

Report of the Director of City Development

Report to Executive Board

Date: 13 March 2013

Subject: Kirkgate Market Strategy

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): City & Hunslet	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This report sets out recommendations on the outline strategy for the future development and management of Kirkgate Market.
2. There is now an imperative and opportunity to improve the Market. Action must be taken to tackle current problems with the condition of the building and to secure its future commercial success. There is a unique opportunity to increase customer numbers and spending in the market by attracting some of the 10 million to 15 million customers that will visit phase 1 of the adjacent Eastgate Quarters scheme when it opens in 2016. There is also a need to ensure the management structure for the Market is suitable for the future.
3. A feasibility study involving extensive technical work has been undertaken to consider the state of the building. There has been consultation on possible options for the redevelopment and management of the Market. The options have been assessed to consider their investment case, and against the overall aims and objectives for the future of Kirkgate Market. An important conclusion from the investment case and appraisal of options is that Kirkgate Market should not be reduced in size.
4. **Improving the Interior of the Market**
 - 4.1 The recommended strategy for improving the interior of the market is:

- A programme of maintenance and renewal to bring the building up to modern standards;
- Retention of the 1976 and 1981 halls and replacement of their roof covering to give it a further 15 years life;
- Introduction of a covered daily market in the existing 1976 hall;
- Creation of a new “heart” to provide a central events space, and new pedestrian routes linking the George St, New York Street and Vicar Lane entrances;
- Improved signage, screens and maps to help people find their way around;
- Creation of distinct retail zones to attract shoppers to all areas of market, in particular relocation of Butchers Row adjacent to Fish and Game Row; and
- Opening up the frontage of the Open Market to the new Eastgate Quarter development, improving loading and servicing arrangements and easing congestion on George St.

4.2 A capital budget in the region of £12.3m is recommended to implement the above proposals. Prudential borrowing would finance the proposals and the existing markets surplus will cover the cost of borrowing.

5. Improvements to the George Street frontage

5.1 Improvements to the George St frontage are recommended. The existing 1930s and 1980s shops and office buildings on George St would be redeveloped to create a more appealing frontage that will attract shoppers into the Market from Eastgate Quarter. New retail units at ground floor level, accessed from both sides, will improve access. Private rented apartments would be built on the upper floors.

5.2 The improvements to George St should be a separate project to be brought forward by a developer through a procurement exercise. It is possible that some subsidy from the Council will be required initially. This should be funded separately from the main Markets scheme. Further work is required to finalise the business case for this development.

Impact on Traders' Businesses

5.3 Sensitivity is needed in delivering such a large scale development in an existing retail centre. The Council will work closely with traders to minimise the impact on traders' businesses and to ensure that the market remains open and trading throughout. Decant and relocation strategies have already been considered, and will be worked up in detail. Many businesses in the indoor and outdoor market may be affected and for some, ultimately this may mean that termination of their Agreement is the most appropriate option. Compensation will be paid where appropriate, or an Agreement for Lease negotiated for a new unit post-development. Each individual business will have at an early stage the opportunity to discuss in detail the options available to them.

6. Future Management Arrangements

- 6.1 An alternative management structure within Leeds City Council is recommended. There would be a new management board with trader representation and external expertise, and a ringfenced budget. Current Council arrangements for formal decisions would be unchanged. This approach would reduce risk during a complex redevelopment. A more arms length option could be considered subsequently.

Recommendations

Executive Board is recommended to:

- a) Agree in principle to the proposed improvements to the interior of the Market (summarised at 4.1 to 4.2 above) in order that the project can be progressed and a detailed planning application submitted (completion of RIBA Work Stage D – Design Development), and to introduce the scheme into the capital programme;
- b) Agree in principle, to progress improvements to George St outlined in paragraphs 5.1 to 5.2 as a separate project (approval from Executive Board will be sought subsequently to introduce this as a separate scheme into the capital programme);
- c) Agree to continue to hypothecate future years markets surplus as detailed in this report to fund prudential borrowing, which in turn will fund the capital costs of the redevelopment and refurbishment proposals;
- d) Agree in principle to putting in place an alternative management structure within Leeds City Council (Executive Board's approval for the detailed proposals will be sought subsequently).
- e) Agree an injection of £1.615 million in the Capital Programme and the incurring of expenditure of £1.615 million for the first phase of backlog maintenance and upgrade works in the Market and, to progress scheme design proposals to RIBA Stage D for the proposed redevelopment and refurbishment of the Market and the developer procurement competition for the George Street frontage.

