



London Borough of Enfield

**The Dugdale Centre
Restaurant Redevelopment
Strategic Business Case**

Main Business Case

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1. Executive Summary

- 1.1 Since 2015 Culture Services (CS) has been responsible for a wide range of venues and services ranging from The Dugdale Centre to Sports Development. It has been managed by various departments including Children's Services, Resources and Property & Economy. In 2018 the CS business model was realigned to improve the services financial position, with the primary business focus on the services predominant income stream - room hire.
- 1.2 The new Culture Strategy, "Culture Connects", was approved 11th November 2020, which lays out three priorities: Sustainability, Opportunities for Young People and Culture Everyday (Appendix 1). The strategy celebrates the distinct cultural strengths of Enfield and outlines plans to grow the borough's wellbeing, economy and opportunities through culture. This includes a priority to support the development of our town centres.
- 1.3 Following the approval of the Culture strategy, to ensure its delivery, CS has been reviewed and restructured. The restructure saw non-cultural venues removed from the service, with the number of assets managed by CS reduced to two core cultural venues – Forty Hall and the Dugdale Centre (including the Museum), along with its the Library Green café.
- 1.4 In 2022, as part of Enfield's Build the Change programme, the first floor of the Dugdale Centre will become dedicated offices for Children Services. CS will no longer be able to provide corporate room hire from this space and so expect a loss of generated income of approx. 60% of the Dugdale Centre annual income (approx. £330k pa).
- 1.5 CS budgets have been reset, and its income budget reduced. However, considering the loss of room hire income, the new budget requires an initial like for like income growth of approx. 30% of remaining income streams. It is planned that the development of the EnFood business (the Dugdale café/Library Green café) will be the main driver of the delivery of the services income budget.
- 1.6 The Dugdale Centre, in its current guise, has extremely limited kitchen space. Key food storage space on the first floor will be lost in the development works. To further develop and grow the EnFood provision within the Dugdale, it is critical that the service has the required resources to provide a competitive offer to Enfield Town. This business case sets out the required investment to deliver a functional working kitchen and restaurant space within the venue.

2. Strategic Case

Background

- 2.1 The Dugdale Centre is an arts centre within Thomas Hardy House in Enfield Town. Prior to the pandemic, the centre spanned the ground and first floors, containing a 139-seat studio theatre, the Museum of Enfield, exhibition space, small retail spaces, a café/bar, local archives and a suite of conference rooms for hire. These services supported the local culture offering, whilst generating an income, which peaked in 2019/20 generating a total income of approx. £680k.

- 2.2 In 2022, the first floor of Thomas Hardy House will become contained office space. The Dugdale Centre will lose space that was previously used by the CS for a community cultural space, operational storage, as well as corporate room hire which achieved an average of £330k pa. In addition, hospitality catering associated with room hires achieved an average income of approx. £52k pa.
- 2.3 The remaining venue space needs updating, as the current set up does not achieve a strong cultural identity and doesn't maximise its commercial potential. As a result, the centre is not optimised to deliver the newly approved Culture Strategy. Refurbishment works are planned with a vision to deliver a modern cultural hub supported by its commercial value. It is anticipated that the following works will be included within the refurbishment programme:
- A central modern designed museum/participation/second performance space
 - Relocation and kitchen improvement works
 - A new restaurant/bar area
 - Creation of an outdoor seating area
 - A single retail space
- 2.4 Following the CS restructure the services budget has been reset. CS first year income budget has been reduced to £390k, which is to be delivered from EnFood, Dugdale theatre programming hires. Historically, the Dugdale Centre generated an average income of approx. £239k pa from non-room hire income streams and so the new budget represents a required income growth of approx. 30%.
- 2.5 EnFood is the catering service managed by CS with a business model focused on sustainability and localism. The business was established in 2017, providing fresh, local and sustainable food with a healthy menu sourced from local suppliers such as Wright's Flour Mill and Holtwhites Bakery. The service quickly gained industry recognition, earning a top three-star rating by the Sustainable Restaurants Association and acknowledgement from the Mayor of London at the Good Food for London Awards. Prior to the Covid-19 pandemic, the business was operating from both the Dugdale Centre and the Library Green Café.
- 2.6 The EnFood operation within the Dugdale Centre was limited because of logistical and operational issues, including:
- Cooking equipment limited to a hot plate, sandwich toaster and microwaves
 - No dedicated storage area for stock with fridges and freezers located across both the ground and first floors
 - Irregular programme of events at The Dugdale Centre causing erratic visitor numbers which limited momentum for EnFood
 - Little on site branding, with no exterior signage causing a lack of presence within the venue
 - Limited marketing of the business
 - The confusing configuration the venue meant consumers were unclear as to the offer was of the Dugdale Centre.

Despite these issues, EnFood delivered a 2019/20 income growth of approx. 37% to £230k, growing from £168k generated in 2018/19.

