is undertaken each year throughout the indoor market.
19. We examined in detail both the survey and condition report for the 1875 -1904 Kirkgate Market and the Market Hall built in two sections in 1976 and 1981 to replace the 19th Century blockshops destroyed by the fire.
20. We were informed that the 1875 building underwent its last major refurbishment in 1995. At that time a full roof refurbishment and replacement of paving with York stone paving was undertaken. The 1904 building underwent a major refurbishment in 1992. Works included redecorations and roof refurbishment
21. In order to comply with current legislation and to bring the 1875 - 1904 building and its facilities up to a good standard the survey states that certain works need to be undertaken. The following recommendations are given together with their budget costing including approximate professional fees



Conclusions and Recommendations

but excluding VAT. Professional fees are based on an estimated cost of 17%.

Recommendations and Budget Costing (1875 and 1904 buildings) - Executive Summary

Work Required	Imminent	Essential	Desirable
Wind & weather tight items	£0	£60,500	£17,500*
DDA Upgrades	£0	Refer to DDA report	£0
Asbestos removal works	£0	£0	£1,000*
Building works	£0	36,200	£166,000*
Electrical Services	£100,000	£47,000	£0*
Mechanical Services	£240,000	£184,000	£0
Totals in summary	£340,000	£327,700	£184,500
With Professional fees	£397,800	£383,409	£215,865

*plus long term weather tight costs of £20,000, asbestos £1,500, Building works £106,000 and electrical services £1,000 = £128,500 plus fees = £150,345

22. If the 1875/1904 building is maintained at a possible cost of £1,147,419 we are told the building could go on to last a further 100 years. However, if the building is not maintained, deterioration will accelerate resulting in an estimated asset life of approximately 20 years.
23. The 1976/81 structures were erected as temporary buildings following the market fire in 1975. Both buildings have now exceeded the fifteen to twenty year life expectancy for buildings of this type. Kirkgate Market now has a range of maintenance requirements, the extent of which means that 'doing nothing' is not a viable option. For example a

significant and essential requirement is to strip and recover the 1976/81 roof – not to do this work will continue to result in periodic water ingress into the market which will continue to impact negatively on customer footfall.

24. In order to comply with current legislation and to bring the 1976/81 building and its facilities up to a good standard the survey states that certain works need to be undertaken. In addition it says the building is at a stage where it requires substantial amount of investment. In particular the roof requires a major overhaul to achieve water tightness and drainage problems need investigating and addressing if feasible. The following recommendations are given together with their budget costing including approximate professional fees but excluding VAT. Professional fees are based on an estimated cost of 17%.

Recommendations and Budget Costing 1976/81 Temporary Buildings - Executive Summary

Work Required	Imminent	Essential	Desirable
Wind & weather tight items	£0	£579,000	£20,000
DDA Upgrades	£0	£0	£1,200
Asbestos removal works	£0	£0	£2,000
Building works	£0	£33,800	£84,200*
Electrical Services	£41,000	£0	£0
Mechanical Services	£200,000	£27,000	£0
Totals in summary	£241,000	£639,800	£107,200
With Professional fees	£281,970	£748,566	£125,424



Conclusions and Recommendations

*plus long term building works of
£125,000 plus fees £146,250

25. If this work is carried out at a cost of over £1M the survey reports state that the building could go on to last for a further 20 - 30 years. However, if left in its present state, deterioration will accelerate over coming years, resulting in an estimated asset life of 6 -10 years.
26. We are of the view that because of the results of the two condition surveys, the national retail picture, lower occupancy rates, and reducing footfall discussed later in our report that we need to give serious consideration as to whether the Council can sustain a market that is the largest in Europe. Biggest is not always best.
27. A difficult judgement needs to be made as to how much the Council can afford or is prepared to spend on refurbishment of the buildings particularly those temporary structures erected in 1976 and 1981 which have a limited life expectancy. These buildings are difficult and expensive to heat because of the very high roofs. The buildings are cold in winter and extremely hot in summer.
28. We also note that the majority of the necessary maintenance work will have little if any impact on consumer perceptions and impact.
29. It is important that the level and quality of retailing in Leeds City Centre including Kirkgate Market enables it to act as a regional anchor.⁵ It is also essential to ensure that the “offer” of the city centre – including Kirkgate Market - matches the needs and wants of users otherwise shoppers will choose to go elsewhere. For this to happen tenants and the Council need to ensure that Kirkgate Market:
 - sells what customers want to buy;
 - is open when they want to buy;
 - allows them to buy items in the way they want to (e.g. with debit cards, with a guarantee etc)
 - and provides an environment in which they wish to buy good and services
30. We therefore consider that the Executive Board should give serious consideration to reducing the size of Kirkgate Market and developing a strategy that moves towards establishing a quality and unique shopping experience in Kirkgate Market.
31. The condition of these buildings and the need for extensive capital investment should be kept in mind in determining the future strategy and management options for Kirkgate Market.
32. We note that the National Association of British Market Authorities) argues that authorities have two options to deal with struggling markets. They can either allow their markets to continue to decline or they can be decisive and bold. Those deciding to be bold may have to take a hit in terms of income which is extremely difficult decision to make in the current climate – but the argument follows that authorities would at least be guaranteed an income in the future. We agree with this view.
33. **We note that the condition surveys are visual only and none of the structures have been opened for inspection which is worrying.**

