

**London Borough of Enfield**

**Finance and Performance Scrutiny Panel**

**14 September 2021**

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**Subject: Commercial and Property Income Update**

**Cabinet Member: Cllr Maguire**

**Executive Director: Fay Hammond**

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**Purpose of Report**

1. This report provides an overview and details of the current workplan of the Commercial services team and outline future proposals for delivering a commercial approach across Council services together with an update on current income from Commercial Property Assets and plans for a portfolio review.

**Proposal**

2. Members are asked to note the report.

**Relevance to the Council Plan**

3. A commercial approach helps ensure teams provide best value to residents and obtain best value from suppliers when delivering essential services. Specific projects will seek to drive investment into the Borough and generate local employment where possible.
4. The commercial service and the ownership and effective management of commercial property assets therefore directly contribute to all three of the Council objectives:
  - Good homes in well-connected neighbourhoods
  - Build our Economy to create a thriving place
  - Sustain Strong and healthy Communities

**Background**

5. Enfield's Commercial Strategy 2017 to 2020 recognised that continuing financial pressure would need a new commercial approach to meet the rising demand in services and continuing expectations of residents.
6. The strategy took a broad view of commercialisation including:

- **Efficiencies** – reviewing each in scope service area to identify opportunities to deliver additional efficiencies across all enabling functions
  - **New ways of working** – identifying service areas and assets where adopting new ways of working (make, buy, sell) would increase the commercial return to the council and improve the quality of the service provided to the customer
  - **Growth** – taking high performing and high demand Council services and grow / improve their trading position by both deepening and broadening the customer base
  - **A commercial discipline** – embedding commercial principles across the department and Council, aimed at ensuring that each service area is at a minimum fully recovering the cost of all commercial activities and at best supporting core services
7. The key work areas, outcomes and deliverables of the commercial services team are detailed below.
8. The Council adapted a Strategic Asset Management Plan in 2019 addressing the ongoing management of all Council property assets. Core principles of the plan included: increasing income from the Council's property assets (long term revenue streams preferred to one-off capital receipts) and reducing expenditure on the Council's property assets. To that end it was proposed that strategic reviews of the investment portfolios would be undertaken.

## **Main Considerations for the Panel**

### **Commercial Services**

9. The report sets out the highlights from the last financial report and looks at works in progress during the current financial year.

#### **2020/21 Highlights:**

10. Holly Hill – Is an environmental landscaping project at Holly Hill Farm on The Ridgeway. The project involves reception of excavated soils from construction projects in and around London, which are processed into soil products suitable for land restoration and improvements. These products are then used to improve the quality of the farmland on the site. The project is currently on schedule to deliver environmental improvements and meet expected royalty income of £2.7m to the Council despite market pressures resulting from Covid-19 lockdown periods halting and reducing construction projects. The team has worked closely with colleagues in Property Services to deliver this project.
11. Grounds Maintenance Insourcing - The highways grounds maintenance contract with Glendale Countryside Limited was due to come to an end in March 2021, and officers within the Commercial Services Team were tasked with undertaking an options appraisal to determine future service delivery. Following an assessment of the available options e.g. extension of existing contract, retendering of the contract etc., it was decided that insourcing the

service was the most beneficial option available for the Council. The rationale included an annual saving of £100k to the Council, based on a like-for-like service with the one being delivered, plus more flexibility and greater control of the service than under the previous arrangement. The decision was taken to insource the service in December 2020 and the new service commenced in April 2021.

