

## **APPENDIX A – DETAILED BACKGROUND AND APPROACH TO THE PROJECT**

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### **1 Detailed Background Information**

- 1.1 Kirkgate Market is in a prime retail location in the heart of the city centre. It is Grade 1 listed and is housed in five interconnected halls: the 1904 hall, the 1875 hall, a 1930s extension, and two ‘temporary’ hangar structures which form the rear of the indoor market. These were added in 1976 and 1981 following a fire at the market. The markets management team and six retail units are also housed in the 1980’s building on George Street. There is an open daily market at the rear of the building, which is immediately adjacent to the bus station.
- 1.2 Kirkgate Market is the oldest and largest retail destination in Leeds. It has survived and prospered through World Wars, the Depression and even a major fire in 1975. It is a central feature in the retail landscape in the city, and its importance goes beyond the historic to include a significant impact on the economic life of the city.
- 1.3 Kirkgate Market covers both the indoor and outdoor market, and the shops on George Street. It does not include the shops on Vicar Lane (Boots etc.), or the shops on New York Street, nor the NCP car park.
- 1.4 Kirkgate Market provides:
- Over 400 businesses offering a range of affordable goods and services to a wide range of customers;
  - Direct employment for an estimated 2,000 people;
  - Opportunities for new entrepreneurs to enter retail and catering;
  - A tourist destination.
- 1.5 The Markets service turns over between £3.5m and £4m pa. The overall operating surplus including overheads and capital charges peaked in 2006/07 at £2.4m but is currently £1.5m.
- 1.6 On 27 July 2011 the Executive Board approved the vision and objectives for Kirkgate Market:
- The vision for the market is to be the best market in the UK:
- Highly successful, profitable and sustainable;
  - A centre for excellence for independent retailers and entrepreneurs;
  - A top destination for residents and tourists.
- There are a number of clear objectives to help realise this Vision:
- Increase footfall;

- Increase new customers to the market;
- Increase frequency and duration of customers' visits;
- Increase income through new lets and business expansions;
- Increase the range of and value for money of goods and services;
- Reduce costs;
- Reduce number of empty units in the indoor market hall;
- Reduce tenant turnover.

To address the issues Kirkgate Market faces and realise its Vision requires:

- A shorter chain of command to ensure faster decision-making and implementation;
- Significantly increased investment in the buildings and stalls, whilst keeping and enhancing the distinct character of the market;
- Significantly increased marketing and promotion so all Leeds residents and visitors to Leeds know where it is and what its offer is;
- An improved overall offer on the market in terms of the range and quality of goods and services sold;
- An improved overall customer experience by ensuring the market is the optimum size, improving the 'legibility' of the market through signage, wayfinding and improved layout;
- Better opening hours; improving customer service and customer satisfaction;
- Better promotion of available units, flexible terms and better business support.

1.7 On 10 February 2012 the Executive Board approved the following recommendations:

- a) Note the recommendations from market specialists, Quarterbridge Project Management Ltd;
- b) Reaffirm its commitment to ensure a sustainable future for Kirkgate Market;
- c) Agree in principle, to reduce the market by 25% and to proceed with a full feasibility study for a modern extension to replace the 1976, 1981 and George Street shops halls and for the refurbishment of 1904 and 1875 halls;
- d) Agree to retain the open market and relocate it following the redevelopment of the indoor market so that it remains adjacent to the indoor market;
- e) Agree to hypothecate a proportion of the markets surplus in 2012/13 as a contribution to the potential revenue and capital costs of redevelopment and refurbishment and to inject a scheme into the capital programme to enable a full feasibility study to be undertaken;
- f) Request officers to report back on the outcome of the feasibility study to advise Executive Board on the scope, scale and financial implications of the redevelopment and refurbishment proposals;

- g) To instruct officers to explore the advantages and disadvantages of a commercial partnership against the option of the market remaining in the Council's sole ownership and management;
- h) To instruct officers to consider further the feasibility of implementing other matters recommended by Quarterbridge.