⁵ ‘Eastgate Retail Statement’, 2006, CB Richard Ellis.



Conclusions and Recommendations

Recommendation 2

That the Executive Board consider commissioning further work to establish the viability and cost effectiveness of reducing the size of Kirkgate Market, which utilises the space more effectively and refurbishes the buildings which are retained to a higher standard than is currently the case before committing to undertaking the imminent and essential work that is required.

Recommendation 3

That the Executive Board consider “ring fencing” a percentage of rental income each year for refurbishment and upkeep of Kirkgate Market (in addition to the usual maintenance costs) and that a list of work be identified and prioritised with market traders through the Management Committee to be financed from these funds each financial year.

34. The Friends of Kirkgate Market and other traders who gave evidence to us stressed that the Council as owner and landlord of Kirkgate Market had in their view allowed the physical infrastructure of Kirkgate Market to deteriorate despite the sizeable rents and service charges paid by traders which have produced regular annual surpluses but have not translated into an adequate levels of maintenance, repairs and investment.
35. We feel that whilst this view may be unfair having regard to the fact that the Council has spent £1.4M in addition to routine maintenance on Kirkgate Market in the last ten years and £12M (see paragraph 11) during 1992 – 2000, the reality is investment in the market has reduced significantly in recent years. Traders see this as unfair and want it to be addressed.
36. Bradford City Council recently agreed to ringfence the surplus of the market for reinvestment, something which Leeds City Council has also previously done.
37. Earlier this year members of the National Market Traders Federation, in a deputation to Council, requested a reduction in rents at Kirkgate Market.
38. Independent rent reviews have been carried out at Kirkgate market every three years since 2002 when, after a long period of stable rents, rents rose by between 0 – 90% depending on location. In 2005 rents rose from between 0% – 15%, but in 2008 there was no increase.
39. We were advised that rents for market stalls in Leeds Kirkgate Market vary from £28.75/sq.ft. plus £11.15/sq.ft. service charge in the 1976 building to £52.50 plus £11.15 service charge in parts of the 1904 building. 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. Rents in

Rents at Kirkgate Market



Conclusions and Recommendations

Nottingham for example range from £42.31/sq.ft. to £51.57/sq.ft., however these figures are inclusive of service charge and rates.

40. This compares for example with £153.85 per sq ft for a Kiosk in the St John's Centre (not including service charge), and £6,000 per annum for a stall in the centre of the Merrion Centre.
41. 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. The 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.
42. As a result of the National Market Traders Federation's deputation the Valuation Office Agency (VOA) was therefore instructed to undertake an independent rent review of Kirkgate Market. We received a table summarising the VOA's recommendations.
43. We were advised that the VOA had recommended that a rental increase was justified in the 1904 Hall from £52.50 to £55.00 per sq ft/annum (ie 4.76%) in Zone 1 and from £47.50 to £50 (5.26%) in Zone 2 for those tenants on ordinary leases. There are a number of tenants who opted to go onto contracted out leases a number of years ago who are outside the scope of this review as they pay an annual increase based on inflation. (Such tenants' base rents are £57.50 in zone 1 and £50-£52 in Zone 2). The VOA has also concluded that a rental increase is justified for the George Street Shops from £28.75 to £30 (4.35%) but that no change is justified for any other area of the market (1976/81 and 1875).
44. We noted that rental charges in the market are complex. Rental levels vary considerably between different areas of the market; discounts are given to stalls selling highly perishable goods, whilst more rent is charged for stalls with more than one frontage. The Markets service sets the base rent; however when vacant stalls are put out to tender, tenderers may offer to pay more than the base rent.
45. Despite the pressure on the Council's budget and the general desire to increase income wherever possible, Executive Board has agreed not to implement a rental increase in any part of the market at present. This will effectively cost the Council £16,500 per annum in lost potential income. Many tenants will be disappointed that the VOA has not recommended a reduction in rents across the market, especially as some tenants have recently benefited from a reduction in their Business Rates.
46. Kirkgate Indoor Market **rental income** levels in 2009/10 were £3.2m. This compares to £2.7m in 2000/01, up half a



Conclusions and Recommendations

million pounds during the ten year period. Income for the indoor market peaked at £3.5m in 2006/07, however during the last 4 years, there has been a trend of an average year on year 5% decrease in income overall. This, together with the rising maintenance costs outlined below, means that the market's profitability is falling, so current levels of income cannot be guaranteed in the future.

