



## London Borough of Enfield

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<b>Report Title</b>	Enfield Town Ground Lease Pearsons
<b>Report to</b>	Cllr Leaver – Cabinet Member for Finance and Procurement
<b>Cabinet Member</b>	Cllr Leaver – Cabinet Member for Finance and Procurement Cllr Anyanwu – Cabinet Member for Public Spaces, Culture and Local Economy
<b>Executive Director / Director</b>	Fay Hammond, Executive Director of Resources Nick Denny, Director of Property
<b>Report Author</b>	Nick Denny <a href="mailto:nick.denny@enfield.gov.uk">nick.denny@enfield.gov.uk</a>
<b>Ward(s) affected</b>	Town and Grange Park
<b>Key Decision Number</b>	KD 5700
<b>Classification</b>	Part 1 & 2 (Para 3)
<b>Reason for exemption</b>	Information relating to the financial or business affairs of any particular person (including the authority holding that information).

## **Purpose of Report**

1. This report seeks approval to finalise terms for a variation to the leasing arrangements on Pearsons department store involving a surrender of its existing lease and a grant of a new lease to include additional areas.
2. Further, to create a pathway to enter into negotiations with Deutsche Bank-owned DWS Asset Management as the long leaseholder of Palace Gardens, to enable regeneration of the Enfield Town shopping centre in the future.

## **Recommendations**

- I. Agree to enter into a tripartite agreement with DWS GRUNDBESITZ GMBH(DWS) and Pearsons (Enfield) Ltd (Pearsons) for the surrender of Pearsons' existing leases and an agreement for lease of the Pearsons store to Pearsons for a term of 230 years to be coterminous with the Palace Exchange lease to facilitate the remodelling of their department store, and to enable development and regeneration, as detailed in Part II.
- II. Delegate authority to the Director of Property, in consultation with the Cabinet Member for Finance and Procurement to finalise negotiations and agree commercial terms for the legal agreements mentioned in recommendation I and to proceed to enter into those agreements. (Drafts of which are included as Confidential Appendix A)
- III. Note options and work to date on the town centre regeneration plans.
- IV. To note that all agreements to be entered into as contemplated by this report are to be approved by Legal Services on behalf of the Director of Law and Governance.

## Background and Options

3. This paper sets out the proposals that will facilitate further enhancements to the Pearsons department store and enable the thriving business to enhance its first-class retail offer within our town centre. The paper also highlights that this a future enabler in relation to the Palace Gardens shopping centre that is designed to enable the shopping centre to continue to meet the aspirations of the Enfield Town Vision – to create a vibrant modern town centre.
4. The grant of the proposed new lease to Pearsons will enable them to undertake proposed works to enhance their department store. It is envisaged that this in turn will enable a wider framework with DWS to be delivered in respect of the shopping centre, subject to terms being negotiated in the future and a report brought to Cabinet for its approval.

Enfield Town Centre is dominated in retail terms by two main shopping centres, Palace Gardens and Palace Exchange. The Council owns the freehold of the land on which they were built and both shopping centres are held via long leaseholds by DWS.

5. Palace Gardens has a complex lease having been developed in the 1980s via a joint venture between the Council and Norwich Union. The lease is for a term of 99 years from March 1983 with an option for a further 26-year extension, thus expiring no later than March 2108 (c.85 years remaining). The site is permitted to be used only as a high-class shopping centre for retail purposes.
6. The lease of Palace Exchange is for a term of 230 years expiring in 2254. The Council derives no income from this.

In summary, the Council owns freehold ownerships over much of Enfield Town Centre. This is subject to three key long leasehold interests. Please see the map in Appendix 1 detailing the areas:

- i. Enfield Palace Exchange Shopping Centre – leased until September 2254, at a peppercorn rent.
  - ii. Enfield Palace Gardens Shopping Centre – leased until March 2108. The income is comprised of a ground rent plus, complex geared income arrangement; and
  - iii. Part of Pearsons Department Store (Pearsons) – the majority is held freehold by Pearsons, small parts are subject to various leases from the Council and DWS, with different expiry dates, the earliest expiring 2082
7. These interests, set out in paragraph 7, comprise the majority of Enfield Town centre's retail offer and therefore present an opportunity to enable regeneration of Enfield Town centre in line with the Town Centre Action Plan and Adopted Enfield Town Masterplan (2018).

8. Pearsons is recognised as a key anchor store in our successful town centre and has accrued various rights for access, services and parking amongst others, some express and some implied. In order to enable regeneration, it is proposed that Pearsons surrenders any such express or implied rights in the town centre and its existing leases in return for a new lease (areas shown in Appendix 2), which will now include an area under the first floor overhang and will enable a new, modern shop frontage in the shopping centre to be constructed, in-store improvements to be made, and new brands brought into the store, all at Pearsons' cost (Pearson's Works)
9. Officers and their consultants have been in discussion with Pearsons and DWS with the aim of simplifying the current lease structures and putting in place a modern lease arrangement between the Council and Pearsons. The new lease would be granted following completion of Pearson's Works and would be coterminous with the Palace Exchange lease.
10. This department store enhancement links to the Enfield Town centre plan and supports the overall Enfield Town vision to create a vibrant modern town centre.
11. A framework for delivery of the wider shopping centre with current owners DWS will be brought for approval at a future date when options are further progressed and clearer. Any meaningful regeneration in the town centre will be subject to planning permission being sought and granted.

### **Preferred Option and Reasons for Preferred Option**

12. The Council's options are:

- i. Agree the new lease structure with Pearsons.
- ii. Do nothing.

13. The preferred option is Option i. This accords with the Council's objectives to enable regeneration in the town centre and encourages Pearsons to invest in a new shop front, new brands, and an improved retail offer.