- 1.8 Subsequently to the 10 February 2012 Executive Board, the Council agreed to a request from the National Market Traders Federation (NMTF) to consider a social enterprise run by the traders as an alternative form of management of the market. Three meetings have now taken place with the NMTF representatives to set out the terms of any transfer and identify the structure, social purpose, investment and membership of the social enterprise. Other management options have also been discussed.
- 1.9 Norfolk Property Services (NPS) were commissioned in April 2012 to undertake the feasibility study and stakeholder engagement in consultation with officers. In parallel with the feasibility study a Project Team of officers have been developing the investment case and have been exploring the management options available for Kirkgate Market.
- 1.10 A technical advisor (ARUP) was also commissioned and the project has been presented to the Council's Design Review Panel, chaired by John Thorp, to provide check and challenge to the project.
- 1.11 A Kirkgate Market Strategy Project Board has been set up and meets monthly. The remit of the Board is to oversee the work of NPS and officers of the Project Team.

## **2 Approach - Engagement**

### **2.1 Stage 1 Engagement**

- 2.1.1 The purpose of the initial stakeholder engagement (stage 1) held between May and July 2012 was to ensure that all the stakeholder groups and individuals with an interest in Kirkgate Market were provided with a forum for contributing their views and ideas on how the market can be enhanced, improved and sustained into the future.
- 2.1.2 The stakeholders identified fell into three broad categories; members of the general public, consultees with a vested interest in the market and special interest groups, and included:
  - Markets Management Team;
  - Markets Staff;
  - Market Tenants / Traders;
  - Councillors;
  - Equality Hubs;
  - Members of the public;
  - Citizens Panel;

- Young People;
- Local Interest Groups – Friends of Leeds Kirkgate Market and Civic Trust;
- Leeds City Council Urban Design and Planning;
- Local Business and Development Forums.

2.1.3 Engagement activities included engagement 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.

2.1.4 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 and the full data set has been analysed and a stage 1 engagement report produced.

## 2.2 Stage 2 Engagement

2.2.1 The purpose of the stage 2 stakeholder engagement held between October and December 2012 was to ensure that the progress made since the stage 1 engagement was fed back to stakeholders and to seek feedback on the stage 1 feasibility study and the 12 Elements (refer to Section 5 - Main Issues 1 - Redevelopment and Refurbishment Proposals below). In the short term, the Council cannot afford to fund all of the 12 Elements 'in one go' therefore feedback was also sought on which Elements are the most important to tackle first.

2.2.1 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.

2.2.2 The stage 2 engagement has relied on a variety of engagement strands:

- Engagement workshops with stakeholders (Labour, Conservative, Liberal Democrat, Independent and Green Groups, Kirkgate Market staff, Traders, Citizens Panel (2 sessions), City Centre Partnership Board, Hammersons, Public (4 sessions), Kirkgate Quarter Stakeholder Group, Civic Trust, Equality Hub, Friends of Leeds Kirkgate Market, Youth Representatives);
- 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;
- An online survey with members of the Leeds City Council resident's panel.

2.2.3 Overall 1,900 people responded to the paper and on-line data collection feedback forms and over 170 people attended the range of stakeholder engagement workshop sessions. In addition to quantitative data received, many respondents expanded their views with additional, qualitative responses, either written within the survey, or sent directly to Leeds City Council or NPS property consultants. The full data set has been analysed and a stage 2 engagement report produced.

