

London Borough of Enfield

Portfolio Report of: Leader of the Council

Report of: Programme Director Meridian Water in consultation with Director of Property & Economy

Subject: Drive In Cinema in Meridian Water

Cabinet Member: Leader of the Council

Executive Director: Place

Ward: Upper Edmonton

Key Decision: KD4979

Purpose of Report

- 1.1 Troubadour Theatres have put forward an exciting proposal to run a Drive-In Cinema at Meridian Water on the Stonehill site. A new company, "The Drive-In London" has been set up as a Special Purpose Vehicle to run the cinema.
- 1.2 This report recommends granting a 16-week occupation licence to The Drive-In London who will run the drive-in cinema. The period will cover the time of set up and take down as well as a 12-week core operating period. The Licence would be extendable, subject to requirement, but would not exceed 6 months.
- 1.3 The report recommends making a grant of up to £100,000 into the project for the purposes of the promotion of leisure and cultural activities in the borough as well as for the regeneration of Meridian Water. Through the terms of the grant agreement and the occupation licence (through base rent and profit rent), the Council is expecting full cost recovery and an overall positive financial return. Such upfront expenditure on meanwhile projects is crucially important for promoting the Council's flagship regeneration project. This project helps to deliver the "Your Place to Make and Create" placemaking pillar.
- 1.4 There will be 10 free tickets per showing for NHS workers and carers, totalling 3,360 free spaces to NHS and care workers across 12 weeks.

Proposal(s)

- 2.1 Approves the grant a Licence to Occupy to The Drive In London Limited for an initial 16-week period for use of land as shown in the attached plan at Appendix 1 on Stonehill to run the cinema events.
- 2.2 Delegates authority to the Programme Director Meridian Water in consultation with the Director of Property and Economy to extend the Licence for a maximum term not exceeding 6 months inclusive of the initial 16 week period.
- 2.3 Approves a grant of up to £100,000 from the Meridian Water Revenue Budget into the Drive in Cinema Project and entry into a Grant Agreement with The Drive In London (who will be the operator of the Drive In Cinema).
- 2.4 The form of Licence and Grant Agreement to be approved by the Director of Law and Governance in consultation with the acting Executive Director of Resources.
- 2.5 Authorises Legal Services to arrange for due execution of the Licence and the Grant Agreement and any ancillary documents.

Reason for Proposal(s)

- 3.1 **Regeneration and Employment.** This proposal has a good strategic fit with the Council's Local Plan, and with Meridian Water's emerging policies. With respect to the Edmonton Leaside Area Action Plan (ELAAP), it delivers against Policy EL2 (Economy and Employment in Meridian Water) that stipulates that proposals should demonstrate that they support "opportunities for creative and cultural industries, digital and media, ecommerce, pharmaceuticals and high value engineering sectors...". This policy also states: "Where appropriate, the Council will explore and support meanwhile uses, in existing buildings or temporary structures for the development of new types of employment".

Furthermore, this drive-in proposal accords with the **Employment Strategy**, as it will be directly contributing to the objective of delivering 1,000 meanwhile jobs across Meridian Water, and it promotes some of the Strategy's target growth sectors of culture, media and the creative industries. Finally, it squarely delivers against the Meridian Water placemaking pillar: Your Place to Make and Create.

By way of example, the Drive In Cinema is using local business Ariela Gelato, based on the Hastingwood Estate in Meridian Water, as a supplier for the Cinema and has placed an order for 2000 tubs of ice cream.

Re local employment, organisation WorkWorks, which helps young people in the local area most likely to be excluded from the labour market, has put forward five candidates, three of which are being interviewed for jobs at The Drive In Cinema. In total 12 jobs are being advertised to be in place for the opening night.