- 2.7 As pandemic restrictions lifted, the Library Green Cafe reopened and achieved a 2021/22 Q1 & Q2 income of approx. £74k. This is a significant improvement on its pre-pandemic income, which has been achieved with limited marketing and at a time of consumer caution. The following table provides a performance comparison:

Library Green Café	Jan-March 2020	Aug-Oct 2021	Growth
Total income	£13,119	£33,121	152.47%
No of sales	2787	4828	73.23%
Average Spend	£4.71	£6.86	45.65%

- 2.8 As part of the CS restructure, EnFood staffing was reviewed and a new structure agreed, which provided 7.5 FTE for EnFood, consisting of:

- EnFood Manager & Head Chef
- Deputy Chef
- Customer Service Assistants x 5
- Catering Assistant x 0.5

Industry Analysis

- 2.9 According to the ONS, in 2019 the food & beverage (F&B) service sector within the UK was worth approx. £76.7bn. In 2020 and 2021, the Covid-19 pandemic led to nationwide lockdowns and social restrictions including closing all non-essential businesses, no social mixing and only essential travel. The hospitality sector was one of the hardest hit industry by the restrictions, with the 2020 industry's value falling by 42.4% to £44.2bn. In addition, since January 2020, the sector is likely to have also been affected by Brexit, but as the end of the transition period coincided with the period of restrictions, it is hard to separate the effects of the two.
- 2.10 At the start of the first lockdown, the industry's income for April fell by 87.1% compared to April 2019. It quickly became evident that the nation was facing an extended period of restrictions and so the sector needed to adapt and find a way to continue trading. As a result, there was a huge increase in the following areas:
- Food and Drink Deliveries
 - Food and Drink Click and Collect
 - Home cooking kits
 - On line events including cook along and tastings
- 2.11 According to Lumina Intelligence, during 2020, the UK food delivery market grew £3.7bn (48%) to £11.4bn, with the sector accounting for £2 of every £10 spent on a food service. Initially the service value is expected to fall to £10.5bn in 2021, which will still be 37% higher than pre- pandemic levels. Further growth of the sector is expected though and by 2024 the sector is predicted to be valued at £12.6bn.
- 2.12 Prior to the pandemic, the use of technology within restaurants was relatively low, with just 8% of consumers having used a self-ordering tablet and 10% used a QR within a restaurant. As restrictions eased, restaurants introduced

the use of these technologies, as safety measure and to boost customer confidence in public health. According to Lumina Intelligence, the use of both technologies has shot up, with the case of the use of QR codes usage increased by 250%. They are likely to become a mainstay in many businesses, as the industry see additional commercial value as well as future proofing against possible future restrictions.

2.13 The ONS has highlighted the strong contribution from the reopening of the hospitality sector in April 2021, helping the UK economy grow 4.8% between April and June. A 2021 Lumina Intelligence UK Eating Out Repot, has projected that at the end of 2021 the value of the eating out market will have recovered to £63.3bn, with full recovery and then continue growth expected in 2022.

2.14 Industry experts including Hanni Rützler, Lumina Intelligence, IDG and CGA all have recurring themes in their predicted post pandemic trends which include:

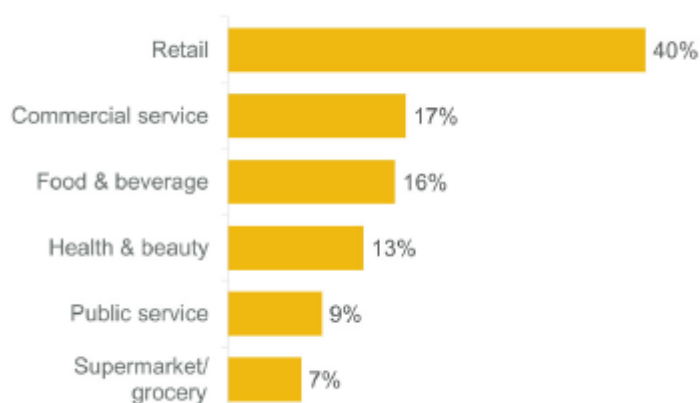
- CGA data shows that 55% of consumers intend to spend the same or more than pre- pandemic levels
- An IGD poll in September 2020 indicated 55% of respondents intend to make dietary changes to improve their health
- Consumers who remain anxious about crowds have moved away from peak trading periods and spread their visits more evenly across the week
- Local economy spend is expected to continue to benefit from consumers continuing to work from home, as seen with the growth of the Library cafe
- Demand growth in vegan and vegetarian menus
- Consumers becoming aware of environmental impacts
- Food deliveries will remain higher than pre- pandemic levels, becoming less treat led and more habitual plan to spend the same or more after Covid-19.
- Sustainability - the environmental awareness amongst UK consumers has surged in recent years with consumers seeking to reduce carbon footprint of their food choice, whether that's by shopping local, reducing meat intake or buying plastic-free
- The use of technology throughout the industry will continue including:
 - QR codes for menus ordering and payments
 - The use of apps for reservations, click and collect ordering and payments
 - Increased use of contactless payments
 - Increased use of digital kitchen boards – a digital menu board for kitchen staff helping restaurants streamline back-of-house operations.

Enfield Town Market Analysis

2.15 Enfield Town is located in the heart of Enfield and is the largest town centre in the borough. Enfield Town is the cultural hub of the borough as well as its primary shopping, commercial and administrative centre. It is home to 7% of the borough's jobs and 8% of businesses, making it the largest economy of the five town centres.

