



**Leeds**  
CITY COUNCIL

Originator: C. Follin

Tel: 247 74471

---

**Report of the Acting Director City Development**

**Executive Board**

**Date: 27 July 2011**

**Subject: The Strategy for Kirkgate Markets**

---

**Electoral Wards Affected:**

☐ Ward Members consulted  
(referred to in report)

**Specific Implications For:**

Equality and Diversity ☐

Community Cohesion ☐

Narrowing the Gap ☐

Eligible for Call In ☒

Not Eligible for Call In ☐  
(Details contained in the report)

---

**Executive Summary**

1. Kirkgate market is facing many challenges and pressures. In addition to the challenges of the recession, of increased competition and of responding better to customers' needs, Kirkgate market now has extensive maintenance and capital investment requirements. In addition much more investment is needed in promoting the market and improving its overall offer if the market is to attract a greater number and range of customers.
2. On the 15<sup>th</sup> December 2010 Executive Board noted the work towards developing a strategy for Kirkgate Market and requested officers to undertake public consultation during January 2011 on the issues facing the market. The results of this consultation are summarised in this report; the Executive Summary forms Appendix I. The full report is available in Group offices and on the market's website [www.leedsmarkets.co.uk](http://www.leedsmarkets.co.uk).
3. In addition between August 2010 and May 2011, Scrutiny Board conducted an Inquiry into Kirkgate Market and has made a number of recommendations. Officers' proposed responses to these recommendations are contained in a report elsewhere on this

agenda. A Markets Forum with elected members from all groups, tenant representatives and officers has also been established.

4. On 8 March 2011 The Friends of Kirkgate Market presented the chair of Scrutiny Board (City Development) with a petition with 10,000 signatures calling for lower rents, significantly greater investment and greater involvement of tenants and traders in the management of the markets. This report responds to these three issues.
5. As a result of all the consultation and debate on Kirkgate Market, the markets service has developed a vision and clear objectives for Kirkgate Market together with a draft strategy. The **Vision** for the market is to be the best market in the UK:
  - highly successful, profitable and sustainable;
  - a centre of excellence for independent retailers and entrepreneurs;
  - a top destination for residents and tourists.
6. The strategy for Kirkgate market to realise this vision is set out in Appendix II. It has three themes:
  - firstly to continue to promote the market to existing and potential customers and prospective tenants through a variety of measures;
  - secondly to continue to improve the environment of the market and to ensure the indoor and outdoor markets are the optimum size with 100% stall lettings; and
  - thirdly to adopt the best ownership and management model for Kirkgate Markets to secure significant investment in both the environment of the market and its promotion, and to ensure faster decision-making and greater flexibility..
7. The only immediate resource implications are of officer time and engaging expert advice on the optimum size for the market and the best arms-length arrangement for the market. However failing to endorse this strategy for the market will result in maintenance costs continuing to rise and income continuing to fall.
8. This report recommends that Executive Board restates its commitment to the long term future and success of Kirkgate Market and endorses the vision and strategy for Kirkgate Market.

## **1.0 Purpose of this Report**

- 1.1 The purpose of this report is to:
  - update members on the findings from public consultation undertaken earlier this year. The full report and questionnaire forms Appendix I;
  - update members on the petition organised by the Friends of Kirkgate Market and outline the measures the Council has taken to address the issues raised;
  - set out the strategy for Kirkgate Market to secure a sustainable market.

## **2.0 Background Information**

- 2.1 Kirkgate Market covers both the indoor and outdoor markets, and the shops on George Street. It does not include the shops on Vicar Lane (Boots etc), nor the shops on New York St, nor the NCP car park. The Market provides:

- over 400 businesses offering a range of affordable goods and services;
- direct employment for an estimated 2,000 people;
- opportunities for new entrepreneurs to enter retail and catering;
- a tourist destination.