47. Recently, some tenants have relied on business grants from the council to pay their rent, improve their premises or undertake marketing and on the additional stall scheme whereby they can rent an additional stall for 10% of the full rent. These arrangements are not a long term sustainable solution to the issues some tenants face.
48. Friends of Leeds Kirkgate Market presented a petition to our Scrutiny Board signed by more than 10,000 people calling on the Council to lower rents in the Market. They told us that rents in Kirkgate Market are the highest in the North of England and amongst the highest nationally, according to the latest valuation report. High rents have also been the main concern for traders and the most discussed issue in the media and amongst the public. However, we are not clear that serious consideration has been given to how lower rents can benefit the market. We believe that lower rents would not necessarily mean less rental income because there would be fewer voids, less stalls on discounted rents and traders might be able to pass on some of those reductions to customers. They feel that an overall rent reduction across the Market, discussed and agreed in partnership with traders would be more transparent than the unpopular and short-sighted rent

reduction schemes (rent free periods and renting at 10% of the full rates) that at the moment create understandable divisions between traders.

49. The Friends of Kirkgate Market would like an investigation into other markets which have successfully implemented alternative rent/charging structures.
50. We heard a number of concerns from traders on this subject and conclude that the current rental system is too complicated and is not transparent leading to dissatisfaction and rumour. We appreciate that much of the rental structure is difficult to change in the short term but the long term objective should be to simplify the rental structure wherever possible for the benefit of all concerned and ensure fairness and transparency.
51. We were particularly concerned that traders who have operated in Kirkgate Market for many years and pay their rent on time week on week are not offered any kind of discount whilst for good reasons; new traders are offered a range of discounts. This does seem to us unfair.

Recommendation 4

That the Acting Director of City Development consider either an alternative rent charging structure for Kirkgate Market or undertake a thorough review of the discounts and rents available in Kirkgate Market with a view to simplifying and making more transparent the discounts offered and which recognises traders who have operated in Kirkgate Market for many years.



Conclusions and Recommendations

Service Charges at Kirkgate Market

52. We learned that the charges to Leeds market indoor tenants consist of three elements - rates, rent and service charge. Service charges are only applied to traders occupying stalls in the Indoor Market; traders in the Outdoor Market are excluded from these charges.
53. As a general rule costs are only deemed service chargeable if they benefit more than one trader; direct costs relating to the operation of the Market are pro-rated between the Indoor Market (67% of total costs) and the Outdoor Market (33% of total costs).
54. We were advised that Leeds Markets Service, as a whole, incurs administration costs including: insurance, rates and office equipment. It was deemed unreasonable to charge the full value of these to the traders of Kirkgate Indoor Market, so these costs are pro-rated across all of the Markets.
55. Markets staff spend their time working on service chargeable and non-service chargeable tasks or at other Markets. Therefore, staff costs are apportioned over each of these areas.
56. The total service chargeable costs are then divided over the lettable square footage of Kirkgate Indoor Market (currently set at 75,000 sq ft); this generates the cost per square foot.
57. The timescale for setting the service charge is the same each year. In July Finance undertake the review of expenditure detailed above. By the end of July, Markets and Finance usually agree a cost per square foot. The rent roll entry from Markets is input into the billing system in September and the adjustment to the tenants' service charge contribution is from October until the following September.
58. The Service Charge to tenants was not increased this year (2010/11) see Appendix 2 of our report despite an increase in costs (mainly waste disposal charges). The increase in costs from 2009/10 to 2010/11 was £41k (4.93% increase).
59. We spent some considerable time on this issue during our inquiry on the premise that service charges should be transparent and easily understood. We found that traders were not being provided with any of the details. They did not have access to income and expenditure or the orders placed or invoices received.
60. We were advised that direct employee costs referred to in appendix 2 of our report refer to 45 markets staff which excludes the Directorate's costs. These market staff provide support to Kirkgate Market and other markets in the city and there time is charged accordingly.
61. We would suggest that a review of service charge costs should be undertaken particularly with regard to staffing costs to see if any efficiencies could be made that would reduce charges made to traders.