- 3.2 **Placemaking.** The proposal will have a major positive impact in raising the profile of Enfield and making Londoners aware of Meridian Water as a destination for leisure. This enterprise will build on the momentum of recent communication and public relation successes including the opening of the new Meridian Water Station, Field Day, and the announcement of HIF funding.
- 3.3 **Meanwhile.** Strategically this is a good proposal to test meanwhile activity on the East Bank. It is temporary, low intervention and flexible and therefore a good way to test the market for Meridian Water as a destination for entertainment and leisure events. This is important for Troubadour Theatres gaining confidence to invest in Meridian Water and could inform when and how to bring forward the theatre and performance elements of its main proposal.
- 3.4 **Financial.** The proposal will generate rental income on a piece of land that is otherwise extremely difficult to let. Through the profit share element, there is an opportunity for the Council to increase its rental income substantially over and above the base rent element (Confidential Appendix has more details)

Relevance to the Council's Plan

4. **Build our local economy to create a thriving place**

The proposal would provide a boost to the local economy at a time when economic activity, particularly in the leisure sector is at an all-time low.

Background

- 5.1 The Council acquired the 10-hectare (24 acre) Stonehill site in 2017. Following marketing exercises in 2018 and 2019, the northern (Hawley Road) part of the site has been leased to North London Waste Association for use as a transport logistics hub during the rebuilt of the Ecoplant. However, the bulk of the site has been fettered from any development or lease disposal due to the imminent Strategic Infrastructure Works that will take place between 2020 -2023 for the undertaking of civil engineering works to build major flood mitigation and road infrastructure.
- 5.2 The Council is in negotiation with Meridian Water Studios, which is a subsidiary company of Troubadour Theatres, which submitted the preferred bid in response to a marketing exercise for a meanwhile lease in 2019. The proposal would facilitate early development of Film Studios in a flexible way that could be paused to allow for the delivery of Strategic Infrastructure Works, then expand after their completion for a fuller

meanwhile use that would lead the delivery of employment and placemaking strategies. This decision is subject to a forthcoming Report (KD 5163).

- 5.3 In the interim, the Council has granted a Tenancy at Will on a 3.5 acres part of land at Stonehill to White City Theatre Limited (a subsidiary of Troubadour Theatres Limited), for the purpose of storage of demountable studio buildings and theatre equipment.
- 5.4 The other current occupier on Stonehill is the Council's Waste and Recycling team which is occupying the building known as F Block and adjacent land for the purpose of storage of commercial and domestic bins and caddies. The new bin roll-out exercise is complete, and the operation is now moving back to Morson Road in Ponders End, so that this space will be vacated by 13 June.

Drive In Cinema

- 5.5 Following the Coronavirus pandemic economic and leisure activity have plummeted in Meridian Water. Of the two current meanwhile partners – Building Bloqs have closed their doors to regular members but have repurposed their machinery for the production of Personal Protective Equipment; and Broadwick Studios, that operate the Drumsheds for music, events and filming, have had to completely close their venue.
- 5.6 Troubadour Theatres approached the Council with a proposal to deliver a drive in cinema at Stonehill. The proposal would provide a much-needed source of leisure and entertainment in a safe environment that could be undertaken in a way compliant with social distancing measures put in place in order to combat the Covid-19 pandemic.
- 5.7 The Drive In London has been established as a special purpose vehicle to run the cinema. The Drive-In London Limited would enter into the property licence and be responsible for applying for planning permission. The Drive-In London Limited would also apply for the premises licence and be in charge of the day-to-day operation of the drive-in cinema as well as content and production.
- 5.8 The Drive In London's proposal can only go-ahead once restrictions are sufficiently lifted to enable such activity. However, guidance announced by the UK Government, "Our Plan to Rebuild: The UK Government's Covid-19 recovery strategy" provided a framework for easing current restrictions on economic, social and leisure activity, while strictly controlling any risk of any resurgence in the rate of infection, and ensuring that the nation's public and health systems can carefully manage the resumption of economic activity. On 10th June, the Government announces that outdoor venues such as zoos, theme parks and drive in cinemas can reopen on 15 June 2020 provided that they comply with Covid-19 Secure Guideline