- 2.16 The population living around the town centre is older and more prosperous (in terms of income and deprivation) than around the other focus town centres in the borough. Overall, growth in the population over the last decade has been slower than seen across the borough and London, creating a long standing, established catchment.
- 2.17 There are several larger scale developments expected in forthcoming years within Enfield Town, which include:
- The redevelopment of Palace Gardens to create a new food, leisure and residential living space with 600 units
 - The redevelopment of the former Meta Switch Offices, Church Street, to create residential living space with approx. 80 units planned
 - The redevelopment of Refuge House, River Front to create residential living space with approx. 80 units
- 2.18 In addition to the above proposals, following successful funding bids from TFL's Liveable Neighbourhoods, works to Enfield Town's public realm are planned. The funding is to be used to reduce car use and turn local areas into safer, greener and healthier places for Londoners to live. The proposed improvements that will make Enfield Town a more attractive destination to live and visit, include:
- Enhancement of the Market Square, Town Park entrance and Fountain Island
 - The creation of a plaza in front of Enfield Town Station
 - Creation of a "pocket park" at one end of Little Park Gardens and
 - A new public space (Saddlers Mill Square) at the other end, making
- 2.19 In May 2021 an audit of high street uses was carried out to determine the offer in Enfield Town. This found that over half of all units were occupied by shops and that the town centre is also well served by banks and other services.

High street business types



- 2.20 A 2017 survey found that most people visit the town centre for shopping or to use services such as banks and hairdressers. Enfield Town users tended to live nearby and use the centre regularly, with 60% of respondents visiting at least once a week and 17% visiting daily.

- 2.21 Data from Mastercard has shown that consumer F&B spend within Enfield Town dropped to zero between April and May 2020. It took 12 months for F&B spend to finally recover to pre-pandemic levels, in April 2021. By August F&B spend within Enfield Town had surpassed pre-March 2020 levels, suggesting that there is a growing demand within the Enfield Town F&B market.



- 2.22 A desktop local market analysis exercise was undertaken in November 2021 (Appendix 2). The exercise assessed the F&B markets of Enfield Town, Palmers Green one of the other 5 town centres in Enfield and Waltham Forest, located in neighbouring Waltham Forest with similar planned levels of redevelopment as Enfield Town.
- 2.23 Enfield Town has 36 food and beverage operators (pubs/bars/restaurants) which, given its size, is fewer than might be expected, making up just 16% of the businesses within Enfield Town. In comparison, Palmers Green, 46 F&B operators and Walthamstow Central has 54. There is a high number of chain businesses in Enfield Town with just 50% of businesses independently owned, compared to 72% in both Palmers Green and Walthamstow Central.
- 2.24 In Enfield Town, F&B businesses mostly provide a quick dining experience with approx. 42% focused purely on takeaway and approx. 67% either providing fast casual dining, fast food or café offers. The quick dining experience accounts for approx. 54% in Palmers Green and 43% in Walthamstow Central.
- 2.25 In addition, with 30% of F&B businesses in Enfield Town operating only during the daytime, there are fewer restaurants providing an evening dining experience. These are important factors which are contributing to an underdeveloped night time economy in Enfield Town. The following table provides a breakdown of the F&B offers within the three local town centres:

	Enfield Town	Palmers Green	Waltham Central	Waltham Central
Total no F&B Businesses	36	46	54	
Dine In	28 77.8%	35 76.1%	51 94.4%	
No dine in available	5 13.9%	11 23.9%	3 5.6%	
Daytime Only	11 30.6%	9 19.6%	7 13.0%	
Evening Only	1 2.8%	8 17.4%	9 16.7%	
Daytime & Evening	24 66.7%	29 63.0%	38 70.4%	
Take Away Offered	29 80.6%	42 91.3%	48 88.9%	
Take Away Focused	15 41.7%	19 41.3%	15 27.8%	
Delivery Offered	26 72.2%	32 69.6%	40 74.1%	
Chain	16 44.4%	11 23.9%	8 14.8%	
Local Chain	2 5.6%	2 4.3%	4 7.4%	
Independent	18 50.0%	33 71.7%	39 72.2%	
Casual Dining	8 22.2%	11 23.9%	19 35.2%	
Contemporary Casual	2 5.6%	5 10.9%	3 5.6%	
Patisserie	0 0.0%	1 2.2%	0 0.0%	
Pub	4 11.1%	2 4.3%	7 13.0%	
Fast Casual	10 27.8%	1 2.2%	6 11.1%	
Fast food	9 25.0%	13 28.3%	12 22.2%	
Café	5 13.9%	11 23.9%	7 13.0%	
Bar	0 0.0%	2 4.3%	0 0.0%	

- 2.26 EnFood has previously delivered hospitality catering within the organisation. It is important to note that there will be three catering services within the LBE – EnFood, Enfield Catering Service and the proposed café provision on the ground floor of the Civic Centre managed by CMFM. It is therefore likely that EnFood will be competing against these services to secure internal hospitality catering.
- 2.27 In summary, the local market analysis has confirmed, that there is an increasing spend on F&B within Enfield Town. The town has a lower number of F&B businesses than other local town centres, with a clear gap in the market for a dining experience, with most of the businesses focused on quicker eating options. There are also no local restaurants/cafes delivering the growing demand for a healthy local menu based on sustainability.

Investment Opportunity

- 2.28 CS needs to address the operational space within the Dugdale Centre, that will be lost, when the first floor is converted to office space. Given the following:
- Plans to develop Enfield Towns night time economy
 - Expected increased programming at the Dugdale Theatre
 - The opening of new significant local employment hubs, (LBE Children Services within building and Microsoft offices opposite venue)
 - The planned wider refurbishment of the Dugdale Centre

It is an opportune time to invest in the EnFood business, to create the flagship home at the Dugdale Centre, delivering both daytime and evening services.