1 Purpose of this report

- 1.1 The purpose of this report is to make recommendations on the redevelopment and refurbishment of Kirkgate Market and to recommend future management arrangements for Kirkgate Market both in the short and longer term.

2 Background Information and Approach

- 2.2 Kirkgate Market is in a prime retail location in the heart of Leeds city centre. It comprises the indoor and outdoor market and the shops and offices on George St. It does not include the shops in Leeming House (Boots etc), the shops on New York Street, nor the NCP car park. It is a Grade 1 listed building.
- 2.3 The Council's Markets Service turns over between £3.5m and £4m a year. The overall annual operating surplus peaked in 2006/07 at £2.4m, but it is currently £1.4m
- 2.4 On 27 July 2011, the Executive Board approved the vision and objectives for Kirkgate Market and on 10 February 2012, the Executive Board approved recommendations to undertake a feasibility study to redevelop and refurbish the market and to undertake an appraisal on its future management arrangements.
- 2.5 A feasibility study has identified what improvement and development proposals could be taken forward to fulfil the Council's vision for the market to be the best in the UK. It has involved extensive analysis and review of existing technical data about the condition of the market site and buildings. Further comprehensive surveys and technical reports were also commissioned where required and the stage 1 and stage 2 engagement feedback, with input from the technical advisor and Design Review Panel.
- 2.6 A Kirkgate Market Strategy Project Board was set up to oversee the project and Public Private Partnerships Unit were commissioned to manage it. Norfolk Property Services (NPS) were commissioned to undertake the feasibility study and stakeholder engagement. A technical advisor (Arup) was also commissioned to provide check and challenge. The project has also been presented to the Council's Design Review Panel.
- 2.7 Stakeholder engagement (stage 1) took place prior to the start of the feasibility study and again after the initial findings of the feasibility study (stage 2). The purpose of the stage 1 engagement was to ensure that all the stakeholders with an interest in Kirkgate Market could put forward their views and ideas on how the market can be enhanced, improved and sustained into the future. The purpose of the stage 2 stakeholder engagement was to ensure that the progress made since the stage 1 engagement was fed back to stakeholders and to seek views on the initial findings of the feasibility study. The wide ranging responses were analysed and reports produced for each stage, which are available as background papers.
- 2.8 In parallel with the feasibility study, the investment case was considered for each of the main redevelopment options. This identified the cost and estimated return on investment for each option. The investment case has considered:

- the benefits and disadvantages of each option;
- the feedback from stakeholders;
- existing rents and charges;
- existing and historical footfall data;
- comparison with two other successful markets (Birmingham Bullring and Bury), capital costs, including initial capital, borrowing costs and lifecycle costs;
- the strategy for relocating traders within the Market, including compensation payments;
- the effect on revenue streams during redevelopment and post redevelopment;
- investment opportunities post redevelopment; and
- the economic impact on the wider Leeds economy.

2.9 An options appraisal on the potential future management arrangements for Kirkgate Market (indoor and open market) has been undertaken. The management options are:

- No change – Managed by Leeds City Council;
- Alternative Leeds City Council management model;
- Wholly Owned Management Company (arms length approach within Leeds City Council ownership);
- Civic Enterprise;
- Management Contract with private operator;
- Social Enterprise; and
- Limited Liability Partnership.

Each option has been appraised taking account of operational sustainability, financial sustainability and deliverability.

2.10 For further detailed background information and the approach taken for the engagements, feasibility study, investment case and management options appraisal refer to Appendix A - Detailed Background and Approach to the Project.