- 5.9 The Drive In London's proposal would be to set up a Drive In Cinema in Stonehill on a c. 3 acres piece of land with one screen and the capacity for up to 300 cars.
- 5.10 In order to launch the project, The Drive In London needs to raise £300k. The proposal is that the Council would provide a grant of up to £100k, paid in two instalments. The first £50,000 would be paid up-front at signature of the Grant Agreement. The second £50,000 would be subject to licensing being granted for the premises and a projected minimum rental return as set out in the Confidential Schedule. The balance of the £300,000 is being raised from other cash investors
- 5.11 The Drive In London would pay a monthly licence fee to use the land and a profit share, the terms of which are set out in the Confidential Briefing annexed to this report.
- 5.12 Through the terms of the grant agreement and the occupation licence (through base rent and profit rent), the Council is expecting full cost recovery of the grant and an overall positive financial return
- 5.13 This reason for the Council needing to make this grant is as a direct result of the different and fast changing economic environment caused by Coronavirus Pandemic which has disrupted the normal investor market for projects of this type. Furthermore, the quick turnaround for this project is responding at haste to an emerging window of opportunity where restrictions on economic activity are being lifted but public health precautions remaining strictly in place. The Council's grant (accounting for a third of the total project cost) is required to lever in other external investors and secure the project. Without the Council's commitment the project would not be able to proceed.
- 5.14 The financial assessment in the Confidential Briefing based on profit/licence fee projections by The Drive In demonstrates that the Council's grant would be recovered through the payment of the licence fee (including set fee and a profit share element) over the 12 week period.
- 5.15 Furthermore, both the Council and The Drive In London are actively exploring options for reducing the overall financial exposure of the project and to find ways to increase overall income. Investigations are being made into potential for securing sponsorship from corporates based in the Borough and the potential for using the opportunity for advertising or other ancillary revenue income generation is being explored.

How the Cinema Would Operate

- 5.16 Details of how the cinema would operate are still being developed, but a dynamic approach to pricing has been agreed with a starting standard ticket price per car at £35-£42, with some £25 offerings for matinees and early bird offering. For special events, such as concerts, higher ticket prices would be charged.

- 5.17 Ten free tickets per screening will be available for NHS and Care workers. The Drive In London has already received considerable interest in the proposition and understands that there is a lot of potential demand. Screenings would be throughout the day and in the evening with a range of content aimed at children, families and younger audiences.
- 5.18 Screenings would be a combination of classic and contemporary movies, and could be supplemented by live acts such as music or stand-up comedians.
- 5.19 This report is seeking approval for a licence to be granted for use of the land at Stonehill for a 16-week period from June to September 2020, allowing for 2 weeks set up and take down as well as a 12-week operational period. This report also gives authority to extend the licence should weather conditions and demand allow (not exceeding 6 months). The occupational licence will provide the legal basis for the occupation of the property. The granting of the licence includes a payment towards the costs of security of the wider estate over the 16 week period. The Drive In London will be responsible for security of its site and all event security related to the running of the drive in cinema.
- 5.20 The outdoor cinema will have up to 4 screenings a day, for 7 days a week. It will run for a period of 12 weeks over the summer, potentially extendable if successful.
- 5.21 In order to open, The Drive In London will need to apply for and secure a Premises Licence. The minimum time period for this process is 28 days, and the proposal will need to be presented to the Safety Advisory Group where representatives from the Metropolitan Police and Safety officers within the Council will review the proposal. The application has been made and should be determined by the end of June in preparation for opening at the beginning of July.
- 5.22 Planning consent will also need to be secured for the drive-in cinema use and an application is being prepared for submission. If planning consent is not secured, the operation will need to cease after it has been open for 28 days (which is the maximum number of days under permitted development).
- 5.23 One of the key issues to be addressed is traffic management and how to avoid stacking on the A406, North Circular. The issuing of a licence and granting of planning consent will be subject to an acceptable traffic management plan, and a series of other plans covering event management, emergency management and Covid-19 management.
- 5.24 While the current proposal is a Drive-In facility solely for the use of cars, there could be scope in the proposal, subject to the Government's developing Covid-19 Secure guidance, to allow for cyclists to attend, and an area to be reserved for non-car use.