Conclusions and Recommendations

Recommendation 5

That the Acting Director of City Development

- (i) undertake a review of the staffing costs which are allocated to the Service Charges for Kirkgate Market to identify if any savings could be made in this area.
- (ii) Introduce electronic access to the Service Charge accounts income and expenditure for market traders rather than manual copies which are held in the Markets Office.

Occupancy & Stall Lettings Policy at Kirkgate Market

62. We learnt that occupancy at the indoor market is about 85% overall but varies considerably between areas. Currently the 1976 section has the highest vacancy rate at 21%, followed by the 1875 section at 19%. The 1981 and 1904 sections both have a current vacancy rate of 8%. (See Appendix 1 of our report). However the outdoor market has been performing well overall with all 200 stalls let on some days. Occupancy at the Asian themed market on Wednesdays has grown from 102 stalls when it opened to 117 stalls occupied each week..
63. Kirkgate Market's vacancy rates compare well with vacancy rates across the city centre where according to the

Local Data Company the city centre's overall vacancy rate is 19.48%.⁶

64. More new traders joined Kirkgate Market (39) than left (37) in the 12 months to 31st March 2010. The market does actually receive enough trader applications to fill the vacant stalls. Up to five applications a week are received for nail bars, hairdressers and mobile phone stalls. However we note that there are already a number of stalls trading these products and adding more is not a sustainable way forward for the market. The challenge is to fill the market in a sustainable way through attracting more ambitious tenants with a wider variation of product.
65. If Kirkgate market is to become more successful in terms of being a retail anchor for the city centre, having more successful businesses, making more money and giving more potential independent entrepreneurs the opportunity to start a business, then it needs more customers to shop on the market, or for the current number of customers to spend more money or both.
66. For this to happen tenants and the Council need to ensure that Kirkgate Market:
- sells what customers want to buy;
 - is open when they want to buy;
 - allows them to buy items in the way they want to (e.g. with debit cards, with a guarantee etc) and
 - provides an environment in which they wish to buy good and services.
67. We were advised by officers that Kirkgate Market is not working as well

⁶ A Gathering Storm: Shop Vacancy Report', 2010, Local Data Company.



Conclusions and Recommendations

as it could. We all want Kirkgate Market to **be the best market in the UK**. But 'best' means different things to different people. Is it somewhere that:

- is the cheapest place to shop? Offers quality products you can't easily find elsewhere? Is a "foodie's" paradise? Has great vintage clothes and affordable fashion? You can get your mobile phone unlocked or get your hair done? Sells food that the supermarkets don't stock?
 - Offers fantastic customer service that has knowledgeable traders who can advise on the best way to prepare a dish or what's in season, or what will work best with a colour scheme or what's the best buy?
 - You can pay with a credit card? Get a receipt? Has a no quibble returns policy?
 - Is open in the late afternoon or early evening or on a Sunday?
 - Is cool in summer and warm in winter? Is it a relaxing place to meet friends and have a cuppa or a bite to eat? There's noise and bustle with traders calling out what they have on offer? Are stalls selling the same goods or services located very close together?
 - Has a social role in supporting vulnerable people and marginal businesses?
68. It seems to us that an essential element in the success of any new strategy for the market will be the demand for stall units and getting the right mix of goods and services. We suggest that a key issue to be considered in this is the zoning together of similar types of businesses in the market
69. We also saw an example of a stall with several start-up taster businesses together under one stall-holding. We

think this is good practice and should be encouraged in the future.

Recommendation 6

That the Acting Director of City Development undertake a review of the lettings policy for Kirkgate Market with traders; to ensure that it is fit for purpose and contributes to the development of a strategy that ensures Kirkgate Market is the best market in the UK for quality and for being a unique shopping experience.

Footfall and Usage at Kirkgate Market

70. We were pleased to note that there were over 10m visitors to the indoor market last year and approximately 160,000 - 180,000 a week at present, a decline from 12m a year 10 years ago. This compares with weekly pedestrian flow in and out of the retail quarter in 2009 of 1,402,040, and with average weekly footfall in the St John's Centre of around 250,000 people, and 220,000 people in the Merrion Centre.
71. Kirkgate Market is open Monday to Saturday from 9am-5pm, with a new outdoor market on a Wednesday. Wednesday afternoon opening is a recent initiative and is still gaining momentum and footfall on Wednesdays is now around 14,000. A farmers' market operates the 1st and 3rd Sunday of every month, however despite this; there has still been an overall downward trend in terms of footfall.
72. There is increasing evidence that whilst some tenants are continuing to trade well, others are struggling. Moreover,



Conclusions and Recommendations

these difficulties cannot simply be attributed to the downturn in the economy, but rather reflect a broader historic decline in the market's traditional role as a key retail destination. The evidence supporting this view is drawn from both empirical and anecdotal sources. Over the last 10 years the market has suffered from decreasing footfall of 16%, and over the last 4 years its income has fallen on average 5%.