### **3 Approach - Redevelopment and Refurbishment Proposals**

#### **3.1 Challenges Facing Kirkgate Market**

- 3.1.1 The Council has to consider the future of the market within the context of the recession, the changing UK retail sector and public spending cuts. The retail landscape has significantly changed in the last 10 years with the loss of household names and the emergence of new, often international, retailers. In addition the sale of non-food goods by supermarkets has soared and is likely to increase further.
- 3.1.2 The challenges facing Kirkgate Market are being faced by traditional markets across the UK and include price competition from larger retailers, rising customer expectations, a shrinking customer base and the need for substantial investment to meet those expectations and expand the customer base:
- The retail landscape has significantly changed in the last 10 years with the loss of HMV, Woolworths, Safeway, Dixons, Borders and Ainsley's and the emergence of new, often international, retailers. Many of the goods traditionally sold at markets are now available at discount prices at supermarkets and stores like Primark and TK Maxx. The share of non-food spending achieved by supermarkets has more than doubled over the last decade and is expected to continue to rise adding further pressure on other retailers. In the case of supermarkets and retail parks, this comes with the added convenience of free parking, 'pleasant' surroundings and card transaction availability.
  - A further pressure on 'value' shopping is the rise of internet shopping, from eBay to Amazon; indeed many of the retailers who failed on the high street have been re-launched as online-only retailers, e.g. Zavvi and Dixons. Online retailers provide relatively low cost products with an easy returns facility.
  - Independents increasingly face difficulties with obtaining stock at prices that can provide them with a realistic profit margin. The wholesale industry is shrinking as independents go out of business and chains by-pass them to deal direct with producers and importers.
  - Customer expectations have risen over recent years. Most consumers today want to be able to use debit/credit cards, to return goods without quibble and to try goods on before buying, as they can do on the High Street. Increasingly they also expect to be able to shop late into the evening, and on Sundays. Not all traders on Kirkgate Market are able to meet these enhanced expectations.
- 3.1.3 Both price competition and changing customer expectations is resulting in a shrinking customer base as Kirkgate Market's traditional customers are diminishing and are not being replaced quickly enough with new customers.
- 3.1.4 It is inevitable, therefore, that more marginal independent traders and retailers are not able to survive in the current economic climate – indeed some were struggling during the retail boom. Whilst there has been a gradual reduction in the number of traditional retail market traders nationally, there has been a steady growth in the success of specialist niche markets. In the public engagement on Kirkgate Market undertaken in January 2011, around a fifth of respondents spontaneously mentioned that they want to see an improvement in quality and range of products.

Both food and non-food niche products were also attractive to many. So Kirkgate Market needs to keep its excellent butchery, fish and game offer whilst increasing the proportion of high quality, diverse and niche food retail, as well as locally hand-made goods, specialist non-food lines and services such as hair & beauty, tailoring and wellbeing.

3.1.5 In addition to the challenges of the recession and increased competition, the Kirkgate Market buildings have not kept pace with customer expectations. The market now has extensive maintenance and capital investment requirements which must be met in order to reverse the decline in occupancy and protect rental income. Water ingress through the roofs of the 1976 and 1091 halls, for example, causes particular problems for traders and customers.

3.1.6 In order to secure a viable future for Kirkgate Market, investment is required now. Therefore, doing nothing is not an option.

### 3.2 Advantages and Opportunities Available to Kirkgate Market

3.2.1 However, Kirkgate market has distinct advantages, which there is potential to build upon:

- An excellent location close to the retail heart of the city centre and adjacent to the bus station and a multi-storey car park;
- An excellent fresh food offer in butchery, fish and game that is largely unrivalled by other city centre food retailers;
- A strong daily outdoor market with a very wide range of goods and services, particularly important to lower income groups;
- A loyal customer following;
- A large catchment area;
- An iconic historic building providing a unique visitor experience.

3.2.2 Furthermore, there are significant opportunities for Kirkgate Market to harness reinvigorated interest in this area of the City and re-establish itself as a shopping destination and broaden its appeal to a wider demographic:

- The Eastgate Quarters shopping and leisure development has been given outline planning permission and it is anticipated that Phase 1 of the development will be completed by the end of 2016 / early 2017. This will bring a potential 10 to 15 million customers per year to this area of the city centre which currently does not have strong visitor appeal.
- Looking at other successful markets in the UK (Bury, Bullring, Borough) they all have a substantial covered daily market operation, for which they are able to charge a premium over and above the outdoor toll and which adds variety and vibrancy to the offer each day. This offer is missing completely from Kirkgate Market, although it is something that is often mentioned by existing traders and has appeared in various survey responses. A covered daily market, whilst attracting some existing outdoor traders inside, would be attractive to different traders and products currently not strongly represented indoors or outside. A covered daily market would also allow more specialist events e.g. antique fairs, to be held in an all weather venue.