- 2.29 As outlined in 2.6, despite operational restrictions, pre-pandemic EnFood substantially grew its customer base and income. Since reopening the Library café has continued this trend, with growth in income, customer numbers and average spend.
- 2.30 CS are seeking investment to increase the venue’s cultural capacity with an accessible museum space and second performance area, and to ensure the venue’s sustainability via an enhanced café-restaurant offer. This would support the delivery of two key Council strategies:

Culture Connects: this proposal creates increased cultural opportunity for residents in line with the ‘Culture Everyday’ priority, and delivers on the priority for a sustainable cultural sector both in terms of the more robust business model for the Dugdale Centre and the opportunities it provides for local performers

An Economy That Works for Everyone: delivering strongly on the priority to transition our town centres from traditional retail hubs to place of welcome and exchange, diversifying the night-time, hospitality and cultural offer

2.31 The proposal also supports the emerging Night Time Strategy which supports the development of an evening economy for Enfield Town. Through the ethos of EnFood, the proposal supports our public health objectives around healthy eating, healthy catering and support for the local economy.

2.32 The EnFood offer will be core to the seven day a week centre operation. A flexible layout will adapt to a range of users from community groups (Knit and Natter, Breastfeeding Mums, Parent and Toddler), arts and social workshops, school parties, local workforce at lunchtime and hot desking workers during the day through to theatre audiences, comedy clubs, cabaret, quiz groups and networking events in the evening.

2.33 Culture Palace in Palace Gardens is a test bed for this operating model. The new temporary space opened September 2021. EnFood has turned over £26k including 3 evening supper club events.

2.34 The Dugdale Centre is scheduled to reopen November 2022 with new museum space, kitchen and café-restaurant facilities in place. Works will be delivered April – October in conjunction with the creation of the Children and Family Services Hub. A high-level order of cost estimate for the proposed works for the Dugdale Centre refurbishment has been prepared by Stace, which estimated a total cost of £1.4m including approx. £200k in professional fees. The estimated cost related to EnFood at the Dugdale is approx. £395k, including a contribution general refurbishment costs. A copy of the updated estimate is attached to appendix 3.

2.35 As per the EnFood resourcing in 2.8, the following services would initially be provided across both the Dugdale Centre and Library Green cafes, with hospitality catering also provided via the Dugdale Centre:

Service	Trading Days	Opening Hours	Required FTE
Dugdale Daytime	Mon-Sat	9:30am - 4:30PM	3.3
Dugdale Evening	Fri-Sat	6:30pm – 11pm	1.3
Library Green Daytime	Mon-Sat	9:30am - 4:30PM	2.8

2.36 Following the successful adoption of these services, EnFood would trial extended operating services at the Dugdale Centre in year 2. The service would initially rely on casual staff to offer the following additional services:

- Thursday evenings,
- Sunday daytime
- Delivery/click and collect.

Subject to their success, the service would permanently adopt the additional services permanently in year 3.

- 2.37 Financial appraisal has been undertaken and is detailed in section 4 of this report. Included within the analysis is a baseline position based on the current service budget, which projects the service, without investment, to operate at a net cost of approx. £173k over a five-year period.
- 2.38 Also included in the financial appraisal are projected budget positions, based on a number of operating models and demands. The following table provides a summary of the financial projections for the expected growth of the service, for years 1-3:

Expected Growth	Year 1	Year 2	Year 3
<i>Exp.</i>			
Employee Costs	£223,000	£235,000	£267,000
Activity Costs	£41,000	£41,000	£41,000
Stock	£124,000	£133,000	£148,000
Total Exp	£388,000	£409,000	£456,000
<i>Inc.</i>			
Library	-£145,600	-£145,600	-£145,600
Dugdale Day	-£161,200	-£184,600	-£184,600
Dugdale Night	-£114,400	-£145,600	-£182,000
Hospitality	-£15,600	-£15,600	-£26,000
Delivery/Take Away	£0	-£26,000	-£39,000
Total Inc	-£436,800	-£517,400	-£577,200
Total	-£48,800	-£108,400	-£121,200

This model projects a five-year total net income of approx. £521k, which represents an improvement of £694k,

- 2.39 As the business re-establishes itself, there would be potential for further growth to provide additional services, including:
- Partnerships with suppliers for order collection for customers
 - Event partnerships with suppliers (eg gin festivals, bake off events etc)
 - Cookery workshop experiences
- *These additional services are not included in any financial assessments as they require further development

Conclusion

- 2.40 As outlined in 2.14, industry experts expect many changes and trends to emerge, post-pandemic to include:
- Health and varied menus containing
 - A varied and increased vegetarian and vegan options
 - Locally focused and based around sustainability
- 2.41 The local market analysis has also identified the following:
- There is also an increasing spend on F&B within Enfield Town, exceeding pre-pandemic spend
 - A low number of F&B businesses with the town centre

- Majority of business focused on a quick customer turnaround
 - Few businesses providing an ‘dining experience’
 - Council and Metaswitch employees provide an immediate, contactable customer base for lunchtime
 - No business focused on providing a health, local and sustainable menu.
- 2.42 With EnFood’s business based around providing a healthy local menu based on sustainability, there is a clear opportunity to grow and develop the EnFood brand within Enfield Town. It is proposed that a flagship space is created for EnFood within the refurbished Dugdale Centre, which is closely surrounded by the new Children Services and Metaswitch employment hubs.
- 2.43 As outlined in 2.36 and within the Financial Case, the proposed investment is projected to deliver a year 1 net income of approx. £49k, growing to £121K by year 3. Between years 1 to 5, the service is projected to deliver a net income of £520k, an improvement of £694k from the current baselined service budget. It would therefore be expected that EnFood could return the investment cost of £395k within 4 years.