12. Fleet Workshops – A review of Fleet Services maintenance and servicing facilities by the Fleet Operations Manager identified significant opportunities for efficiencies and income generation within the service. Commercial services were requested to develop the Business case and governance documentation required to implement these opportunities and following successful approval they have delivered efficiencies through bringing the Parks Equipment Maintenance Services back in house and income of over £50k through undertaking servicing of third-party commercial vehicle fleets. Expected benefits have been exceeded and further opportunities are being explored by the two services.
13. Library Visa Scheme - Enfield Council entered into an agreement with Libraries Connected, an agent for the UK Visas and Immigration Service, to join a network of local libraries that provide bio-metric facilities for the completion of visa applications. Initially operating from Enfield Town Library and Edmonton Green Library, but with plans to extend to other library hubs, the scheme allows people to complete and submit working visas, study visas and settlement visas. For each visa completed, the Council receives a fee for the delivery of the service on behalf of the UK Visas and Immigration Service. In addition to the generation of £277k income for the Council, the initiative has brought more people into the Council's libraries and it supports the aim of creating community hubs where residents can access a range of services all in one place.
14. Southgate Cemetery Expansion - the Team oversaw the reopening of the cemetery via the construction of vaulted graves and mausoleum in a previously unusable, due to waterlogging, area of the cemetery. The completion of the first phase of the construction has enabled Southgate Cemetery to reopen after approximately 25 years of closure to new internments. Phase two of the construction works commenced in August 2021.
15. Edmonton Cemetery Expansion - The expansion of Edmonton Cemetery onto the previously disused tennis courts adjacent to the A10 was completed in June 2020. Further works to build vaulted graves and mausoleum along the eastern boundary of the site is scheduled to start in autumn 2021. The mausoleum will provide a visual barrier and noise mitigation to the newly constructed cemetery, creating a pleasant environment for the families of the deceased. Once fully completed, the Edmonton Cemetery expansion will provide provision for a further 2,137 burial plots and extend the life of cemetery until 2045.
16. Whitewebbs Golf Course - In April 2019, Members authorised a marketing and disposal process for Whitewebbs Golf Course. Commercial officers worked with colleagues in Property Services to project manage the process

including tender documentation, Cabinet reports and project governance. As a high value and high-profile project, accurate and timely information and documentation is a priority to support decision making and reduce risk of challenge. The outcome decision is expected to be announced shortly.

17. Commercial waste - The Commercial Team worked with Waste Service to assess whether there was a business case to diversify the Council's Commercial Waste Service offer through the introduction of a broader range of products, targeting different parts of the market. The work undertaken by the team demonstrated that there is a positive business case for the introduction of containers aimed at the high waste producing industrial business predominantly located down the eastern corridor of the Borough, and potentially a commercial food recycling service. The service is currently reviewing its structure to determine how business development can be maximised, and once completed the service will look to implement the recommendations from the review which identified up to £220k of income that could be obtained from the new services.
18. NEXUS - is a Council managed project that works across Enfield's primary and secondary schools, engaging pupils that are at risk of permanent exclusion from school. When children are permanently excluded they are either referred to the Pupil Referral Unit or educated via an alternative provision. Both alternatives are significantly more expensive than mainstream education, and those permanently excluded from school are also more likely to become involved in crime, which impacts on their life changes and has wider implications for society. The Commercial Services Team worked with the Service to demonstrate the positive business case for the continuation of the project. During the first two years of NEXUS, permanent exclusions fell by 59.6% and 63.4% respectively when compared to the level preceding the introduction of the project. The business case demonstrated an average saving of £277k for the Council for each year that the project has been in operation.

### **2021/22 Highlights:**

19. Safe and Connected - The Commercial Team has worked with the colleagues from Adult Social Care to better market the service to increase utilisation and income. The Safe & Connected website has been revamped so that it is more engaging and offers potential customers with more information about the services on offer and the benefits of signing up to the Council's service. A sales marketing campaign has also been developed to promote the service to a wider audience, highlighting the benefits of the Council's service over some of our competitors. These include a recovery service for those users that have fallen and either injured themselves, and the use of new digital equipment that help monitor service users more effectively.
20. Holly Hill Extension - The successful delivery of the current project, detailed at paragraph 7 above, demonstrates the potential viability of similar schemes and an extension into the adjoining 97Ha of Council owned land has been proposed. This would operate under a broadly similar approach of using processed soil products to provide significant environmental and agricultural

improvements to the area under robust regulatory control using gate fee income to fund the project.