- There is a pent up demand for expansion of existing businesses; although there are vacant units these are not of a shape or size that businesses could 'trade up' to, being either too small for effective expansion, or requiring expensive building alterations. A few large vacant units in the prestigious 1904 hall may, on the other hand, be more than a trader wishes to take on as their first expansion – although it should be noted that these units generally let well to more established incoming businesses. New, bigger and more flexibly designed units throughout the halls would mean businesses could trade much more effectively and display more.
- One of Kirkgate Market's real successes recently has been its profile with the 'foodie' community. Even 12 months ago, it would have been ambitious to advertise Kirkgate market as an excellent location for a fine food business, but this is no longer the case. As well as the market's longstanding reputation for quality meat, fish and game, it now hosts a range of excellent eateries including a crepe hut, an Italian patisserie, Moorish Arabic food, Caribbean chicken & tapas, a Chinese rotisserie, a Turkish bakery, a Turkish café where all dishes are made in front of the customer, a Thai food outlet making fresh Thai cuisine to order, a juice bar, and of course Graveleys renowned fish and chips. There is still room for more unique eateries, which, with careful planning of the space to allow discrete areas of the market to be closed off, could be the momentum needed to kick-start evening and Sunday trading. This could also create a vibrant and completely different feel to the market and could create a destination within the city by becoming known for 'indie' food. Given the exceptional diversity of Leeds, it is very likely that this could quickly come to represent a microcosm of this with small, unique and independent eateries trading off each other offering cuisines from around the world. It would be natural for these businesses to buy their produce from other market traders thus creating a healthy interdependency which will sustain the wider offer within the market.
- Of course, a market is much more than just its food, and some exciting work is currently being undertaken with young designers and makers, linked to colleges and other projects, to provide opportunities for them to learn, exhibit and retail in fashion, linked to other retail skills projects in the City, and working alongside the education providers, the Market could become the hub from which many people who previously did not have the skills or confidence to turn their passion for fashion into a career will take the first steps on that road and with help, perhaps end up retailing in the market. Kirkgate Market has great fabric and haberdashery including fabrics from all over the world on both the indoor and outdoor markets and is close to other established independent retailing hubs such as Birds yard vintage fashion, and the prestigious Corn Exchange so there is good synergy in developing this strength for the market.
- Work is currently being undertaken with Leeds Met University's retail business module to set them a project each year in which they have to plan how to trade a business from an identified unit in the market, from concept through supply to merchandising, branding and profit and loss. Currently they come up with some brilliant and unique concepts but do not go as far as having a stall, which would be difficult and costly to do just as a short project. However, it is an aspiration to have an area of the market where the universities, colleges and maybe even schools have the on-going use of

purpose-built pop up units which they can programme to gain actual experience retailing, exhibiting, fundraising or simply promoting what they do.

- Feedback from the stage 1 engagement on the future of Kirkgate market indicated that young people would like a space in the market they can call their own, perhaps linked to a drop in, with Wi-Fi and perhaps where they can charge their phone or laptop at the same time. This could help meet the market's social objectives around inclusivity and opportunities for young people, whilst meeting its commercial objective of widening the age profile of our shoppers by making the market a place where young people feel welcome and at ease.

3.2.3 Kirkgate Market is at a critical point and the decisions the Council takes will be crucial in securing its future, not only for our generation but for generations to come. There clearly exists a long term opportunity but short term challenges have to be carefully considered. Clarity and consensus is required on how the market can maximise opportunities and minimise the challenges surrounding its offer. This is not about marginal or incremental change but a more fundamental shift in the Council's approach.