2.11 During the course of the Stage 2 engagement, advocacy group the Friends of Kirkgate Market asked the Council to consider their five Principles for Decision Making in establishing the format of future redevelopment and management arrangements for Kirkgate Market. These were:

1. The market is and should be a place for everyone. The council understands and commits to protecting the social contribution the market makes to the city and will ensure that it continues to provide for the many and diverse groups in Leeds, in particular those vulnerable groups who rely, socially and economically on the market.
2. There should be absolute transparency and openness in all issues relating to the market so that all stakeholders are able to understand the market finances as well as how and why decisions are made.
3. The expertise and experience of market traders should be integral to any management and decision making structures. Traders meaningful and lasting involvement in deciding the future of the market should be treated as a priority and should begin as soon as possible.
4. A percentage of the annual profit (£1m plus) generated from the Market is reinvested as part of a long term plan that ensures its sustainability. This will safeguard both the “social” function that the market now performs as well as its solidarity mechanism – the contribution that its profits make to other local public services.
5. The traditional atmosphere of the market should be protected. It should not become an over-organised, sterile space which would destroy the market’s unique character.

2.12 It has been helpful to have the Friends' thinking set out clearly in this manner and officers are confident that the recommendations brought forward in this report are in principle well aligned with the requested approach.

3 Main Issues

Redevelopment and Refurbishment Proposals

- 3.1 Kirkgate Market is an important landmark in Leeds, not just in terms of the building but also in its importance to the people of Leeds and its international importance as the birthplace of Marks and Spencer. It also provides a unique opportunity for small businesses to start up and thrive in Leeds city centre.
- 3.2 Kirkgate Market faces the same challenges as other traditional markets across the UK; price competition from larger retailers, rising customer expectations and a changing customer base. Kirkgate Market needs substantial investment to deal with the extensive maintenance and capital investment requirements to meet customer expectations and expand its customer base.
- 3.3 Kirkgate Market also has distinct advantages, which there is potential to build upon. It has an excellent location with a large catchment, housed in an iconic historic building, an excellent fresh food offer in butchery, fish and game, a popular and commercially successful daily outdoor market and a loyal customer base.
- 3.4 Kirkgate Market also has some significant opportunities to re-establish itself as a shopping destination and broaden its appeal to a wider range of customers and visitors.
- 3.5 The adjacent Eastgate Quarter development will attract an estimated 10 million to 15 million shoppers to the area when it opens in 2016/17. This provides a unique opportunity to attract some of these shoppers into Kirkgate Market to increase

customer numbers and customer spending. The challenge is to increase the attractiveness of Kirkgate Market, and to enhance its retail offer to attract new customers, as well as retaining its existing customer base.

- 3.6 The commercial opportunities for Kirkgate Market include the potential for a covered daily market. This would grow its reputation as an excellent location for fine food businesses and high quality fresh food. It would also build on the existing fabric and haberdashery offer to create a hub for designers and makers. There is also scope to create more commercially attractive shop units on George St.
- 3.7 The Market provides an important route for people starting up and growing independent retail businesses. There is scope for closer relationships with universities, colleges and schools to help develop the retail and business skills of traders and potential traders.
- 3.8 Investment is required now to tackle current problems with the condition of the building, and to improve the market to make it more attractive to today's customers and traders, securing growth for the future. Doing nothing is not an option.

Conclusions (Refer to Appendix B – Kirkgate Market Redevelopment and Refurbishment Proposals)

- 3.9 A programme of maintenance and renewals ("Fixing the Basics") should be implemented. This would be the minimum works needed to ensure the market buildings and stalls comply with health and safety legislation and are well maintained and efficient to run. The 1976 and 1981 Halls should be retained, and their roof coverings replaced. There is strong support from stakeholders for this option.
- 3.10 Improvements to the "look and feel" of the Market are recommended. These would create a clean, bright, welcoming space with easy to read signage and a more uniform appearance without losing the diversity and individuality of stalls. If not implemented, this would undermine the redevelopment and refurbishment proposals as a whole. It is strongly supported by the stage 2 engagement feedback (especially important to younger respondents).

The above works do not have any major trader impact as they can be undertaken mainly out of hours.