- 2.2 Kirkgate market is facing many challenges and pressures. 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.
- 2.3 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. Increasingly independents cannot compete on price and convenience, instead they need to compete on customer service and the quality/uniqueness of their products. 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.
- 2.4 In addition to the challenges of the recession and increased competition, Kirkgate Market now has extensive maintenance and capital investment requirements. The 1976/81 structures, erected as temporary buildings following the market fire in 1975, have now exceeded their fifteen to twenty year life expectancy and urgent works are required.
- 2.5 Kirkgate Market is at a critical point and the decisions the Council takes over the next twelve months will be crucial in securing its future, not only for our generation but for generations to come.
- 2.6 Given the issues outlined above, Executive Board agreed at its meeting on 15<sup>th</sup> December 2010 that a clear strategy on the future of Kirkgate market is required which faces up to the realities of the competitive pressures the market faces and the increased pressures on public sector funding, and provides a way forward that will ensure that the market not only survives but thrives. To that end it instructed officers to conduct public consultation on a range of issues concerning Kirkgate Market.
- 2.7 Scrutiny Board (City Development) also decided to conduct an inquiry into Kirkgate Market and published its report on 17<sup>th</sup> May 2011. Its recommendations and officers' proposed responses are the subject of a separate report on the agenda both of which have informed this report.

### **3.0 Results of the Consultation**

- 3.1 In total nearly 1,000 people from Leeds Citizens' panel, customers at Kirkgate Market and traders completed a survey during January and February. Generally, respondents were positive about Kirkgate Market and the market is clearly seen as an intrinsic part of the city centre. It is also seen as offering an important space for new businesses to make a start in retail. However, there is also a clear recognition that the market needs to

respond better to customer needs and that it will need to evolve to meet the changing requirements of the city's population.

- 3.2 The full report on the findings of the consultation is attached as Appendix 1. One would expect existing customers to be fairly satisfied with opening hours, parking, access by public transport, customer service from traders etc or they wouldn't be shopping there; what is important to understand from the survey are the levels of dissatisfaction amongst those who rarely or never shop in the Market and how we can overcome the barriers to make them shop more frequently and spend longer in the market. The key findings are summarised below.
- **Opening hours** – for working respondents in particular opening times are incompatible with working in the city centre and using the market. Extending opening hours in the evening was seen as the most attractive, as this allows people to shop on the way home from work. There was also an appetite amongst some for Sunday opening;
  - **Car parking** – this is clearly a barrier for many, especially amongst panel respondents who tended to be older than those who completed the public survey. However it is not clear whether this is a barrier to shopping in the city centre or Kirkgate markets *per se*. The increase in parking provision of 1,618 customer car parking spaces that the Eastgate development will bring will help to address this issue;
  - **Temperature** – agreement that the current temperature provides a comfortable shopping experience all year round is relatively low however very substantial investment would be required to address this issue;
  - **Products** – around a fifth of respondents spontaneously mentioned that they want to see an improvement in quality and range of products and the introduction of more niche food and non-food products.
- 3.3 **Other consultation.** At the request of Scrutiny, a workshop was held between the Acting Director City Development, the Chief Economic Development Officer, the Head of City Centre and Markets, trader representatives and the Friends of Kirkgate Market. This workshop provided tenant representatives with the opportunity to inform the Acting Director City Development of their views on the different ownership and management models.
- 3.4 The meeting established that there was broad consensus that:
- major investment is needed to ensure the Market is sustainable;
  - the Market's management need to be able to make decisions more quickly; and
  - Kirkgate Market needs to become a more significant visitor destination.
- 3.5 Given these imperatives, the meeting then discussed which ownership and management model would be best suited to deliver these objectives. The ownership and management models considered were Leeds City Council, arms-length company, public-private partnership, wholly private sector, a Trust, traders and social enterprise. Opinion was divided although there was no support for the market being wholly owned and managed by either the traders or the private sector.

- 3.6 The results of all the above consultation have been used to inform the draft strategy for Kirkgate market.