73. Given this evolving position over recent years, it is vital to reflect on where Kirkgate Market stands in providing a first class market facility and determine the direction to take now in order to maintain its relevance as an important retail destination. Of equal significance is the need to strike a balance between the financial return on the Market as an asset and the Council's economic and social objectives.
74. Over the last couple of years there has been a growing national debate about the role and future of traditional markets. Locally the vitality, viability and condition of Kirkgate market have been the subject of recent media, public and Elected Member discussion. Tenants have raised a number of issues which many of them believe are threatening the future of the market.
75. We noted earlier this year that a number of postgraduate students from Leeds Metropolitan University undertook some research about the Market and produced a report "Shopping at Kirkgate Market".
76. As part of this research they undertook surveys involving traders, existing customers, and people who did not use the market. It was of a valid size for statistical purposes and reflected the diverse population of the City. The key findings were:
 - The majority of shoppers in the market were over 50;
 - The busiest day of the week is Saturday (as identified by 60% of vendors), followed by Friday, (by 18% of vendors; throughout the week, the busiest time of day was identified as being between 12pm and 1.30pm);
 - The main reason why people liked to shop at Kirkgate was to 'have a look', followed by supporting local business. The lowest reasons were for 'ethical' reasons and the relationship to seller;
 - Those interviewed chose to use the market because it was cheaper (top answer in all age groups), followed by product selection and the convenience of everything being in one place. (perception or reality – they didn't test this); 78% of people who were interviewed who don't shop at Kirkgate Market answered that they are aware of Kirkgate Market, and 91% stated that they would shop there. 58% of non shoppers had found out about Kirkgate Market through friends, family and word of mouth, rather than through any marketing or advertising.
 - Of the non shoppers aged between 18 and 34, the main reason for not shopping was cleanliness at 35%, followed by accessibility of the market at 15%. General appeal and opening times came in at 12%, with product offer being insufficient and price of products coming in at 7%.
 - Of the non shoppers aged between 35 and 54, the product offer being insufficient came in as top reason why people didn't shop at Kirkgate Market at 37%, followed by cleaning and quality of products both at 21%. Opening times and general appeal came in at 7%.



Conclusions and Recommendations

- A third of people questioned were not aware of Kirkgate Market or where it was and anecdotal evidence from the Leeds Loves Food stall on Briggate also indicated a surprising lack of awareness of the market.
77. We understand that the Markets Service is currently working with both the Universities on further research focusing on patronage of the market by students and on understanding why city centre shoppers who know about the market choose not to shop there. This information will help to inform the development of an Executive Board marketing strategy for Kirkgate Market.
78. One of the issues cited for people using a market in national surveys are their vibrancy, and the sense of experience. Some people argue that Kirkgate has lost this over the years and that this is one of the reasons footfall has declined. Clearly as footfall has declined the market is likely to feel less lively; many of the comments about its lack of vibrancy originate from traders who remember the market from twenty or thirty years ago. Interestingly however, new visitors to the market often comment on how vibrant it is.
79. In answering these questions in order to create a vibrant market that is unquestionably the best in the UK, it might be useful for Elected Members to consider these points:
- does the Council have the necessary resources in the current climate to invest in the buildings to bring them up to a much higher standard and to promote the market effectively;
 - is the Council, on its own, able to respond quickly enough to develop and maintain a competitive edge in such a dynamic sector as retail?
- is the current offer right to attract new customers or do opening hours need to be longer or different?
 - do some tenants need business advice and training in customer care from expert 'consultants' to help them maximise their offer?
 - do more tenants need to develop an on-line shopping facility?
 - is increased marketing needed to attract more ambitious tenants, residents and visitors and if so how will it be funded?

Recommendation 7

That the Acting Director of City Development work with the traders to

- (i) adapt and make the changes necessary to win back footfall to Kirkgate Market by improving the overall shopping experience of customers which encourages them to spend more and**
- (ii) make a greater investment in promoting Kirkgate Market.**

Investment by Traders at Kirkgate Market

80. We noted on our visit to Kirkgate Market that some traders have made significant investment in their stalls and businesses either with their own finance or with funding from the Council's Business Support Scheme. Others, however, have not even been prepared to erect a fascia with the correct name of their business identifying what they sell but instead have left the fascia of a previous tenant in place, sometimes for many



Conclusions and Recommendations

years. Likewise some traders put a lot of effort into displaying their goods attractively, providing changing facilities, and keeping their stall clean, whilst others do not.