- 3.11 Reconfiguring the layout of the Market is recommended. There is a strong investment case, which is also supported by stakeholders for this option. This would include providing a range of stalls, in terms of size and type, that are attractive to customers. It will also include introduction of a daily covered market in the 1976 Hall. Birmingham Bullring and Bury Markets, both successful markets, have substantial and commercially successful covered daily licensed markets. This offer is missing completely from Kirkgate Market. A covered daily licensed market would be an ideal use for the existing 1976 Hall (below the Post Office entrance). The 1976 Hall would remain with the relevant stalls removed. Therefore most existing businesses in the 1976 Hall below the Post Office entrance will need to be relocated, or their lease terminated in return for compensation. The open market would remain.

- 3.12 The creation of a “heart” to provide a central events space and new pedestrian routes are recommended. These improvements would help draw people through the market (particularly to/from Eastgate Quarters). The new pedestrian routes would link the George St, New York Street and Vicar Lane entrances. These improvements would require relocation of a small number of businesses. There is a strong business case, and strong support from consultees for these measures.
- 3.13 Combining the existing Fish and Game and Butchers Row into one location is recommended to create a destination to attract customers into the market, particularly important due to the nearby Eastgate Quarter development. This would involve relocating businesses from Butchers Row adjacent to Fish and Game Row.
- 3.14 Improved signage, screens and maps are recommended to help people find their way around. If not implemented, the redevelopment and refurbishment proposals would be undermined. This option has very little trader impact as these works can be undertaken out of hours.
- 3.15 Improvements to some external public spaces are recommended. This work would include opening up the Open Market’s frontage to the new Eastgate Quarter development and improving loading and servicing arrangements.

Improving the George Street Frontage

- 3.16 Improvements to the George St frontage are recommended. With the significant development across the road in the form of the Eastgate Quarter scheme, Kirkgate Market needs a ‘new front door’ on the George St frontage to welcome the many millions more shoppers who will be in this quarter of the city. The 1930s shops and the 1980’s shops / offices are outdated and out of proportion with the scale of the adjacent Grade 1 listed market buildings and investment here will help ensure that George St becomes a quality shopping street. There is strong support from consultees for this option.
- 3.17 There is currently good rental income from the George St shop units. However, income could be improved by redeveloping George St to create double-sided retail units which face onto George St and also into the market, with several floors of private rented accommodation above. This scheme is likely to be attractive to developers.

Budget

- 3.18 A capital budget in the region of £12.3m is recommended to implement the above redevelopment and refurbishment proposals (excluding redevelopment of the George St frontage). Prudential borrowing would finance the proposals. The cost of this will be met from the £500k hypothecated annually from the markets surplus, apart from years 2 to 5 when additional markets surplus will be required to finance the borrowing. Post-development, income is projected to rise steadily.
- 3.19 £300k is incorporated into the fees for the project to support additional promotions and raise awareness. A promotional budget post-development will be determined at a later date.

- 3.20 The improvements to George St outlined above should be a separate project which is brought forward by a developer through a procurement exercise. It is possible that some subsidy from the Council will be required. This should be funded separately from the main Markets scheme. Further work is required to finalise the business case for this development
- 3.21 There is a risk that as this scheme relies on its attractiveness to developers, market conditions may change to make it unattractive leaving the Council at risk of delivering the development. However, the importance of improving the George St frontage, particularly in terms of the improved potential to attract new customers from Eastgate Quarter both reduces the probability of this scenario and increases the imperative to undertake it, therefore on balance the risk is considered worth taking.