#### **4.0 Friends of Kirkgate Market Petition**

- 4.1 Earlier this year the Friends of Kirkgate Market submitted a petition to the Chair of Scrutiny (City Development) with 10,000 signatures calling for lower rents, increased investment and increased involvement of tenants in the running of Kirkgate market.
- 4.2 **Rental levels.** The Executive Board considered the issue of rents at its meeting on 15 December 2010 following an independent rent review by the Valuation Office Agency (VOA). This rent review recommended an increase in rents in the 1904 building and no increase elsewhere. Despite the pressure on the Council's budget and the general desire to increase income wherever possible, Executive Board agreed not to implement a rental increase in any part of the market at that time in the light of the economic recession.
- 4.3 **Increased investment.** Executive Board noted on 15 December that £200,000 had been identified within the Corporate Property Management 2011/12 budget for essential works to the market. Executive Board also instructed officers to consider the remaining requirement as part of the Quarter 3 review of the capital programme. As a result a further £400,000 has been put in the reserve capital programme, however there is no timescale for releasing this funding and even if it is released it will leave a funding shortfall to address all the maintenance requirements of the market. Furthermore these works will not materially improve the customer experience: they will not for example address issues such as the lack of ventilation in summer when temperatures can on occasion exceed 35 degrees centigrade or the very low temperatures in winter, or the sloping floor.
- 4.4 **Greater involvement of tenants in the running of the market.** Since the responsibility for the management of the markets moved to Economic Development there have been open meetings for all tenants, regular meetings between tenant representatives and markets management, and between tenant representatives and elected members. For example the Markets Forum has been established with members from all political parties represented on the Council and tenant representatives and there was the workshop in March outlined in paragraphs 3.3-3.5 above.

#### **5.0 Vision and objectives**

- 5.1 Following the consultation and debate on Kirkgate Market, the markets service has developed a vision and clear objectives for Kirkgate Market.
- 5.2 The Vision for the market is to be the best market in the UK:
- highly successful, profitable and sustainable;
  - a centre of excellence for independent retailers and entrepreneurs;
  - a top destination for residents and tourists.

Achieving this vision will enable Kirkgate Market to act as an important 'anchor' for the city centre, further enhance Leeds' reputation for independent retail and leisure and help Leeds become the best city in the UK.

5.3 The Markets service has 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 the number of empty units
- reduce tenant turnover.

5.4 To realise this vision and achieve these objectives we need:

- a shorter chain of command with greater flexibility 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 (eg a full programme of events all year round) so all Leeds residents know where it is and what its offer is. A visit to the market would be one of the top 5 'must dos' for any tourist;
- 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; and improving opening hours, customer service and customer satisfaction;
- better promotion of available units, flexible terms and better business support.

5.5 All this will require changes in the ownership arrangements, management and possibly the size of Kirkgate market, which are outlined in Section 6 below. Fundamental changes such as these take time and time is something some of our traders do not have. The Council has been promising fundamental change to improve the market for a long time. This time the changes need to be made in a decisive and planned way and whilst changes are being made, we need to continue to increase footfall, broaden the demographic of our customers, reduce the number of voids, extend the product range on offer and better meet the needs of the market's customers.

## **6.0 The Strategy for Kirkgate Market**

6.1 If members concur with the above analysis officers propose that the strategy for Kirkgate Market must address:

- the need for significant investment in the buildings and overall environment;
- identifying and implementing the optimum size for the market;
- the future management and ownership of Kirkgate market;

- the overall 'offer' of the market (in terms of type of goods & services sold, the customer experience and facilities);
- the use of the profit generated from the market.

- 6.2 **Significant investment** is required to maintain the fabric of the building, to replace the 'temporary' structures from 1976/81 and ensure a shopping environment which meets customers' and traders' requirements. Initial estimates of £1.8m for works appear to have underestimated the likely costs. For example the original estimates allowed approximately £200,000 to refurbish the 1976/81 roofs but recent quotes from roofing contractors to refurbish the 1976/81 roofs were in excess of £800,000 providing the market halls were closed for six weeks to enable works to be carried out. Undertaking the works whilst trading continued increased costs to in excess of £1m and would take considerably longer to complete. These works would only prolong the life of the roofs by approximately 10 years. It is difficult to justify this level of expenditure to extend the buildings life for such a limited period, particularly at a time of significant budget constraints, especially as they would not address other issues with the trading environment in these areas such as ventilation, layout and size of stalls.
- 6.3 £200,000 has been set aside in the Council's 2011/12 Capital Programme budget for undertaking some of the imminent and essential works to the buildings which comprise the Kirkgate indoor market. Officers propose that this is used to carry out repairs needed on the 1904 and 1875 halls, whilst officers consider the optimum size for the market as recommended by Scrutiny.
- 6.4 **Optimum size for the market.** Kirkgate Market is the largest in the country, if not Europe. Although vacancy rates across the whole of the market are about 14%, there are areas which are considerably higher and, given retailing trends, this situation is unlikely to improve. Scrutiny Board has recommended 'That the Executive Board consider commissioning further work to establish the viability and cost effectiveness of reducing the size of Kirkgate Market.' Officers propose obtaining expert advice on the optimum size for Kirkgate market that would ensure its sustainability and assist it in becoming the best market in the UK. It is worth noting that the extensive consultation undertaken in 2008 on proposals to redevelop the market involved reducing the size of the market and bringing the outdoor market into a covered area. These proposals received widespread support from both tenants and the public. However the economic recession meant the plans could not be realised and they remain challenging.
- 6.5 **Ownership and management.** As previously reported, 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 are run by the public sector, although 321 (29%) are now run by the private sector. The common forms of market management in the UK are:
- 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.
  - Other options for local authorities are to run their markets as an arms-length company of which there are a number of different forms and/or to share management between a number of local authorities.