### **Relevance to Council Plans and Strategies**

### **Financial Implications**

14. Covered in Part II

## **Legal Implications**

15. Section 123 of the Local Government Act 1972 gives a power of sale or leasing to Councils. Pursuant to this section, the Council has a statutory duty to achieve best consideration (save for tenancies of less than seven years). Flexibility is afforded by virtue of the General Disposal Consent 2003, which permits the Council to dispose of land at less than its market value, without the need to seek specific permission from the Secretary of State, provided that (i) the purpose for which the land is to be transferred is likely to contribute to the 'promotion or improvement' of the economic, social, or environmental well-being of the area; and (2) the difference between the market value of the land and the actual price paid for the disposal (if any), is not more than £2,000,000.
16. Any disposal of property must also comply with the Council's Constitution, including its Property Procedure Rules which set out mandatory procedures regarding (amongst other things) the acquisition, management and disposal of property assets.
17. Section 111 of the Local Government Act 1972 gives a local authority power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive to or incidental to the discharge of any of its functions.
18. The Council also has a general power of competence under section 1(1) of the Localism Act 2011 to do anything that individuals may do, provided it is not prohibited by legislation. A local authority may exercise the general power of competence for its own purpose, for a commercial purpose and/or for the benefit of others. This power encompasses the power for the Council to enter into contracts,
19. Any legal agreements arising from the matters described in this report must be approved by Legal Services on behalf of the Director of Law and Governance

## **Equalities Implications**

20. There are no equalities implications.

## Property Implications

21. These are all highlighted in the Part I & II of the main report.

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## Appendices

*Appendix 1 – land proposal extension diagram*

*Appendix 2 – Proposes land alteration diagram*

*Part 2 report/ confidential appendix*

**Departmental reference number, if relevant:**

**Signed:** \_\_\_\_\_

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**PLEASE PRINT NAME**

**Date** \_\_\_\_\_

## APPENDIX 1



 **Unshaded = Palace Gardens Lease**

 **Shaded = Palace Exchange Lease**

## APPENDIX 2

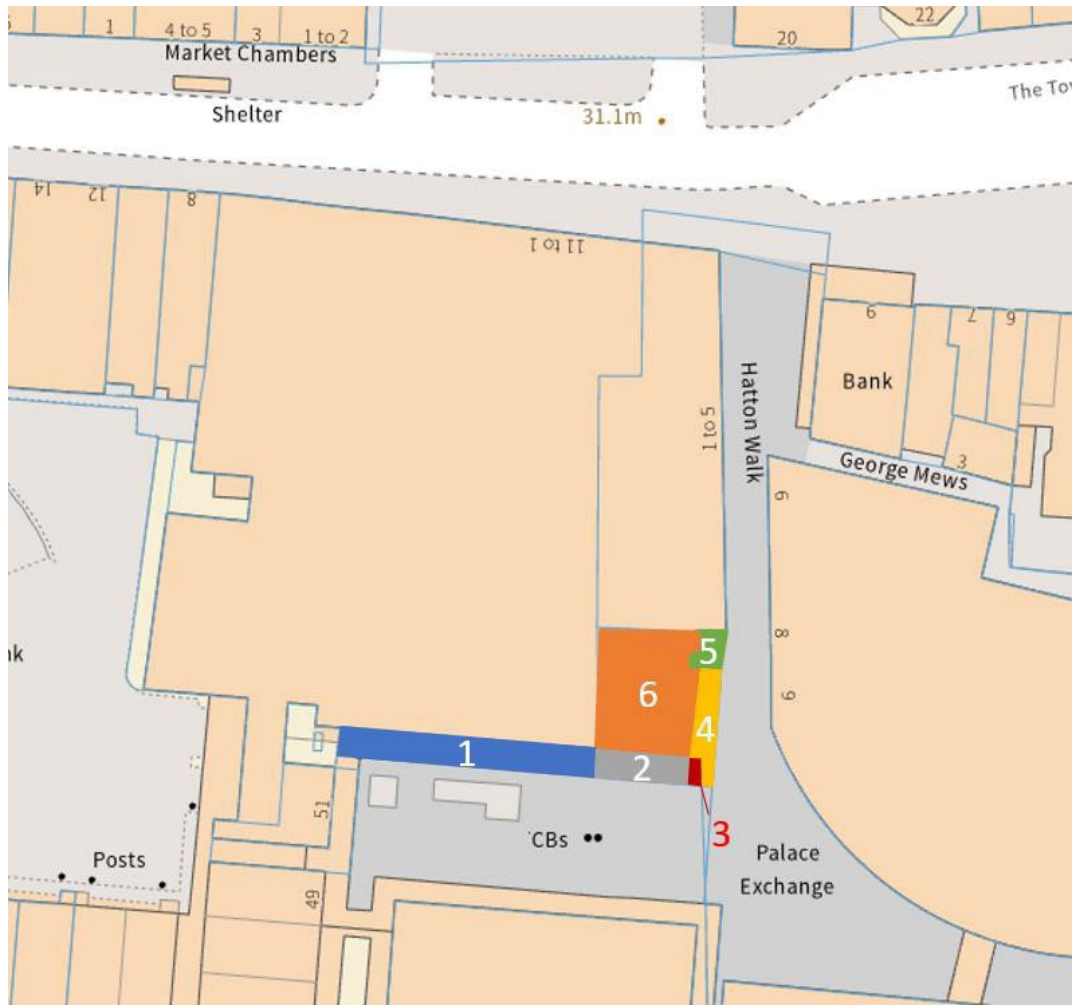


Figure 1: Illustration of the areas of land proposed for Pearsons lease extension. All coloured areas to be granted under a single lease to Pearsons.