3. Delivery Options

- 3.1 There are two broad options available to deliver the EnFood business for the Authority:
- In house service delivery
 - Third party service delivery

These are considered in more detail below

In House Service Delivery

- 3.2 The EnFood service was created and has been managed by the Authority since 2017. Since its inception, it has delivered a high-quality menu, from locally sourced supplies, benefiting both the service and the local economy. It remains very popular and significant work has been undertaken to increase the service offer, ranging from daytime café service to themed evening food events.
- 3.3 The business has a clear vision for growth and was retained as part of the recent CS restructure. The EnFood vision of growth includes a regular evening offer utilising an expanded theatre programme, a delivery/click and collect service, themed nights and potential partnerships with local suppliers. This business case sets out the level of income that could be achieved.
- 3.4 By continuing with the service in house, the Authority will retain full control, ensuring the business continues to operate in line with its policies and strategies. Importantly, the service can also retain its level of quality control, of which the business has been built.

Third Party Service Delivery

- 3.5 The Authority could tender the opportunity for the service to be managed by a third-party operator. This model would remove most associated costs from the Authority, whilst delivering a regular income. As part of this process, the

Authority would develop a detailed specification for how the service is to be operated. Typically, third parties would be invited to submit a financial offer to manage the service. The LBE may want to include a mechanism which includes a profit share.

- 3.6 If the Authority was to require the retention of the current business model including the EnFood branding, it could affect the appeal and value of submitted bids. If the requirements were relinquished, the Authority would likely attract more interest from providers and potentially improve the financial offers for the contract.
- 3.7 By contracting the business to a third party, the authority would lose a significant amount of operational control. Whilst the contractor would need to comply with key performance indicators, the Authority would lose its general operational control. For example, the Authority would not be able to dictate the businesses supply chain. Whilst the LBE could set out strict requirements within the tender specification, it will ultimately reduce the value of the contract.
- 3.8 EnFood operates as part of the Dugdale cultural programme not as a separate entity. This ranges from shared use of space and facilities – café tables are also workshop tables, for example – to co-programming, such as music and food events. This collaborative flexibility is a key requirement of the new space and may be hard to effect with an external operator with its own business model.
- 3.9 As the Council has established EnFood, there is also potential reputational risk for the Council to consider. Consumers may be unaware of management changes and could struggle to understand the business is now managed by a third-party.

4. Financial Case

- 4.1 In 2020, as part of the BtC programme, architects delivered a costed high-level plan for a renewed ground floor of the Dugdale Centre. In September 2021, the high-level plan was reviewed and updated with an estimated cost of £1.4m including professional fees.
- 4.2 Included within the estimate were the required works to create an updated kitchen and café/restaurant with seating for up to 75 customers. The follow table provides a breakdown of the estimated kitchen and restaurant costs, which total approx. £395k:

Description	Cost
Risk Allowance Estimate*	£55,745
Facilitating Works*	£7,027
External Walls*	£3,167
Windows and External Doors*	£4,667
Internal Doors*	£6,703
Wall Finishes*	£26,019
Floor Finishes*	£8,637
Ceiling Finishes*	£7,337
Allowance for new kitchen equipment	£22,000
Allowance to install existing kitchen equipment	£3,500
Allowance for tables and chairs; to dining area	£15,000
Allowance for display boards	£1,100
Allowance for bar	£11,000
Allowance for storage towers	£5,000
Allowance for store shelving	£550
Allowance for signage	£5,000
Allowance for FF&E	£12,000
Toilets*	£8,650
MEP services; modifications to existing*	£75,933
CCTV*	£6,667
Disability emergency alarm*	£833
Heating Pump*	£1,800
Extraction system*	£9,000
Clean duct work*	£1,667
Below ground drainage alterations for kitchen	£16,500
Externals Works*	£12,667
Fees*	£66,667
TOTAL	£394,836

*33% contribution to general venue refurbishment costs

4.3 Commercial Services have produced a baselined five-year Dugdale Centre budget (Appendix 4) to demonstrate the potential as-is budget allocation for the EnFood service without investment, using the following assumptions across the five-year period:

- The annual budgeted income growth for the Dugdale cost centre, will be delivered by EnFood
- Initial café stock costs are in line with previous service spend
- EnFood stock costs will increase in line with the growth of the business

4.4 The baselined budget shows the five-year net cost of EnFood would be £172.5k. EnFood's annual net costs would be expected to fall year on year, creating a small surplus by year 5.

EnFood								
Costs								
Employee Costs		160.0	223	223	223	223	223	223
Marketing Officer (12.5%)		0.0	4.5	4.5	4.5	4.5	4.5	4.5
Marketing Cost		1.3	5	5	5	5	5	5
Activity Costs (Op Costs)			15	15	15	15	15	15
Stock		104	100	100	110	120	130	
Income								
Customer and Client Receipts		-177	-265	-295	-325	-355	-385	
Café Net cost (income)		88.2	82.5	52.5	32.5	12.5	-7.5	

4.5 To support the required investment to create an upgraded and extended kitchen at Dugdale, Commercial Services have worked with EnFood to develop operating projections and cost breakdowns for the service have been developed (Appendix 5 & 6) for the following models:

- Day time only service
- Limited evening service
- Planned evening service with expected business growth
- Accelerated business growth

4.6 The following assumptions were used across the four model projections:

- EnFood current day time customer average spend of £6.86 is maintained
- Supply costs set at 29% of projected income, based on the industry standard of 25% and an additional 4% contingency
- Marketing and running costs remain constant across the five-year period.
- The EnFood staff structure is fully recruited and staff retained within current budgets
- EnFood staff resourcing is grown upon success of phase 1 and expansion trial
- Hospitality is based on a Mon-Fri service
- Delivery/Takeaway operates alongside evening services
- Inflation has not been considered
- Trading is unrestricted

Day Only Model

4.7 Based on a day time only service Monday to Saturday at both the Dugdale Centre and Library Green, with additional income achieved from hospitality. The model reduces the services risk exposure, as both venues have previously provided daytime services. This model potentially may need to be adopted whilst service recruitment is completed.