### 3.3 Stage 1 Feasibility Study by NPS

3.3.1 The purpose of stage 1 of the feasibility study, which took place between July and October 2012, was to determine what improvement and development proposals could be taken forward to fulfil the Council's vision for the market and to provide a basis for the stage 2 stakeholder engagement which followed between October and December 2012.

3.3.2 The approach of the NPS design team has involved extensive analysis and review of existing technical data about the condition, suitability and sufficiency of the market site and buildings. In addition, further comprehensive surveys and technical reports have been commissioned to underpin their appraisal of the market infrastructure and allow the design team to get an in depth understanding of the 'DNA' of the market. In addition, the extensive feedback received from the stage 1 engagement and the key issues developed from the project board, project team, technical advisor and Design Review Panel were key to the development of the feasibility study.

3.3.3 The key findings of the stage 1 engagement report were as follows (not in an order of priority):

- Improve cleanliness of the market space; bad smells, rubbish in the aisles and dirty toilets;
- Brighten the space. Make the entrances more appealing by using brighter colours and creating a more open space;
- Improve lighting especially using natural light. Highlight the Victorian architecture of the original building;
- Improve the layout of stalls to make it easier to navigate the market, help with cleaning etc.;
- Toilets need of a complete overhaul, with better baby changing facilities;



- Air conditioning and ventilation – the market is too hot in summer and too cold in winter;
- Better signposting with clear maps at the various entrances to the market. Link to layout to improve navigation of the space. Improve signposts to toilet facilities;
- Creating open, attractive spaces within the market where individuals can sit, with a dedicated space for events and music, would help attract people and encourage them to stay;
- Views were polarised on whether a re-size was necessary. Should any reduction in the market size be made, the Council will need to clearly demonstrate how any extra space will be used to benefit the market. One such benefit could be the provision of an open space for events and activities;
- If the market size is not reduced, empty stalls must be filled;
- The newer section of the market created in the 1970s and 1980s detracts from, the appearance of the market. For less frequent visitors the buildings heritage, history and appearance are seen as a key strength;
- Provide more car parking spaces with improved traffic management and improved surfacing. (This also relates to the George Street car park which will become part of the Eastgate Quarters site from mid 2014).

3.3.4 The feedback from the Technical advisor and LCC Design Review Panel, which was supported by the Project Board, was as follows:

- Ensure that the market maintains its role as a key component of the economic and social structure of the city centre and is capable of responding to the constantly changing retail environment. The future of the market is not just about economic activity, but it is also about maintaining and creating an environment where social interaction can take place and the continuation and evolution of a lively social and community orientated city centre landmark.
- Linkages with the Eastgate Quarters development, in particular the George Street interface.
- The creation of a North South axis (an artery) through the market complex to improve permeability and reinforce existing linkages to the rest of the city.
- The benefit of creating zoned spaces within the overall footprint of the market which could enable a more coherent trader offer of fresh food, 'food to go' or eat within, world food and provisions, large specialist retailers and regional independent tenants
- The creation of a new 'heart' - a new flexible central event space that will allow dual functionality as a trading area and an event space, e.g. cooking demonstrations, fashion shows, seasonal themed events or regional ballet, theatrical, artistic or even orchestral groups.
- Encouragement and harnessing of a younger customer base to ensure the long term sustainability of the market.

3.3.5 The stage 1 feasibility study has identified the key issues with the current market buildings site and infrastructure that need to be improved, replaced, refurbished or

re-built in order to meet the Council's vision for Kirkgate Market. 12 Elements that could resolve these issues and contribute towards the vision were developed.

3.3.6 The 12 Elements developed, which provide the strategic building blocks upon which capital funding for improvements to the market can be taken forward by the Council are:

- Element 1 - Fixing the Basics (includes recovering of the 1976 and 1981 Hall roofs);
- Element 2 - Replacing the Roof of the 1976 and 1981 Halls;
- Element 3 - Heating and Cooling;
- Element 4 - Finding Your Way Around;
- Element 5 - Creating Zones;
- Element 6 - Creating a Heart;
- Element 7 - Creating a New Route Through the Market;
- Element 8 – Layout;
- Element 9 - Improving the Look and Feel of the Market;
- Element 10 - Reducing the Size;
- Element 11 - Improving George Street;
- Element 12 - Improving Public External Spaces.