21. Natural Burials - An opportunity has been identified to develop a new burial ground on land owned by the Council that was originally purchased as part of the 'Garden Enfield' project and is currently leased for arable agriculture use. A burial needs assessment carried out for the Council in 2020 identifies an expected shortfall in Enfield by 2041 of 14,000 ashes interments and 15,000 graves, of which 11,000 are Muslim graves. The proposed new cemetery would address this predicted shortfall and introduce a natural/woodland burial option within the Borough for residents. A decision on this project is expected in October 2021.
22. Enforcement Agent Service - The Commercial Services Team are currently determining whether there is a business case to insource the debt collection services currently provided by third part enforcement agents (bailiffs). In addition to the income opportunity associated with an inhouse service, other Councils have shown that an inhouse service can offer more ethical methods of debt collection, whilst also achieving better rates of debt recovery than their third-party providers. The business case is primarily focussing on the collection of council tax and business rate debt, but there are other opportunities that could be explored such as parking debt.
23. Park Events Income Growth - Officers have worked with colleagues from across the organisation to attract new income generating events to the borough and grow the income from existing events. Income growth has been achieved by agreeing more favourable terms with existing organisers or adding additional days to ensure that maximum income is generated from organisations hiring our parks for their events. The attraction of new events to the borough has extended the borough's cultural offer with the addition of educational events such as the Jurassic Encounter at Grovelands Park. The work of the Team is helping to extend the cultural offer available to resident.
24. Planning Services - Enfield's Planning Service defines Enfield's long-term spatial planning framework and manages the development of land and buildings within the Borough. The service recognises that there is a need to explore opportunities to increase their commercial value and the Commercial team are collaborating with them to develop a strategic business case, outlining the commercial future for Enfield's Planning Service and highlighting specific opportunities to generate increased income and efficiencies.
25. Culture – The 2020/21 Invest to Save – Use of capital receipts, process identified five areas within the Councils Culture service where appropriate investment could deliver significant benefits both financially and in terms of improved offers and services to Enfield residents at its key venues such as the Dugdale centre, Millfield Theatre and Forty Hall. Commercial officers are working with the Culture service to develop robust business cases that can clearly demonstrate the value that will be obtained from the investment requested.

## **Schools Traded Services:**

26. The Hub - The hub is an online resource that provides schools with news, information and the ability to source the range of the Council's traded services. At the heart of the hub is the trading platform where schools can book 57 different services that help the schools to manager their estate more effectively, provide training for their staff, and deliver better education for their pupils. The hub is actively used by 120 schools across the borough trading over £3.5m of income for the Council, a 9.5% increase on the previous year. In addition to the reduced administrative burden on Council officers, the hub facilitates a centralised approach to invoicing, management of enquiries, and customer service, ensuring the same high standards of service are provided to all schools for each of the services.
27. Directly Managed Services - The Commercial Team directly manage four school services; Enfield Music Service, Enfield Catering Services, EN Digital, and School Swimming.
- Enfield Music Service's tuition offer, during the COVID-19 pandemic, moved to an online service and unfortunately this resulted in significantly less trade than face-to-face tuition. During the summer term trade was only 27% of the level in 2019, whilst current bookings for Autumn 2021 are just 10% of those from 2019. With the recent ending of all covid restrictions and the full reintroduction of in-school face-to-face tuition, it is hoped that trade will recover back to the levels seen in 2019.
  - Enfield Catering Services has restructured the team and recruited new members with different skills into the team, to retain the service's market share and reduce the budget pressure by the service. The service is now putting chefs into schools with the right skills and experience to deliver the service's vision of providing school children with healthy nutritious school meals. Combined with the procurement of new ingredient contracts, the service has won one new schools' contract and retained five schools that tendered their school catering. The progress made by the team has resulted in a reduction to the financial pressure of the service by £200k.
  - EN Digital, which provides digital services to the borough's education facilitates moved across to the Commercial Team in June 2021. The service has been involved in the roll-out of the Department for Education funded computer devices, provided to schools during the covid pandemic. Moving forward, under the management of the Commercial Team, EN Digital will look to increase the number of schools that works with and look at other opportunities such as the provision of services for small local businesses.
  - The School Swimming Service, like EN Digital, has recently moved under the management of the Commercial Services Team. Since joining the service, officers have revised the programme and are currently reviewing different operating models