4.8 Under this model, required staffing is reduced by 2 FTE and so employee costs have been reduced by £61k from the base lined budget. To achieve the projected incomes, stock requirements would also be reduced. Based on the supply costs assumptions, to achieve an annual income of £306k, stocks costs are projected to be approx. £93.5k, £10.5k below the baseline budget.

4.9 By adopting the following assumptions:

- Current customer average spend of £6.86 is maintained,

- Average 68 daily customers at Library Green café
- Average 75 daily customers at Dugdale centre

The model would deliver an annual net income of approx. £42k, an improvement of approx. £130.2k from the baseline budget. Across a five-year period the service is projected to achieve an approx. net income of £212k, an improvement from baseline of £385k.

Day Only Model	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Total
<i>Exp.</i>						
Employee Costs	£162,000	£162,000	£162,000	£162,000	£162,000	£810,000
Marketing Cost	£9,500	£9,500	£9,500	£9,500	£9,500	£47,500
Activity Costs (Op Costs)	£15,000	£15,000	£15,000	£15,000	£15,000	£75,000
Stock	£93,500	£93,500	£93,500	£93,500	£93,500	£467,500
Total Exp	£280,000	£280,000	£280,000	£280,000	£280,000	£1,400,000
<i>Inc.</i>						
Library	-£145,600	-£145,600	-£145,600	-£145,600	-£145,600	-£728,000
Dugdale Day	-£161,200	-£161,200	-£161,200	-£161,200	-£161,200	-£806,000
Hospitality	-£15,600	-£15,600	-£15,600	-£15,600	-£15,600	-£78,000
Total Inc	-£322,400	-£322,400	-£322,400	-£322,400	-£322,400	-£1,612,000
Total	-£42,400	-£42,400	-£42,400	-£42,400	-£42,400	-£212,000

Limited Evening Service

- 4.10 Based on a fully staffed service, as per the recent restructure, this model includes the addition of a weekly Friday and Saturday evening service at the Dugdale Centre. Further income is achieved from hospitality and from year 2 the introduction of takeaway/delivery services.
- 4.11 The model adopts the following assumptions:
- Current customer average spend of £6.86 is maintained,
 - Average 68 daily customers at Library Green café
 - Average 75 daily customers at Dugdale centre
 - Average evening spend of £18.60
 - Average 43 evening customers
 - Takeaway/Delivery commences year 2
 - Average takeaway spend £15
 - Average daily takeaway volume 7
 - Growth only applied to hospitality and takeaway/delivery.
 - Average daily hospitality income £53
 - Average daily hospitality volume 0.4
 - Regular event programme at Dugdale Theatre
- 4.12 Previously, for evening dining events, the average number of customers was 58 with an average spend of £19.40.
- 4.13 With a modest hospitality income in year 1, the service is projected to operate at a net income of approx. £22k, an improvement of approx. £110k on the baselined budget. With the growth of the hospitality service and introduction of takeaway/deliveries, net income is projected to grow to £32k in year 2, with the model projecting a 5-year income of approx. £157k. This performance would be below the EnFoods previous performances and so this performance level is considered unlikely.

Limited Evening Service	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Total
<i>Exp.</i>						
Employee Costs	£223,000	£223,000	£223,000	£223,000	£223,000	£1,115,000
Marketing Cost	£9,500	£9,500	£9,500	£9,500	£9,500	£47,500
Activity Costs (Op Costs)	£22,500	£22,500	£22,500	£22,500	£22,500	£112,500
Stock	£118,560	£123,240	£124,020	£124,020	£124,020	£613,860
Total Exp	£373,560	£378,240	£379,020	£379,020	£379,020	£1,888,860
<i>Inc.</i>						
Library	-£145,600	-£145,600	-£145,600	-£145,600	-£145,600	-£728,000
Dugdale Day	-£161,200	-£161,200	-£161,200	-£161,200	-£161,200	-£806,000
Dugdale Night	-£83,200	-£83,200	-£83,200	-£83,200	-£83,200	-£416,000
Hospitality	-£5,200	-£10,400	-£10,400	-£10,400	-£10,400	-£46,800
Delivery/Take Away	£0	-£10,400	-£13,000	-£13,000	-£13,000	-£49,400
Total Inc	-£395,200	-£410,800	-£413,400	-£413,400	-£413,400	-£2,046,200
Total	-£21,640	-£32,560	-£34,380	-£34,380	-£34,380	-£157,340

Planned evening service with expected growth

- 4.14 The following projection is based on the expected level of service growth. As per the above model, in year 1 a daytime service Mon-Sat at both venues, plus additional evening services twice a week would be provided.
- 4.15 In year 2, the service would trial increasing its daytime service at the Dugdale to a Sunday, increase its evening services to a Thursday night and commence a delivery/take away service. Whilst these services are trialled, to reduce exposure, the service would rely on casual staff.
- 4.16 Once EnFood is satisfied with the trials, they would seek to expand the staffing resources so that the services could be formally adopted and expanded further. In year 3 the team would seek to introduce Sunday evenings and would expect growth in Thursday evening, hospitality and delivery/take away services.
- 4.17 In addition to the limited growth model, the following assumptions have been applied:
- Average 59 evening customers
 - Average takeaway daily volume 17
 - Average daily hospitality volume 1.1
 - Event programming growth in line with the additional evening services
- 4.18 In the expected growth model, the service projects a year 1 net income of approx. £49k, growing to £121k pa by year 3. Across the initial five-year period, a net income of approx. £521k is projected, representing an improved budget position of £694k. This model is based on previous and current service performances and the service is confident of the delivery of these projections.