#### 3.4 Stage 2 Feasibility Study by NPS

3.4.1 The key conclusions of the stage 2 engagement report were as follows (not in an order of priority):

- The biggest priorities for improvement are:
  - Fixing the basics;
  - Improving the look and feel of the market;
  - Replacing the roofs of the 1981 and 1976 halls
- In focusing on the first two elements respondents generally appeared to be referring to the need to improve the cleanliness, appearance and signage of the market, with a need to increase the diversity of the stalls and remove the number of empty stalls.
- It is worth bearing in mind that the two elements rated as most important were both fairly general, and this may in part explain their relatively high importance rating. One individual's perception of what constitutes 'fixing the basics' may not necessarily involve the same changes as those envisioned by another individual.
- Whilst there were a number of options which were seen as relatively less important, such as creating zones, the heating and cooling system and creating a new route through the market, it was only the option of reducing the size where the number of individuals rating the importance as 'low'

outweighed those providing a 'high' or 'medium' rating. Most of the elements were of at least 'medium' importance to the majority of respondents.

- There were relatively few demographic differences in response. Most groups of respondents were similarly orientated in terms of rating the importance of developing the various market elements.

- 3.4.1 The purpose of the stage 2 feasibility study was to take account of the stage 2 engagement feedback and the key issues developed from the project board, project team, technical advisor and Design Review Panel and then to develop the stage 1 feasibility study. The result is a Feasibility Study report that has informed the recommendations to Executive Board on the scope, scale and financial implications of the redevelopment and refurbishment proposals.
- 3.4.2 The feasibility study report recognises that the Council cannot solve at once all of the challenges associated with the buildings and infrastructure that comprise Kirkgate Market. Therefore, the proposals of the report offer short and medium term improvement proposals that will form robust foundation blocks upon which further longer term investment can be made, as and when funding becomes available, which support the Council's vision for the market.
- 3.4.3 The Kirkgate Market Feasibility Study report is structured as follows:
- Section 1 – Executive Summary
  - Section 2 - The project and Constraints – Provides details on the Project and the requirements set out in the Leeds City Council client brief.
  - Section 3 - Stakeholder Engagement – Outlines the Stakeholder Engagement process undertaken to date along with the outcome of this detailed activity.
  - Section 4 - Market Analysis – Outlines the Market Development Concepts and strategies that underpin and inform the feasibility study.
  - Section 5 - Elements & Themes – Includes an overview of the overall Elements and Themes along with the Theme cost estimates.
  - Section 6 - Next Steps – Provides the recommendations and further considerations following completion of the Feasibility Study.
  - Appendices - Documentation from baseline information and detailed technical infrastructure survey reports, as well as, the stakeholder engagement and feedback responses and analysis that has informed the study.
- 3.4.4 In order to achieve the Council's vision for the long term sustainability of the market, significant intervention will be needed which will entail decants and temporary arrangements for the more major elements of work. Improvements and enhancements to the market will inevitably lead to disruption and a proposal which attempts to limit disruption completely will only achieve short term gain for traders, the Council and City as a whole. However, continuity of trading / keeping as much of the facility operational at all times during redevelopment is of utmost importance and therefore phasing and decant strategies have already been carefully considered whilst developing the feasibility study report.
- 3.4.5 Some of the Elements, e.g. Fixing the Basics, Improving the Look and Feel, Finding your Way Around involve minimal disruption to traders and much of the work can be done at night and on Sundays or by working around traders' units.

Other Elements, such as Layout which requires changes to a large section of the 1976 Hall; and Improving George St which also links to Creating Zones and Improving Public External Spaces, will inevitably create the most disruption but wherever possible, traders will only move location once, i.e. to their new permanent option. Every consideration will be given to ensuring that customers can find their way to traders' businesses easily.