81. This adds to the appearance of neglect in the market and needs to be rectified.

Recommendation 8

That the Acting Director of City Development review this as part of developing a new strategy for the market which requires traders to operate to agreed standards which include a requirement to erect appropriate fascias with their correct name on it, display their goods attractively and keep their stall clean. This should be included in future tenancy agreements.

- number of empty stalls
- discounts offered

Recommendation 9

That the Acting Director of City Development introduce appropriate performance indicators that enable the success of the new market strategy once implemented to be measured and that these be made available to the traders, Executive Board Member and relevant Scrutiny Board on a regular basis.

Performance Indicators at Kirkgate Market

82. We think it important that the success of any new strategy for the market must be judged against agreed measures which might include:
- demand for stall units and the right mix of goods and services;
 - number of new business starts;
 - traders taking up training packages and business support;
 - tenants staying in business either on the market or elsewhere;
 - tenant turnover
 - Increasing footfall
 - rental income
 - customer satisfaction
 - waiting list for stalls

Parking Facilities at Kirkgate Market

a. Current and Future Customer Parking Provision

83. In terms of car parking adjacent to the Market we learned that there is on-street parking, a council owned short stay surface level car park on George Street and the York Street NCP multi-storey car park which was built some years ago to replace the car park on George Street in anticipation of this area being redeveloped.
84. As a result of the Eastgate redevelopment we were pleased to hear that there will be a net gain of 1,618 customer car parking spaces. The 400 spaces on the George Street car park will be replaced within the new 2,700 capacity multi storey car park. In addition, there is existing, unaffected, parking provision of 646 spaces adjacent to the Markets at the York Street NCP car park and at Quarry Hill.
85. We know that traders do have concern that the location of the new multi storey



Conclusions and Recommendations

car park is some distance from the market area and also the potential cost of parking in this car park.

86. We note that currently the majority of market customers travel on foot or by bus and indeed some older customers have commented that they do not like to travel into the city centre by car and so would not come by car regardless of parking provision. One of Leeds' main transport hubs, the bus and coach station is of course adjacent to the market and the railway station is less than 10mins walk or (currently) a free bus ride away.

87. We are satisfied that the net gain of 1,618 customer car parking spaces is a positive outcome for the market albeit that the new multi storey is a little way from Kirkgate Market.

b. Trader Parking Provision

88. We were advised that the Markets Service has never provided a dedicated parking facility for traders. With the redevelopment traders, together with all other current users of the short stay George Street surface car park, will need to find alternative car parking in York Street NCP car park or other city centre car parks.

89. The recent introduction of a discounted parking scheme by NCP for traders using the NCP market car park has seen an increase in traders using this car park. However due to height restrictions this car park is not suitable for transit van type of vehicles.

c. Current and Future Loading/Unloading

90. We noted that the bulk of **indoor market** deliveries are undertaken before

retail opening hours which is between 6am and 8am (Mon to Wed) and 6am - 7.30am. (Thurs to Sat) using the early morning access doors at Ludgate Hill and Scotsman's entrance. The middle doors on New York Street are also open for deliveries to the market from 6.30-7.00am.

91. During these times delivery drivers tend to park their vehicles on George Street, Vicar Lane, New York Street and Kirkgate and the pedestrian area in front of the Kirkgate market entrance. The majority of vehicles park along George Street and use the Ludgate Hill entrance to the market.

92. We noted that there is a long standing arrangement in operation between Markets and Parking Services whereby the parking bays on the Market side of George Street are suspended until 10.30am each morning.

Recommendation 10

That the Acting Director of City Development review the parking, loading and unloading arrangements as part of the strategy for the Market having regard to the Eastgate development including the possibility of identifying a dedicated area for traders transit vans that cannot be parked in the NCP market car park.