Ensuring that the Proposal is Compliant with Government Guidance on controlling the spread of the Coronavirus

- 5.25 On 10th June 2020, the government announced that drive-in cinemas, zoos and theme parks can reopen from 15th June 2020. This is subject to two very important caveats:
- I. Progression through the Steps of Adjustment to current measures will be timed and judged according to the spread of the virus and the Government's ability to ensure safety. The easing of restrictions is conditional and may be stopped or reversed at any time if the key health indicators require.
 - II. Venues that reopen must be in compliance with Covid-19 Secure Guidelines. On 11 May the Department for Business, Energy and Industrial Strategy released 8 guides covering sectors from construction to takeaway restaurants. Whereas these provide some indication as to the sorts of measures necessary, the proposal will need to follow official guidance relating to the hospitality sector. UK Hospitality has published draft Covid-19 Secure Guidelines and Risk Assessment for the Hospitality Industry. The Drive-In cinema is specifically being designed to adhere to social distancing measures and high health and safety standards. Hence customers will be required to stay in their cars, parked at a safe distance apart, food and drink will be available ordering via a smart phone app and delivered to vehicle, and a safe system with strict hygiene measures will be put in place for use of comfort facilities.
- 5.26 In the context of a national economy severely impacted by the lockdown measures, and by the ongoing impact of Covid-19 on day-to-day activities and lifestyle of the population, we are likely to see more projects and enterprises structured in this way, where the private sector and local authority pool resources in order to bring underused land back into productive use, and deliver cultural and leisure amenities for the local population.

Main Considerations for the Council

- 6.1 The drive in cinema proposal is part of a wider strategic relationship with Troubadour Theatres, the company that set up The Drive In London. The Council is currently in negotiation with Troubadour Theatres following a marketing exercise to take a 15 year lease on the Stonehill site to deliver a film and theatre studio complex, which is subject to a separate authority report.
- 6.2 This drive-in cinema proposal would be for an initial 4 week period, with a possible extension. The business plan is for a 12-week programme this summer for 1 screen with capacity for 300 cars. Ticket pricing would be from £35 per car, with lower prices (£25) for some matinee performances

and higher prices (starting at £60) for live events. There will be 10 free tickets per showing for NHS workers and carers.

- 6.3 The return to the Council is partly dependent on the success of the drive-in cinema. The Confidential appendix has a full assessment of the business plan and projections for returns to the Council base on base rent and profit share.
- 6.4 This proposal will build on other meanwhile initiatives at Meridian Water including Building Bloqs, Field Day and the Drumsheds, and raise the profile of Enfield as a destination for leisure activities and a pioneer in innovative approaches entertainment. It will generate revenue income for the Council through a licence fee and a profit share on a site that cannot otherwise be easily let. Finally, regular activity on Stonehill will discourage antisocial behaviour and help reverse the increase in fly tipping which has been a costly nuisance on the Stonehill estate in recent weeks.

Safeguarding Implications

7. n/a

Public Health Implications

- 8.1 Opening the venue will be subject to strict adherence with Government advice in response to the Coronavirus pandemic. The Drive-In London is planning to open from the 4th July. On 10th June 2020, Government announced that open air venues including drive in cinemas can reopen from 15 June 2020 provided that they comply with Covid-19 Secure Guidelines. Although restrictions are easing, the country is still in a pandemic and if the infection rate increases or the public health situation worsens, measures could be reversed at short notice.

Equalities Impact of the Proposal

9. There are no direct equalities impacts of the proposals. However, the proposal has been designed to support key workers. There will be 10 free tickets per showing for NHS workers and carers, totalling 3,360 free spaces to NHS and care workers across 12 weeks.

Environmental and Climate Change Considerations

10. A placemaking proposal that requires travel by car and promotes parking of c. 300 spaces is clearly contrary to the long-term objective for Meridian Water to be a sustainable development with very low car use and low car parking ratio.

However, in this period of careful recovery, government guidance is that contrary to normal advice, use of private vehicles is better than public transport as it is easier to maintain social distancing. In these extraordinary times it may be that sustainability credentials will have to be achieved by measures other than low car use. The Drive In London have said they will look at this including using

sustainable electricity generators. They will investigate options to incorporate plans to expand provision to include customers arriving by bikes as well as by car, but only at a time when government guidance on social distancing would allow it.