## **A Commercial Discipline**

28. Going forward Commercial services will be applying and promulgating the following seven blocks approach throughout the organisation:
- Robust options appraisal processes to decide on commercial ventures
  - Identifying the risk and reward of individual commercial ventures and managing reputational risk and political exposure
  - Appropriate and effective accountability and scrutiny of commercial ventures
  - Having the right skills and capacity to be able to initiate, implement and manage commercial ventures
  - Creating a commercial culture
  - Setting a clear vision and taking a strategic approach to commercialisation
  - Agreeing what commercialisation means for us and our communities

### **Commercial Property Portfolio**

29. The Council's Commercial Property portfolio is managed by Strategic Property Services within the Property & Economy Directorate.
30. The portfolio forms part of a property holding comprising over 1,200 property assets across Commercial Property Investments and Operational Property. The combined assets are valued at circa £1.01 billion (£934m general fund plus £79m HRA non-residential).
31. Operational Property Assets include Council Offices, Depots, Community Assets, Libraries and Parks.
32. Commercial Property Investments include Retail Units within the Housing Revenue Account estate, the freehold of Shopping Centres in Enfield and Edmonton, Office buildings (including the new Microsoft (Metaswitch) HQ), Industrial estates and rural farms.
33. Management of the portfolio includes managing regular rent reviews, lease renewals, reletting following vacancies and other landlord approvals (such as for tenants works or assignments). A typical year will involve over 200 such transactions.
34. In Quarter 1 of the current financial year income from the portfolio was reported as £7,620,728, up slightly from the same quarter the previous year but down on pre Covid-19 levels, with vacancy rates at 3.5%, down from 3.9% in the previous year.
35. The Industrial Portfolio, including Claverings, Montagu, Jefferies and Redburn Industrial Estates generates approximately £2.2 million per annum.
36. The Retail Portfolio, mostly HRA parades, also generates approximately £2.2 million per annum.
37. The Rural Portfolio including farms and equestrian property, golf courses and privately-operated sports facilities generates approximately £800,000 per annum

38. A miscellaneous Portfolio including the freehold of the Palace Gardens Shopping Centre and Car Park, Edmonton Green Shopping Centre and ASDA Store and Car Park in Southgate generates around £3 million.
39. All of the above figures assume full recovery and are gross of management costs.
40. Local businesses were given a three month rent free period during the first lockdown but since then rent has been charged with a few exceptions. Covid-19 has impacted on collection rates and government-imposed restrictions have meant that tenants are protected from eviction for non-payment until at least March 2022. The reported financial impact of Covid-19 on this investment portfolio in 2020/21 was £334,000.
41. Income will increase this financial year following completion of the Microsoft (Metaswitch) development in Genotin Road which will generate £1,575,000 per annum.
42. Strategic Property Services have initiated a review of the portfolio which will consider which current assets should be retained, which disposed of and which developed to ensure that the Council receives the best future net returns and growth potential whilst also meeting the Council's Corporate Plan objectives. This review will be completed this autumn.

## **Conclusions**

1. The report has highlighted key outcomes from the last financial year and planned work for the Autumn onwards for the Commercial services team together with an update on current income from Commercial Property Assets and plans for a portfolio review.

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## **Appendices**

None

## **Background Papers**

The following documents have been relied on in the preparation of this report:

None