Conclusions and Recommendations

Eastgate Quarter Development

93. We were informed that together with the indoor and outdoor market, the Eastgate Quarter constitutes the eastern retail quarter of the city and the future of Kirkgate must be considered in the context of proposals for the Eastgate redevelopment scheme.
94. This area currently consists mainly of open surface car parking, a significant amount of which has lain undeveloped since the 1960s, and a number of buildings that are underused and in a state of disrepair. Typically the area lacks a 'sense of place', activities which attract visitors, public open space and pedestrian integration into the rest of the city centre.
95. We learned that the objective of this development is to regenerate the Eastgate Quarter of Leeds City Centre through the provision of a retail led mixed use scheme which combines appropriate features of the historic environment with a series of new streets, squares and public spaces as a seamless extension to the city, rather than in a conventional "shopping centre" format. The development will provide new retail, café, and restaurant uses alongside new primary and secondary anchor department stores which will act as the main anchors of the scheme on both sides of Eastgate.
96. The new shopping streets of the Eastgate Quarter will reinvigorate and revitalise lost routes to the area, increase levels of activity, and promote new connections between northern, southern and eastern retail quarters. Proposals for Quarry Hill, the emerging cultural quarter, will see large scale development which will help re-establish it as a major focal point east of the city centre.
97. We heard that the Council is also working towards the enhancement of the 'Kirkgate quarter' with the aim of the *regeneration of the area surrounding Kirkgate Market and Cloth Hall Street*.
98. The Heritage Lottery Fund has already earmarked funding under the Townscape Heritage Initiative (THI) to help renovate the Lower Kirkgate area of Leeds City Centre. As a result of the THI extensive repairs will be carried out to various heritage buildings through the reinstatement of lost architectural features and refurbishment of vacant buildings. The scheme will also bring wider training and work placement opportunities to communities within Richmond Hill. It is also hoped that the redevelopment will help to stimulate pedestrian activity in and around the adjacent Kirkgate markets area.
99. The redevelopment of the Kirkgate Quarter area will create significant improvements in the public realm and will improve the connectivity between the Market, Lower Kirkgate, Eastgate Quarter and the improvements planned for the Riverside. The initiative will also generate inward investment, business creation and employment opportunities for the city centre whilst providing a real boost to the Market (and its traders) which has been in decline in recent years. It will also contribute significantly to tourism, building on Kirkgate Market to create a Kirkgate Quarter as a destination in its own right.
100. It is important that the level and quality of retailing in Leeds City Centre enables



Conclusions and Recommendations

it to act as a regional anchor.⁷ It is also essential to ensure that the “offer” of the city centre – including Kirkgate Market - matches the needs and wants of users otherwise shoppers will choose to go elsewhere to cities with a broader retail offer. It is anticipated that these two developments will significantly increase footfall in the eastern area which will have a beneficial effect on Kirkgate Market.

101. However, whilst the developments in the Eastern part of the City Centre will be significant and positive for Kirkgate Market in the long term, in the short term there will be a significant amount of disruption to the area and a risk that due to this and the uncertainty this will generate, footfall and the number of traders in the market may actually fall further during this development phase. We were advised that the City Council will work closely with traders, customers and the developers to minimise the impact.

102. Views are divided as to the impact which the Eastgate development will have on Kirkgate Market; in reality it probably presents both opportunities and challenges. For example during the construction period car parking in the area will be reduced but construction workers will undoubtedly use the Markets’ takeaways and cafes. Current proposals place the anchor store John Lewis opposite to Kirkgate Market potentially bringing new customers right to the market’s doorstep.

103. We were informed that the Council is working closely with the developers Hammersons, and anchor tenant John Lewis, to ensure that the Eastgate development ultimately benefits the

market. Indeed some changes to the configuration of the layout of John Lewis and the positions of pedestrian crossings have already been made to help ensure greater cohesion between Eastgate and the market. In respect of the car parking it is important to remember that the NCP car park at the back of the market was built to replace the temporary George Street car park some years ago when the Council was working on an earlier scheme to redevelop this area, which never came to fruition. In terms of the overall development and the wider eastern area of the city centre the NCP car park and the new proposed car park will provide parking at both sides of the Kirkgate/Eastgate area and clearly John Lewis wants its customers to be able to park very close to its store. However, market traders advised us that they had not been advised by the Council nor involved in any discussions with the developers about the redevelopment of the Eastgate Quarter and its implications for Kirkgate Market We were advised by officers that this was factually incorrect as traders representatives were consulted during the first planning application process and were consulted again in Autumn 2010 in respect of this development

104. The redevelopment of the Eastgate quarter is expected to commence in 2012 at the earliest and will take approximately three years to be complete. Close working between all parties will be essential during this period.

105. We noted that the delay in the Trinity Quarter development has meant that city centre retailers (including traders in Kirkgate Market) have had the advantage of competing with a reduced amount of retail space (due to

⁷ ‘Eastgate Retail Statement’, 2006, CB Richard Ellis.



Conclusions and Recommendations

demolition of existing units in preparation). With Trinity Quarter now on site with a scheduled opening of 2013, this additional retail space will increase competition and potentially draw footfall away from the eastern quarter.

Recommendation 11

That the Acting Director of City Development ensure that officers keep traders appraised of progress with regard to the Eastgate Development and that the developers Hammersons and John Lewis be asked to meet with market trader representatives on a regular basis to explain their proposals and hear the traders concerns.