Expected Growth	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Total
<i>Exp.</i>						
Employee Costs	£223,000	£235,000	£267,000	£267,000	£267,000	£1,259,000
Marketing Cost	£9,500	£9,500	£9,500	£9,500	£9,500	£47,500
Activity Costs (Op Costs)	£31,500	£31,500	£31,500	£31,500	£31,500	£157,500
Stock	£124,000	£133,000	£148,000	£148,000	£148,000	£701,000
Total Exp	£388,000	£409,000	£456,000	£456,000	£456,000	£2,165,000
<i>Inc.</i>						
Library	-£145,600	-£145,600	-£145,600	-£145,600	-£145,600	-£728,000
Dugdale Day	-£161,200	-£184,600	-£184,600	-£184,600	-£184,600	-£899,600
Dugdale Night	-£114,400	-£145,600	-£182,000	-£182,000	-£182,000	-£806,000
Hospitality	-£15,600	-£15,600	-£26,000	-£26,000	-£26,000	-£109,200
Delivery/Take Away	£0	-£26,000	-£39,000	-£39,000	-£39,000	-£143,000
Total Inc	-£436,800	-£517,400	-£577,200	-£577,200	-£577,200	-£2,685,800
Total	-£48,800	-£108,400	-£121,200	-£121,200	-£121,200	-£520,800

Accelerated service growth

- 4.19 The following model is considered the 'best case' scenario, which is based on the 'Expected Growth Model' operating hours, with high customer volumes and the delivery/takeaway service launching in year 1.
- 4.20 The model adopts the following additional assumptions:
- Average daytime daily customer volume of 75 at both sites
 - Average evening customer volume of 65
 - Evening services growth from year 1 to 3 and then maintained.
 - Hospitality and Delivery/Takeaway year on year growth
 - Average evening customer volume of 65 maintaining the average spend of £18.60
- 4.21 In the expected growth model, the service projects a year 1 net income of approx. £80k, growing to £150k pa by year 5. Across the initial five-year period, a net income of approx. £647k is projected, which represents an improved budget position of £820k. This model expects high levels of performance immediately, however there are likely to be teething issues as the new services launch, whilst there are also expected to be labour issues in the hospitality sector throughout 2022. There should therefore not be an expectancy for the service to deliver these projections.

Accelerated Growth	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Total
<i>Exp.</i>						
Employee Costs	£223,000	£235,000	£267,000	£267,000	£267,000	£1,259,000
Marketing Cost	£9,500	£9,500	£9,500	£9,500	£9,500	£47,500
Activity Costs (Op Costs)	£31,500	£31,500	£31,500	£31,500	£31,500	£157,500
Stock	£129,480	£158,340	£176,280	£178,260	£179,400	£821,760
Total Exp	£393,480	£434,340	£484,280	£486,260	£487,400	£2,285,760
<i>Inc.</i>						£0
Library	-£161,200	-£161,200	-£161,200	-£161,200	-£161,200	-£806,000
Dugdale Day	-£161,200	-£187,200	-£187,200	-£187,200	-£187,200	-£910,000
Dugdale Night	-£124,800	-£166,400	-£213,200	-£213,200	-£213,200	-£930,800
Hospitality	-£15,600	-£20,800	-£26,000	-£28,600	-£31,200	-£122,200
Delivery/Take Away	-£10,400	-£26,000	-£39,000	-£44,200	-£44,200	-£163,800
Total Inc	-£473,200	-£561,600	-£626,600	-£634,400	-£637,000	-£2,932,800
Total	-£79,720	-£127,260	-£142,320	-£148,140	-£149,600	-£647,040

Summary

- 4.22 A baseline budget, for a service without investment, shows a modest net income could be achieved in year 5 of the service re-launching. The total cost for this 5-year period would £172.5k.
- 4.23 An updated detailed estimate of costs, dated September 2021, outlined the required restaurant/café related works at an approx. cost of £395k. Commercial Services has worked with EnFood to undertake an operational review and projected service performances. As a result of this review, projection models were prepared demonstrating that with investment, EnFood could immediately operate at a net income with a clear vision for service and income growth.

5. Management Case

- 5.1 The proposed project Organisational Breakdown Structure is attached at Appendix F and outlines the key reporting relationships within the project specifically:

Executive Director – Sarah Cary, Executive Director Place
Project Sponsor – Rebekah Polding, Head of Culture
Project Manager – TBD

CMFM and Build the Change will be a key part of the project team as will appropriate consultancy support.

- 5.2 Formal governance and progress reporting will be through a specific project board to meet at least every two months and chaired by project sponsor. Project dashboards will be circulated ahead of board meetings to enable due consideration and presented at Board by the project manager(s).
- 5.3 For the construction phase of the project, it is proposed to use RIBA plan of works because it is a tried and tested project management tool for construction and civil engineering projects of this nature. The method is flexible and can be adapted to suit the bespoke nature of this project as it develops.