Impact on Traders' Businesses

- 3.22 Whilst the Council is mindful for the need for sensitivity in delivering such a large scale development in an existing retail centre, it is inevitable that market businesses will experience some impact. The Council will work closely with traders to minimise impacts and to ensure that the market remains open and trading throughout the works. Apart from the 1904 Hall (60 stalls) which will remain largely unaffected by the proposals, almost all other businesses in the indoor and outdoor market may be affected. For some businesses ultimately this may mean that termination of their Agreement is the most appropriate option. Compensation will be paid where applicable, or an Agreement for Lease negotiated for a new unit post-development. The Council is committed to a vibrant and viable market both during and post-redevelopment, and each individual business will have an early opportunity to discuss in detail the options available to them.
- 3.23 The proposed works will entail decants and temporary arrangements for the more major elements of work, which will inevitably lead to some disruption. Continuity of trading and keeping as much of the facility operational at all times during redevelopment is of utmost importance. Therefore phasing and decant strategies have already been carefully considered. Some of the proposed works involve minimal disruption to traders where much of the work can be done at night and on Sundays or by working around traders' units. Other works, such as the creation of a covered daily market in the 1976 Hall and improvements to George St will create the most disruption but wherever possible, traders will only move once, i.e. to their new permanent option. Measures will be put in place to ensure that customers can find their way to traders' businesses easily.
- 3.24 The next stage of the project will firm up detailed plans for phasing and decants, involving consultation with traders. The most urgent works should start as soon as possible. This is likely to include replacing the roof coverings to the 1976 and 1981 Halls.

Moving Forward

- 3.25 If the Executive Board is minded to approve the recommendations contained in this report to progress the proposals to redevelop and refurbish the Market and to procure a developer to improve the George St frontage, it will be necessary to;

- (1) Appoint a multi-disciplinary design team and cost consultant to progress proposals for both scheme design and costs to the completion of RIBA Stage D, sufficient that upon confirmation of design freeze, a detailed planning application for the redevelopment/refurbishment proposals may be submitted to the Local Planning Authority.
- (2) Retain specialist advisors to assist the City Council in a procurement competition to appoint a developer to undertake improvements to the George St frontage.

Future Management Arrangements

- 3.26 Leeds markets including Kirkgate Market are currently wholly owned by Leeds City Council through its Markets service. Leeds City Council owns the Market Charter rights. The Council's Markets service is currently responsible for managing and developing all the council's retail markets, street trading and licensing commercial markets in the Leeds district.
- 3.27 Leeds markets, including Kirkgate Market, will remain in Leeds City Council ownership and remain open and operated as markets. It is only the future management arrangements of Kirkgate Market (indoor and open market) that were appraised.
- 3.28 It is important that future management arrangements for Kirkgate Market are suitable. A range of different management options were appraised against a set of criteria.
- 3.29 The chosen option needs to have the stability to achieve the Council's vision for Kirkgate Market to be the best market in the UK. It also need to give traders more of a say in the management of the market and to ensure that the substantial investment required can be sustained.
- 3.30 The majority of consultees from the stage 2 engagement indicated they had a preference for the Council to continue managing the Market. However, there was also strong support from consultees for the market to be managed to give traders a say.
- 3.31 The "Alternative Leeds City Council Management Model" is the recommended option to deliver the required benefits. This would entail a Management Board being set up. The Board would include councillors, traders, local authority nominees and independent members with relevant experience in commercial retail. Trader members would be elected by their fellow traders. There could also be co-opted members as required. A ring-fenced operational budget would be required. Current Council delegation arrangements for formal decisions will remain unchanged (i.e. Executive Board and officer delegation) and the markets management team would continue to manage all of the Leeds markets and operate the full range of its Market Charter obligations. This option would improve the engagement of traders in the management of the market, whilst also providing stability during a complex redevelopment phase.

- 3.32 The scope for a more arms-length arrangement (such as a Wholly Owned Management Company) could be considered following the redevelopment. This option scored well in the options appraisal, but it also poses risks, complexities and disadvantages.

Conclusions

- 3.33 The Alternative Leeds City Council Management Model is recommended. This option is supported strongly by consultees. The cost and risk of non-delivery of the management change is very low. This option is a practical solution which would improve trader engagement in the management of the Market, whilst providing stability during the redevelopment phase of Kirkgate market.