Recommendation 12

That the Acting Director of City Development provide a copy of the Market Strategy on publication to the relevant Scrutiny Board for consideration and comment.

106. Finally we noted the concerns of the traders regarding the management of Kirkgate Market. We noted that In December 2009 the Markets Service transferred from Asset Management to Economic Development, both within City Development. The move signified the importance of the Kirkgate and district markets to the economic development of their surrounding areas and of the potential impact of those areas on the markets.

107. We are pleased that a new Markets Manager has been appointed and accept the current reporting structure as being the most appropriate provided the Council retains ownership and management of the market.



Evidence

Monitoring arrangements

Standard arrangements for monitoring the outcome of the Board's recommendations will apply.

The decision-makers to whom the recommendations are addressed will be asked to submit a formal response to the recommendations, including an action plan and timetable, normally within two months.

Following this the Scrutiny Board will determine any further detailed monitoring, over and above the standard quarterly monitoring of all scrutiny recommendations.

Reports and Publications Submitted

Reports of the Head of Scrutiny & Member Development

Report of the Acting Director of City Development on current issues facing the market

Report of the Acting Director of City Development on the rent review, conditions survey, service charges and stall lettings policy

Appendix Extract from the Valuation Office Agency Report

Appendix Building conditions survey 1875 -1904 Kirkgate Market

Appendix Service chargeable and non service chargeable costs

Appendix Breakdown of 2010 service charges

Appendix Executive Board report "Towards a market strategy for Kirkgate Market"

Report by the Acting Director of City Development on Eastgate and parking

Report of the Acting Director of City Development on ownership and management models

Submission by Friends of Leeds Kirkgate Market and National Market Traders Federation

Note of Kirkgate Market Forum of 10th February 2011

Briefing note on leases and licences in Kirkgate indoor market



Evidence

Witnesses Heard

Mr John Perriton, Field Support Manager, National Market Traders' Federation
Ms Liz Laughton, National Market Traders Federation, Kirkgate Branch
Ms Sara Gonzalez, Friends of Kirkgate Market
Ms Megan Waugh, Friends of Kirkgate Market
Mr Chris Leonard, Friends of Kirkgate Market
Ms M E Ruston, Market Trader
Mrs Michelle Hocken, Market Trader
Mr Lucky Singh, Market Trader
Joe Williams, National Market Traders Federation
Mr Alan Wheeldon, Friends of Kirkgate Market
Mr Martin Farrington, Acting Director of City Development
Mr Paul Stephens, Chief Economic Development Office, City Development Directorate
Ms Cath Follin, Head of City Centre and Markets, City Development Directorate
Ms Sue Burgess, Markets Manager, City Development Directorate

Dates of Scrutiny

25th August 2010 Visit to Kirkgate Market by Board Members
7th September 2010 Scrutiny Board (City Development)
5th October 2010 Scrutiny Board (City Development)
2nd November 2010 Scrutiny Board (City Development)
7th December 2010 Scrutiny Board (City Development)
11th January 2011 Scrutiny Board (City Development)
8th February 2011 Scrutiny Board (City Development)
8th March 2011 Scrutiny Board (City Development)



Appendix 1

Vacancy Rates Kirkgate Market

Section	2005 %	2006 %	2007 %	2008 %	2009 %	2010 (current) %
1976	13	12	14	24	22	21
1981	10	10	24	17	12	8
1875	17	3	2	3	3	19
1904	10	5	5	7	7	8
Total (%)	12	9	14	16	14	14



Appendix 2

Breakdown of 2010/11 Service Charge

Item of expenditure	2009/10 budget	2009/10 actual cost	2010/11 budget
	£	£	£
Maintenance etc of Plant	17,320	17,773	17,320
Maintenance, Cleaning, Inspection etc of buildings	127,640	114,273	115,140
Provision of Security Services	92,390	82,888	88,010
Insurances	19,856	12,258	9,428
Direct Employee costs	394,389	376,936	373,155
Supply and Maintenance of materials and equipment	24,652	17,426	23,613
Rates and Taxes	7,598	9,001	7,831
Supply of Water, Electricity, Gas, Oil and other fuels	106,440	106,134	106,440
Managing Agents Fees	41,163	40,705	40,356
Disposal and destruction of refuse including associated plant	48,210	77,404	80,000
Miscellaneous Expenditure	0	0	0
Total	879,659	854,797	861,295
Difference between the budget and actual cost for the previous year	-43,232		-24,861
Total service charge	836,426	854,797	836,433
Cost per square foot	11.15	11.40	11.15