- 5.4 Using the RIBA process enables any alteration or modification of the design, quality or quantity of the works including additions, omissions or substitutions that fall within the scope of the planning permission to be managed using principles understood by both parties.
- 5.5 A full project plan along with, risk register, project management plan and full project governance documentation will be produced following approval of the business case and to support the Cabinet report

6. Constraints and Considerations

Site

- 6.1 The venue needs to contain several services, including the theatre, secondary performance space and museum. The layout of the venue therefore needs to be considered when designing to ensure they not only can coexist together, but they can help support each other with uses using numerous services on visits or revisits.

Traffic and Transport considerations

- 6.2 The site is well served with multiple bus stops outside the premises, a multi storey car park above and Enfield Town station 0.2 miles away.

Neighbouring properties

- 6.3 The venue is adjacent to two A1 premises, currently used as the supermarkets Iceland and Lidl.

Utility services

- 6.4 There is currently insufficient gas supplies and ventilation to allow a gas-powered kitchen. The current proposal is based on a sustainable electric kitchen

Heritage and Conservation considerations

- 6.5 Thomas Hardy House, in which the Dugdale Centre sits, is located within the Enfield Town Conservation Area. Whilst internal changes will not require planning permission, it is likely that changes to the building frontage could., causing several months delay before the works could be undertaken.

7. Key Risks

- 7.1 A full risk assessment, risk register and risk management plan will be developed and will be actively managed and reported as part of the delivery of this project. For the purposes of this strategic business case however it is important to acknowledge and understand several key risks that are inherent to the process.

Financial Risks

There is a risk of increasing supply costs, with 2022 food inflation currently projected at between 1.8-2% on Trading Economics. Increased supply costs could be partly passed on to customers and risk reducing sale or absorbed by the business, with both options likely to impact on its net position. It is essential that close relationships are maintained with suppliers, to ensure expected price changes are communicated early, allowing sufficient time to adapt menus.

As of the time of writing this business case (November 2021), the recovery of the UK economy has slowed. Whilst pandemic related restrictions are minimal, there is still a risk of their reintroduction. In addition to this, the cost of living has increased and continues to rise. There is therefore a risk that customer spend could be impacted, as they seek to control non-essential spending. The business should remain aware of this as they develop its menus and offer, to remain attractive to customers at a time of financial instability.

Capital Risk

Average construction material costs across the sector were 23.5 per cent higher than they were in August 2020, according to the Department for Business, Energy and Industrial Strategy, growing 3.5% in a month. It is essential that costs are closely monitored throughout the construction phase of the project.

There is always a risk of overspend in construction projects and although the initial capital investment is relatively low, there could be negative variation to expected costs. The outline processes to manage this include:

- Robust site and technical site appraisal to identify any technical barriers to achieving the aim of the project before major investment takes place.
- Effective procurement of contractors and consultants with clear specifications that enable Enfield to select and manage third parties during any future build and mobilisation,
- Appropriately skilled internal technical project and contract management staff with appropriate external technical support to ensure the specifications and timescales are met.

Competition

As discussed in 'Enfield Town Market Analysis' there are a smaller number of F&B providers within the local market than would be expected and significantly fewer than neighbouring town centres. This reduces the current risk of competition, but with the scale of expected development within the local area, it is important that the business continues to develop and market its services.

Market Risk

There are on-going staffing shortages across the hospitality industry, with 96% of F&B businesses expecting staff shortages in 2022. Failure to fill and retain all positions within the service will likely reduce the operating hours of its outlets, which will reduce its overall commercial performance. EnFood staff structure will provide contracts for all of the 7.5 FTE, which will provide improved assurance to staff, compared to other employers within the industry.

F&B have been hit with supply issues, due to the HGV driver shortage. Although the majority of the businesses suppliers are local, there is still a risk of impact, as supplier's supply lines are still vulnerable.

Risk Management

Once approved the project Risk Management Plan will be monitored and controlled via the regular scheduled Project Board Meetings.

8. Indicative Timescale

8.1	Capital Board submission	Culture	
8.2	Freeholder consent	Legal	
8.3	KD period		
8.4	Portfolio Decision	Culture	
8.5	Procure specialist to design	Culture	
8.6	Stakeholder consultation	Culture	
8.7	Finalise design/technical specs etc	CMFM/Culture	
8.8	Construction Spec	CMFM/Culture/Procurement	
8.9	Construction Tender Process	Procurement	
8.10	Operational Decision to Award Construction Contract	Culture/CMFM/Procurement	
8.11	Issue Letter of Limited Liability	Legal	
8.12	Mobilisation	Project Manager(PM)/Contractore	
8.13	Construction	Contractor/Culture/PM	
8.14	Snagging	PM	
8.15	Sign Off	Culture	
8.16	Technology for restaurant/bar	Digital Services/EnFood	
8.17	Launch	EnFood	

Authorisation to proceed

Decision	
Decision made on	
Decision made by	
Decision method	Delegated authority
Comment	

Appendices

- Appendix 1 - Culture Connects – LBE Culture Strategy
- Appendix 2 – Local Market Analysis
- Appendix 3 – September 2021 Stage Order of Cost Estimate
- Appendix 4 – Baselined Budget
- Appendix 5 – Operating Projections
- Appendix 6 – Cost Breakdowns
- Appendix 7 – ONS - Coronavirus and its effects on UK Hospitality
- Appendix 8 – DoBE&I – Hospitality Strategy
- Appendix 9 – UK Hospitality – Future Shock