4 Corporate Considerations

Consultation and Engagement

- 4.1 A considerable amount of engagement was undertaken between May and December 2012 with a wide range of stakeholders.
- 4.2 The first Stage of Stakeholder engagement took place prior to the commencement of the feasibility study, between May and July 2012. This ensured that all the stakeholders with an interest in Kirkgate Market could put forward their views and ideas on how the market can be enhanced, improved and sustained into the future. Stakeholders included members of the general public, consultees with a vested interest in the market, and special interest groups. There was engagement with all political groups represented on the Council, Kirkgate Market staff, Traders, Citizens Panel (2 sessions), The Leeds City Centre Partnership Board, Leeds Retail Association, Hammersons, the General Public (4 sessions), Kirkgate Quarter Stakeholder Group, Civic Trust, Equality Hub, Friends of Leeds Kirkgate Market, and Youth Representatives.
- 4.3 Engagement activities included workshops with the above stakeholders, the Kirkgate Market Your Say on line survey and a paper survey for all stakeholders, including members of the public.
- 4.4 In stage 1 overall 3,177 people responded to the paper and on-line data collection questionnaires and 93 people attended the range of stakeholder engagement workshop sessions. In addition, letters, reports and other contributions were sent in by interested parties. There was a large range of responses which have been analysed and a stage 1 engagement report produced.
- 4.5 After the initial findings of the feasibility study stage 2 engagement was undertaken between October and December 2012 to ensure that the progress made since the stage 1 engagement was fed back to stakeholders and to seek feedback on the initial findings of the feasibility study.
- 4.6 Stage 2 engagement materials were produced and these were displayed at Kirkgate Market and all one stop shops and libraries. Feedback forms were also available. Engagement activities included engagement workshops with the same stakeholders as in stage 1, self-completion leaflet surveys available within Kirkgate

Market and at a variety of locations in and around Leeds (including all Leeds City Council libraries and one stop centres), an open response online survey, accessed via the Leeds City Council website and an online survey with members of the Leeds City Council resident's panel.

- 4.7 Overall 1,900 people responded at Stage 2 to the paper and on-line data collection feedback forms and over 170 people attended the range of stakeholder engagement workshop sessions. In addition many respondents expanded their views with additional, qualitative responses. The responses have been analysed and a stage 2 engagement report produced.
- 4.8 The engagement has been recorded in the Council's Talking Point database.
- 4.9 Discussion has also taken place regularly with the Leader and Chief Executive of the Council, Executive Board Member for Development and the Economy, the Lead Member for Development and the Economy/Markets Champion, and senior management.
- 4.10 Equality and Diversity / Cohesion and Integration
- 4.11 The engagement processes have been planned carefully so as to ensure they have been comprehensive with regard to equality and diversity / cohesion and integration.
- 4.12 An Equality, Diversity, Cohesion and Integration Screening has been completed for the project and is attached in Appendix C.

Council Policies and City Priorities

- 4.13 The redevelopment and refurbishment and the future management arrangements proposals for Kirkgate Market are crucial to supporting the Council's vision for Kirkgate Market.
- 4.14 Securing the future of Kirkgate Market is a key element of being The Best City:
 - Best city... for business - making sure jobs are created and that local people can access those jobs, making sure new developments create skills and opportunities through apprenticeships. Supporting Leeds to be an attractive place to visit and invest in, with cultural attractions for local people and visitors nationally and internationally.
 - Best city... for communities - encourage community spirit and local activity, but recognise that it will take high-quality public services.

Resources and value for money

- 4.15 Kirkgate Market has an operating surplus of approximately £1.4m. The 2013/14 revenue budget provides for an additional £500k of the surplus to be utilised to meet the cost of the proposed development.