Risks that may arise if the proposed decision and related work is not taken

11. If the proposal is not bought forward, there is a risk that this part of the Stonehill site would remain unoccupied and without a productive use, increasing the risk of costly traveller incursions. If this letting offer was not taken, this part of the site would be extremely difficult to let because of the short timescale when the site is available, the cost and challenge of providing an independent access or a separately delineated site. Instead, in the absence of this proposal the site would have sat fallow.

Furthermore, there is considerable benefit from encouraging activity (especially night-time activity on this site). In recent weeks, the site has suffered from an increase in fly tipping, which unfortunately has been the trend across London. The cost of clearing fly tipping to the Council is several thousands of pounds per month.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

12.1 Due to lack of demand and low ticket sales or due to Covid-related factors restricting operation, the Drive-In cinema does not generate the income forecast and the Council does not receive income sufficient to cover its initial grant.

These risks will be managed through the terms of the Licence to Occupy and the Grant agreement, particularly by making the payment of the second £50k conditional on reaching a minimum level of ticket sales.

See Confidential Appendix for relevant financial analysis.

12.2 Risk that the Drive-In London does not secure Premises Licence or Planning Consent.

The Drive In London has submitted a Licensing Application that will be determined by the 25th June. If there were representation (as of 19th June there has been none), this could be resolved at Licensing Committee. With regard to planning, the cinema can operate for 28 days under temporary permission.

12.3 Risk of a second wave of infections of Coronavirus could lead to government changes in the guidelines for example requiring the closure of Drive In cinemas

While this risk is outside the control of The Council or the operation, ongoing monitoring of the situation with regard to the pandemic and public health situation will ensure that both the operator and the Council can respond rapidly to any changes in requirements or guidelines. There is also a provision in the Grant Agreement for the operator to produce a Mitigation Plan in such circumstances.

See Confidential Appendix for more details.

Financial Implications

13. See Confidential Appendix

Legal Implications

MD 10th June 2020 (based on draft report circulated at 11:48 on 10th June 2020)

- 14.1 It is proposed that the Council enters into a grant agreement with The Drive In London Limited whereby the Council will make available grant funding up to £100,000 towards the initial cost of setting up and running a drive-in cinema at Meridian Water. It is also proposed that the Council will grant a licence to The Drive In Limited allowing it to occupy the site for the purposes of provision of a drive in cinema. In return for the grant of the licence to occupy, The Drive In Limited will be required to pay a licence fee consisting of a base fee plus profit share element.
- 14.2 Section 1 of the Localism Act 2011 provides the Council with the power to do anything an individual may do, subject to a number of limitations. This is referred to as the "general power of competence". 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. The Council therefore has sufficient power to enter into the transactions described in this report.
- 14.3 The Council has a fiduciary duty to look after the funds entrusted to it and to ensure that its Council tax and ratepayers' money is spent appropriately. The Council must carefully consider any project it embarks upon and conduct its affairs in a business-like manner with reasonable care, skill and caution, with due regard to tax/ratepayers' interests. The Council must consider whether the project will be a prudent use of the Council's resources both in the short and long term and must seek to strike a fair balance between the interests of tax/ratepayers on the one hand, and the wider community's interest on the other hand. It is noted that the support of meanwhile activated
- 14.4 The Health Protection (Coronavirus, Restrictions) Regulations 2020 (the "Regulations") came in to force on 26th March 2020. The Regulations placed numerous restrictions on businesses and peoples' lives until such time as the Secretary of State considers that the restrictions are no longer necessary to prevent, protect against, control or provide a public health response to the incidence or spread of Covid-19 in England. The regulations currently prohibit cinemas (including outdoor cinemas/theatres) from opening. However, the government has indicated that the Regulations will be amended to permit the reopening of drive in cinemas from 15th June 2020. Once permitted to open, venues may be forced to close at short notice.