### 3.5 Investment Case

3.5.1 As previously mentioned, it is unlikely that the Council will be able to afford all of the 12 Elements 'in one go' and therefore it is important to determine what Elements are the most important to tackle first. The stage 2 feedback has partly informed this, but each of the 12 Elements needs a robust investment case which is financially sustainable so the Council can choose the right level of investment to secure Kirkgate Market's future for generations to come. This approach will clarify what the improvement and development priorities are, how they could be brought together into a capital investment scheme or number of schemes and how much funding and investment will be required.

3.5.2 Officers have developed the investment case for each of the 12 Elements by considering the following:

- The benefits and disadvantages;
- The stage 2 engagement feedback;
- Existing Kirkgate Market rents and charges
- Existing and historical Kirkgate Market footfall data;
- Comparison with two other successful markets (Birmingham Bullring and Bury), including their make-up, rents, charges and footfall data.
- Capital costs, including initial capital, borrowing costs and lifecycle costs;
- The decant strategies required;
- Compensation payments;
- The effect on revenue streams during redevelopment;
- The effect on revenue streams post redevelopment;
- Investment opportunities post redevelopment;
- The economic impact on the wider Leeds economy.

### 3.6 Conclusions

3.6.1 Refer to the Investment Case report supplied as a Background Paper to the Executive Board Report.

## **4 Main Issues 2 - Future Management Arrangements**

4.1 Leeds markets 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.

- 4.2 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 are being appraised.
- 4.3 The management options available are listed below in order of “more Council control, less complexity, low risk” to “less Council control, more complexity, higher risk”:
- Option 1 – No change
    - Continues to be managed by the Council’s Markets service.
  - Option 2 – Alternative Leeds City Council management model
    - Management Board put in place. The Board would include councillors, elected trader representatives, local authority nominees and independent members with relevant experience in commercial retail;
    - Ring-fenced operational budget;
    - The Board will be properly constituted, will operate in an advisory capacity, and will seek to influence decision making. The current delegation arrangements for formal decisions under the Council’s existing Governance arrangements will remain unchanged.
  - Option 3 – Wholly Owned Management Company
    - A Wholly Owned Management Company is a company limited by guarantee set up and wholly owned by a local authority to manage an element of the services it provides, in this case the market. There are no dividends or other distributions of “profit”;
    - The Wholly Owned Management Company would be managed by a Board of Directors, usually of 12 to 15 people. The Board would include councillors, elected trader representatives, local authority nominees and independent members with relevant experience in commercial retail.
  - Option 4 - Civic Enterprise
    - As Option 3 above (Company Limited by Guarantee) but with traders having up to 25% of a stake in the company. Each trader could secure a stake in the new company at the commencement of their tenancy and once the tenancy ceases, the stake reverts back to the Council.
  - Option 5 - Management Contract
    - The Council would undertake a procurement exercise for a company to manage Kirkgate Market. The term of the contract would be for a set period, e.g. 10 years, or potentially longer depending on the level of private investment provided.
    - The third party would manage the market and therefore determine the management structure, be responsible for marketing and promotion using relevant experience and retail skills.
    - An annual management fee would be paid to the management company (determined by the procurement exercise), with performance related payments / penalties on an annual basis.