- 4.16 The investment case for the recommended improvements shows that post-development income is projected to rise steadily. A capital budget in the region of circa £12.3m is recommended to implement the improvement proposals and it is proposed that this will be financed by prudential borrowing, the cost of this will be met from the surplus.
- 4.17 During the development stage, years 2 to 6, additional market surplus will be required to finance the borrowing and the revenue implications of the development. The summary position is that the cost of borrowing, combined with the impact on income during development, offset by the predicted increase in income post-development, is that the Council faces a likely budget issue in years 2-6 of the development when costs exceed the £500k already ringfenced to service borrowing costs. This is cumulatively c. £1.5m over that period. However, an uplift in the economy combined with the completed Eastgate Quarter and John Lewis store adjacent to the Market should ensure that income increases enough to achieve a breakeven position by year 6.
- 4.18 Prudential borrowing will be at the most favourable rate available. Periods of borrowing reflect each individual element and its expected life, so that the term will vary between 10 and 30 years depending on the nature of works.
- 4.19 There is an imperative to progress with backlog maintenance works where these do not require further design nor planning consent. In order to undertake these backlog maintenance works an injection into the Capital Programme and Authority to Spend for a sum of £750,000 is required to progress the works in the financial year 2013/14. The backlog maintenance works will include:
- (1) Sprinkler upgrade including storage tank
 - (2) Drainage work
 - (3) Anti slip entrances
 - (4) Repairs to general extraction system (1875)
 - (5) Repairs to 1904 ventilation
 - (6) Electrical upgrades to stalls
 - (7) Replace parquet flooring 1904 balcony
 - (8) Relay 1904 paving flags on new sub base
 - (9) Address block paving irregularities at entrances
- 4.20 At this time, it is only possible to estimate the cost at £750,000 of progressing design proposals to RIBA Stage D to redevelop and refurbish the Market, and the retention of advisors at £115,000 to assist the Council in the selection of a developer for the George St frontage, as the fees payable will only be confirmed once fee proposals/tender submissions for the required works have been received, assessed and appointments confirmed.

- 4.21 Members of Executive Board should note funding totalling £1.5 million to progress the backlog maintenance works (£750,000), the scheme design proposals for the Market (£750,000) will need to be injected into the Capital Programme, to be funded by prudential borrowing, the cost of which will met from the Markets surplus.
- 4.22 In addition, there is a need to commission work to progress the selection of a developer for the George St frontage in advance of concluding the business case. The cost of this work, estimated at £115,000, will be contained in the business case to be presented in due course.
- 4.23 At completion of the RIBA Stage D design works, a further report will be submitted to Executive Board detailing scheme proposals and costs.

Legal Implications, Access to Information and Call In

- 4.24 Advice has been sought from Legal (Property Finance & Technology and Employment And Education) with regards issues that have arisen from the management options appraisal (procurement, TUPE etc.)
- 4.25 Redevelopment will require Notice to be served to tenants of Kirkgate Market under Section 25 of the Landlord & Tenant Act 1954, or termination of Contracted Out Leases or Licences as appropriate depending on the nature of individual tenant Agreements in order to secure vacant possession of areas for redevelopment.

Risk Management

- 4.26 A detailed risk register has been produced and managed for the project to date, with no risks occurring.
- 4.27 Risks going forward will be dependent upon which redevelopment and refurbishment and future management proposals are approved. The existing risk register will be revised at this stage in line with Council's risk management framework.
- 4.28 The potential risk of low take-up of refurbished units is small given that there is displacement of traders from redevelopment of the 1976 Hall to a covered daily market.
- 4.29 There is a potential risk that the new opportunity of a covered daily market may not be fully taken up initially. This can be mitigated by promoting the opportunity widely in advance of completion, and a flexible layout will ensure the area does not appear to have a large area of unoccupied stalls. The financial modelling has taken account of this, anticipating less than optimum occupancy in the early years on a sliding scale.
- 4.30 The project will be managed in accordance with Delivering Successful Change (DSC).

5 Conclusions

Improving the Interior of the Market

5.1 The recommended strategy for improving the interior of the market is:

- A programme of maintenance and renewal to bring the building up to modern standards;
- Retention of the 1976 and 1981 Halls, and replacement of their roof covering to give it a further 15 years life;
- Introduction of a covered daily market in the existing 1976 Hall;
- Creation of a, new “heart” to provide a central events space, and new pedestrian routes linking George St, New York Street and Vicar Lane entrances;
- Improved signage, screens and maps to help people find their way around;
- Creation of distinct retail zones to attract shoppers to all areas of market, in particular relocation of Butchers Row adjacent to Fish and Game Row; and
- Opening up the frontage of the Open Market to the new Eastgate Quarter development, improving loading and servicing arrangements and easing congestion on George St.