- 14.5 The Drive In London Limited will be responsible for obtaining and operating in accordance with all laws and necessary consents (including licensing approval and, should the cinema operate for a period in excess of 28 days, planning consent).
- 14.6 Any disposal of property (including by way of licence) must comply with the Council's Property Procedure Rules. It is noted that the proposed licence will be an off-market disposal. A formal written valuation has been obtained and is appended to the Confidential Briefing.
- 14.7 All legal documents to be entered into in relation to the subject matter of this report must be approved in advance of commencement by Legal Services.
- 14.8 As the proposals set out in this report will have a significant impact on the local community in one or more wards, this is a key decision and the Council's key decision procedure must be complied with.

Workforce Implications

15. N/a

Property Implications

- 16.1 The occupier, The Drive In London, will benefit from a 16-week occupational licence that is being granted at a base rent plus a profit share rent and a contribution to service charge. It will operate the drive-in cinema through a special purpose vehicle set up for this purpose, The Drive In London.
- 16.2 It is common in many commercial transactions to grant a rent free to compensate for up front fit out cost of premises; in this case the Council is making a grant payment to the Drive In London in order to get this project off the ground. In these challenging times it is necessary to think differently in order to meet the Council's vision for Meridian Water. The use matches the 3rd pillar of "a place to make and create". The remaining costs associated with this proposal are compensated for by means of investment from third parties.
- 16.3 The Council will receive a profit share once the external investors have been repaid. The profit share means that if the project is successful, the Council will receive additional rental income over and above the base rent.
- 16.4 Granting a 16-week licence will provide the land required for the set-up, operation and demounting of the drive-in cinema. The proposal is based on an initial 4 week run, extendable to 12 weeks subject to planning. The license can be extended up to a period not exceed 6 months, should viability and conditions permit.

- 16.5 Furthermore, the use for a 12-week trial will hopefully prove the longer-term viability of the idea and use and could be further developed for next year or within the longer-term lease of the site to Meridian Water Studios. If the use lasts for 12 weeks the total rental received (base rent plus projected profit share rent would exceed the £100k grant). The proposal secures rental income from an otherwise unused site and it will also be beneficial in order to test the longer-term viability of entertainment and leisure meanwhile uses on Meridian Water.

Other Implications

17. none

Options Considered

18.1 Not proceed with the proposal.

The proposal offers a fantastic opportunity to deliver a major cultural and entertainment initiative on a par with the Field Day event in the summer of 2019. The proposal has been tailored to the social distancing constraints in place and has taken future measures into consideration. Not only would this proposal help Enfield to recover economically from the pandemic and lockdown by generating economic activity and providing employment in the hospitality and leisure sector which has been one of the hardest hit by the lockdown, it would also demonstrate that the Meridian Water regeneration project, and the land and resources available, can be used to generate positive economic activity, and exciting leisure and entertainment proposition in the borough.

- 18.2 Try to market the empty site or otherwise secure rental income.** The site is currently part of the wider demise under negotiation to be included within a future lease for Meridian Water Studios. It is not practical (because of adjacent occupier, difficulty of securing independent access or demise) and not achievable (because of short timescale available before the land is require for Strategic Infrastructure Works in 2021) to separately market or secure an alternative tenant for this land. In other words, if it was not occupied by The Drive In London (or another Council team), it would sit empty without generating income.

Conclusions

- 19.1 This report recommends granting a 16-week occupation licence to The Drive-In London who will run the drive-in cinema in order to build on other meanwhile initiatives at Meridian Water including Building Bloqs, Field Day and the Drumsheds, and raise the profile of Enfield as a destination for leisure activities and a pioneer in innovative approaches entertainment.

19.2 The report recommends making a grant referred to in the Confidential appendix for the purposes of the promotion of leisure and cultural activities in the borough as well as for the regeneration of Meridian Water. Such expenditure on meanwhile projects is crucially important for promoting the Council's flagship regeneration project. This project helps to deliver the "Your Place to Make and Create" placemaking pillar. The project will support local businesses through the supply chain and increased economic activity and generate employment, especially for the younger people most likely to be excluded from the labour market.

Report Author: Paul Gardner
Senior Regeneration Manager
paul.gardner@enfield.gov.uk
0208 1322577

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Appendices

Appendix 1: Plan for Drive-In Cinema on Stonehill Estate, Meridian Water.

Appendix 2: Confidential Appendix