- 6.6 Some local authorities have already made a fundamental shift in the ownership and management of their markets. Glasgow City Council has created an arms-length organization, in the form of a Limited Liability Partnership, to run its wholesale and retail markets. Liverpool City Council has formed a partnership with Geraud Markets UK Ltd to create Geraud Markets Liverpool Limited which works in partnership with Liverpool City Council to develop, expand and invest in Liverpool's markets, running over 1,200 regular market days and over 100 Speciality Event Market days each year. All markets staff were transferred to the new company from the Council under TUPE. Other authorities have sold their markets to operators like Town & Country Markets Limited which runs Morley market here in Leeds and Spitalfields market in east London.
- 6.7 The key issue for Leeds is whether a different form of ownership and management would help achieve the Vision and objectives set out above. Both the Executive Board on 15<sup>th</sup> December and Scrutiny Board considered a number of different management and ownership options from maintaining the status quo to selling the whole of the market to a private operator. In its recommendations Scrutiny Board stated that '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.'
- 6.8 In considering which ownership and management model would be best in delivering the Council's Vision for the market, officers have assessed each in terms of its ability to:
- generate substantial additional capital and revenue investment;
  - stream-line decision making and facilitate greater flexibility;
  - ensure the market is run as a commercial operation;
  - continue to provide the Council with an income stream, albeit at a reduced level initially;
  - minimise the Council's liabilities in terms of both the cost of maintenance and claims;
  - ensure that Kirkgate Market remains open as a market.
- 6.9 Of these perhaps the ability to generate substantial additional investment is the most important as it is essential to ensure the market survives and thrives. Although the Council has continued to invest in the market over recent years, it has used most of the surplus generated by the market to fund other Council priorities. It will be difficult to sustain the current level of income to the Council as the ongoing maintenance costs are increasing and revenues are declining and, given the pressures on the capital programme, the Council may not be able to generate sufficient funds to invest in the market.
- 6.10 A summary of the appraisal of each of the main ownership and management options is attached at Appendix III. This gives a score of between 0-10 on how each model meets each criterion. The highest scoring model is an arms-length model. Officers' recommended option is for ownership and management of Kirkgate market to transfer to an arms-length company as this is the only model that is guaranteed to meet all of the above criteria. This could possibly be in the form of a Limited Liability Partnership, the exact nature of which needs further investigation and analysis. Officers will report back at the earliest opportunity with clear recommendations to Executive Board.

6.11 **Interim measures.** In the short term it is vital that we continue to make whatever improvements we can to arrest the decline in footfall and spend so that the market is best placed to take advantage of more significant longer term changes. Markets management is currently addressing the need to increase footfall, broaden the demographic of our customers in order to increase business viability and transaction value; reduce the number of voids by continuing to support new and existing businesses through events and promotions, extending the product range on offer and better meeting the needs of our existing customers. The focus in 2011/12 is specifically on building our reputation for excellent food, attracting students and promoting our offer to city centre dwellers. Successful initiatives to date include the following:

- The new website at [www.leedsmarkets.co.uk](http://www.leedsmarkets.co.uk) profiles traders free of charge, and includes details of offers and events, recipes etc;
- Social media (Twitter, Facebook, Flickr, blogging) is proving particularly important as a means of communication with new target markets. For example @leedsmarkets has over 900 followers on Twitter, and bloggers regularly comment on the food offer;
- Markets promotions are linked wherever possible with wider events and opportunities, and staff work closely with City Centre management. Some traders have participated in the Leeds Loves Food festival in July 2010, and are actively involved in this year's event; also in the October's Leeds Loves Shopping week and in Festive Leeds as well as in a range of seasonal events and promotions in school holidays;
- New opportunities for joint working with external partners are an important part of the awareness-raising campaign; for example traders are participating in Good Food Friday at the Corn Exchange; and postgraduate students from Leeds Met University have undertaken research into the feasibility of a 'box scheme'. Plans are well underway for a 'shop and drop' scheme to encourage early morning purchases from customers on the way to work;
- The markets actively encourage TV companies to use the market as a location where this gives a positive message, and the filming diary is extremely busy;
- A newsletter for traders is produced monthly and regular management meetings are offered to tenant representatives to keep traders up to date with the latest news, developments and initiatives. Management also conduct regular one-to-one sessions with traders to share views and discuss opportunities;
- Markets are working with an organization of national food promoters, Shelf Life@The Source, to help position Leeds Kirkgate market as the 'Foodie Destination of the North' in respect of quality and variety of food. Their campaign includes food demonstrations, links with food experts and chefs, a permanent presence in Kirkgate market and a range of events and promotions aimed at food connoisseurs;
- The cost of additional space in front of stalls (Yellow Line areas) was reduced by 50% in 2010 and a new initiative allows traders who do not have a 'yellow line' to trial one free of charge for 3 months to see if it improves turnover;
- The Local Enterprise Growth Initiative (LEGI) project 'How Bazaar' allows new artisans to market test their product at low risk in the market. Several of these have gone on to be successful businesses and the project has now engaged with Leeds Met University to extend this initiative;
- The Markets Service is working with Friends of Kirkgate market to run events and promote the market;

- Wednesday all day opening is supported with free car parking for Wednesday afternoon market customers and the popular Asian Bazaar market.

6.12 These initiatives are already having a positive impact on footfall which has been steady at around -3% on 2010 figures, which compares favourably with the rest of Leeds city centre. Since the start of April 2011, however, weekly footfall has *exceeded* the footfall for the same week in 2010 by as much as 8% - 11% on occasion.

6.13 The proposed strategy for Kirkgate Market is attached as Appendix II.

## **7.0 NEXT STEPS**

7.1 To address the issues outlined above officers will form a Project Board to consider and make recommendations on :

- (i) the best alternative management and ownership model;
- (ii) the feasibility of increasing the proportion of the income from Kirkgate market to reinvest in its maintenance and promotion;
- (iii) the optimum size for the market in the long term and the necessary steps to reach that size.

The Project Board will provide regular updates to the Markets Forum and will report back to Executive Board in due course.

## **8.0 Financial and resource implications**

8.1 The only immediate resource implications are of officer time and engaging expert advice on the optimum size for the market and the best arms-length arrangement for the market. However failing to endorse this strategy for the market will result in maintenance costs continuing to rise and income continuing to fall.

## **9.0 Equality Impact Assessment**

9.1 There are no equality, diversity, cohesion and integration implications in the recommendations contained in this report at this stage. Full equality impact assessments will be carried out on the different forms of arms-length companies and in determining the optimum size of the market.

## **10.0 Recommendations**

10.1 Executive Board is recommended to:

- (i) restate its commitment to the long term future and success of Kirkgate Market;
- (ii) endorse the vision and objectives for Kirkgate Market set out in Section 4;
- (iii) endorse the strategy for Kirkgate market set out in Appendix II and specifically the proposals to:
  - move the management and ownership of Kirkgate Market to an arms length company and establish a Project Board and engage expert opinion to consider and recommend the form this should take;

- start consultation with staff and the Trades Unions to inform the recommendations to Executive Board;
- determine the optimum size for the indoor and open markets, after taking expert advice, and determine the necessary steps to reach that size.

**Background papers:**

1. Executive Board report 'Towards a Markets Strategy' 15 December 2010.
2. Towards a Strategy for Kirkgate Markets: The Evidence Base (in Group offices) which set out background information on Kirkgate Market, the importance of the market to the city centre and wider city, the national retail context, the current economic environment, how other markets have responded, the issues facing Kirkgate Market and options on how the Council could respond.
3. Scrutiny (City Development) Inquiry into Kirkgate Market.
4. Leeds Markets Survey report March 2011
5. EIA Screening Form