A capital budget in the region of £12.3m is recommended to implement the above proposals. Prudential borrowing would finance the proposals and the existing markets surplus will cover the cost of borrowing.

Improvements to the George St frontage

5.2 Improvements to the George St frontage are recommended. The existing 1930s and 1980s shops and office buildings on George St would be redeveloped to create a more appealing frontage that will attract shoppers into the Market from Eastgate Quarter. New retail units at ground floor level, accessed from both sides, will improve access. Private rented apartments would be built on the upper floors.

The improvements to George St should be a separate project to be brought forward by a developer through a procurement exercise. It is possible that some subsidy from the Council will be required initially. This should be funded separately from the main Markets scheme. Further work is required to finalise the business case for this development.

Impact on Traders' Businesses

5.3 Sensitivity is needed in delivering such a large scale development in an existing retail centre. The Council will work closely with traders to minimise the impact on traders' businesses and to ensure that the market remains open and trading throughout. Decant and relocation strategies have already been considered, and will be worked up in detail. Many businesses in the indoor and outdoor market may be affected and for some, ultimately this may mean that termination of their

Agreement is the most appropriate option. Compensation will be paid where appropriate, or an Agreement for Lease negotiated for a new unit post-development. Each individual business will have at an early stage the opportunity to discuss in detail the options available to them.

- 5.4 A capital budget in the region of £12.3m is recommended to implement the above proposals (excluding improvements to George St which will be a separate project). Prudential borrowing would finance the proposals and the existing markets surplus will cover the cost of borrowing.
- 5.5 The improvements to George St outlined above should be a separate project which is brought forward by a developer through a procurement exercise. It is likely that some subsidy from the Council will initially be required. This should be funded separately from the main Markets scheme. Further work is required to finalise the business case for this development.

Future Management Arrangements

- 5.6 An alternative management structure within Leeds City Council is recommended. There would be a new management board with trader representation and external expertise, and a ringfenced budget. Current Council arrangements for formal decisions would be unchanged. This approach would reduce risk during a complex redevelopment. A more arms-length option could be considered subsequently.
- 5.7 Following redevelopment, these arrangements could be reviewed to consider the scope for a more arms-length arrangement.

6 Recommendations

- 6.1 Executive Board is recommended to:

- a) Agree in principle to the proposed improvements to the interior of the Market (summarised at 5.1 above) in order that the project can be progressed and a detailed planning application submitted (completion of RIBA Work Stage D – Design Development), and to introduce the scheme into the capital programme;
- b) Agree in principle, to progress improvements to George St outlined in paragraph 5.2 as a separate project (approval from Executive Board will be sought subsequently to introduce this as a separate scheme into the capital programme);
- c) Agree to continue to hypothecate future years markets surplus as detailed in this report to fund prudential borrowing, which in turn will fund the capital costs of the redevelopment and refurbishment proposals;
- d) Agree in principle to putting in place an alternative management structure within Leeds City Council (Executive Board's approval for the detailed proposals will be sought subsequently).
- e) Agree an injection of £1.615 million into the Capital Programme and the incurring of expenditure of £1.615 million for the first phase of backlog

maintenance and upgrade works in the Market and, to progress scheme design proposals to RIBA Stage D for the proposed redevelopment and refurbishment of the Market and the developer procurement competition for the George Street frontage.

7 Background documents¹

- 7.1 Kirkgate Market Stage 2 Engagement Report, January 2012.
- 7.2 Kirkgate Market – NPS Feasibility Report (RIBA Stages A & B) for Leeds City Council (Final).
- 7.3 Kirkgate Market Investment Case v1.0 FINAL.
- 7.4 Kirkgate Market Management Options Appraisal v1.00FINAL.

List of Appendices

Appendix A Kirkgate Market - Detailed Background & Approach

Appendix B Kirkgate Market Redevelopment and Refurbishment Proposals

Appendix C Equality impact assessment screening

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.