- Option 6 – Social Enterprise
  - There is no legal definition of a social enterprise, nor is there a single legal form through which social enterprises are registered. The most widely used definition of social enterprise is provided by the DTI Social Enterprise strategy (2002). Social enterprises:
    - § Trade - their main income source is goods and services, openly traded.
    - § Have a social purpose - to do some good for society, or for the environment - and are not simply vehicles to produce an income stream.
    - § Are socially-owned - not a sole trader, not a private limited company, not owned by the public sector, profits returned to the community.
  - The Council would undertake a procurement exercise for a social enterprise to manage Kirkgate Market and is therefore similar to Option 5 – Management Contract.
  - An annual management fee would be paid to the management company (determined by the procurement exercise), with performance related payments / penalties on an annual basis.
- Option 7 - Limited Liability Partnership
  - A limited liability partnership (LLP) is similar to a normal partnership, but it also offers reduced personal responsibility for business debts. The LLP itself - not the individual members - is responsible for any debts that it runs up, unless individual members have personally guaranteed a loan to the business.
  - The Council would undertake a procurement exercise for a partner, who would manage Kirkgate Market, but differs from Options 5 and 6 in that:
    - § The members of an LLP share in both the responsibilities of running the business and the profits that it makes. Exactly how their rights and responsibilities are defined and divided depends on the LLP's partnership agreement or 'deed of partnership'. Designated members have some extra responsibilities on top of those of ordinary members, in that they have to ensure that the LLP meets its legal obligations and are legally accountable if they fail to carry out their duties properly.
    - § Each partner contributes capital to the business.
    - § Profits or losses are shared between the partners.

4.4 As set out in the Management Options Appraisal report, officers have appraised the management options by assessing each of the options against a set of evaluation criteria agreed by the Project Board. In addition, the options have been further assessed by discussing the advantages and disadvantages of each option, by considering the stage 2 engagement feedback and through a small number of discussions with representatives of the National Market Traders Federation (NMTF), who have been keen to explore the potential for a social enterprise. Officers, traders and Members with a direct interest in the future of Kirkgate Market have not been involved in the appraisal.

- 4.5 The agreed evaluation criteria were:
- Operational Sustainability;
  - Financial Sustainability;
  - Deliverability.
- 4.6 The scores (out of 100) for each option against the evaluation criteria were as follows:
- Option 1 – No change – Managed by Leeds City Council - 59.
  - Option 2 – Alternative Leeds City Council management model - 63.
  - Option 3 - Wholly Owned Management Company - 78.
  - Option 4 - Civic Enterprise - 74.
  - Option 5 - Management Contract - 59.
  - Option 6 – Social Enterprise - 56.
  - Option 7 - Limited Liability Partnership - 50.
- 4.7 The key findings of the stage 1 engagement report were as follows (not in an order of priority):
- Offer reduced rents or a scheme to induce new sustainable businesses into the market
  - Improve variety, especially of restaurants and eateries; DIY stalls also mentioned. Give target businesses preferential rates.
  - Management should exert improved quality control over the sale of goods in the market.
  - Ensure lower income groups are not priced out post-redevelopment and that traditional market stalls are not reduced or excluded.
  - Better promotions, to challenge the negative perceptions of the market.
  - Car parking and accessibility are crucial if the market is to attract regular users from outside the city centre, particularly those without free access to public transport. Parking charges and parking availability prevent many users from accessing the market. Suggestions involved validated parking tickets for those spending over a certain amount.
  - Offer more flexible opening hours to attract customers who work during the week. Standardise opening hours so people can rely on stalls being open when they visit the market.
- 4.8 The key conclusions from the stage 2 engagement feedback were as follows:
- Just over half of all the respondents included in the study indicated they had a preference for the ongoing management of the market. Heavy users of the market were most likely to express a preference.
  - The general overriding viewpoints were for ongoing management focused on increased involvement by stakeholders in the continued running and management of the market, a resistance against private ownership, and the

continued involvement of the Council in the management of the market in some form or another.

- The specific approaches to future management mentioned most often by respondents were a preference for continuation of the current management arrangements (i.e. Council led) Civic Enterprise or a Management Board.
- The need to bring in external expertise was mentioned, particularly by those respondents who felt that there was a need to maximise the value that Leeds City Council get from the market, however most of these respondents maintained the need to ensure that any profit made from the market should be re-invested in continued market development.

4.9 Three meetings have now taken place with the NMTF representatives to set out the terms of any transfer and identify the structure, social purpose, investment and membership of the social enterprise. Other management options have also been discussed although not explored in detail.

#### 4.10 Conclusions

4.10.2 Refer to the Management options Appraisal report supplied as a Background Paper to the Executive Board Report.