



CONFIDENTIAL

Commercial Review  
18<sup>th</sup> March 2021

# Table of Contents

<b>BACKGROUND</b> .....	<b>4</b>
<b>CURRENT POSITION AND POST COVID-19 PROJECTION</b> .....	<b>4</b>
<b>COMMUTER PARKING</b> .....	<b>4</b>
CURRENT POSITION.....	4
POST COVID-19 .....	4
<b>SHOPPER PARKING</b> .....	<b>4</b>
CURRENT POSITION.....	4
POST COVID-19 .....	5
<b>HIGH CHELMER SHOPPING CENTRE</b> .....	<b>5</b>
CURRENT POSITION.....	5
POST COVID-19 .....	5
<b>MARKETS</b> .....	<b>5</b>
CURRENT POSITION.....	5
POST COVID-19 .....	6
<b>HYLANDS HOUSE</b> .....	<b>6</b>
CURRENT POSITION.....	6
POST COVID-19 .....	6
<b>CHELMSFORD CITY THEATRES</b> .....	<b>6</b>
CURRENT POSITION.....	6
POST COVID-19 .....	7
<b>TRADE WASTE</b> .....	<b>7</b>
CURRENT POSITION.....	7
POST COVID-19 .....	7
<b>RIVERSIDE LEISURE CENTRE</b> .....	<b>7</b>
CURRENT POSITION.....	7
POST COVID-19 .....	7
<b>PROPERTY PORTFOLIO</b> .....	<b>8</b>
CURRENT POSITION.....	8
POST COVID-19 .....	8
<b>CONFERENCE AND CORPORATE EVENTS HOSTING</b> .....	<b>9</b>
CURRENT POSITION.....	9
POST COVID-19 .....	9
<b>GAPS AND OPPORTUNITIES</b> .....	<b>9</b>
<b>HYLANDS HOUSE</b> .....	<b>9</b>
<b>PROPERTY PORTFOLIO AND COUNCIL OFFICES</b> .....	<b>10</b>
<b>CAR PARKS</b> .....	<b>11</b>

CONFERENCE AND CORPORATE EVENTS HOSTING .....	11
HIGH STREET SPACE .....	11
OURCHELMSFORD CARD .....	11
SELLING IN-HOUSE EXPERTISE .....	12
CHARGING FEES FOR MUSEUM ENTRY .....	12
ALL FEES AND CHARGES.....	12
USE OF DATA .....	12
E-SCOOTER RENTAL .....	13
ADVERTISING AND SPONSORSHIP .....	13
<b>OVERALL POSITION .....</b>	<b>13</b>
<b>FUTURE INVESTMENT REQUIREMENTS .....</b>	<b>14</b>
<b>SOURCES OF INFORMATION .....</b>	<b>14</b>
TELEPHONE INTERVIEWS .....	14
DOCUMENTS AND REPORTS.....	14
<b>RECOMMENDATIONS .....</b>	<b>14</b>
<b>APPENDIX 1 – OPPORTUNITIES PURSUED BY OTHER LOCAL AUTHORITIES.....</b>	<b>16</b>
<b>APPENDIX 2 - DELIVERING COMMERCIAL OPPORTUNITIES – AREAS OF FOCUS.....</b>	<b>17</b>

## Background

In recent years Chelmsford City Council (CCC) has been successful in generating income from a variety of sources. However, it is an income-dependent organisation, which has seen significant decreases in its revenue during the period of the Covid-19 pandemic.

The income gap is currently in the region of £5-6m, and even with Government support this is projected to settle at circa £3m.

CCC considers it is timely to undertake a review of current commercial initiatives, project the potential levels of income recovery post-Covid and explore new income generation opportunities.

This review will outline the current position, the anticipated levels of recovery post Covid-19 and identify areas where CCC could explore new opportunities or maximise the potential of existing initiatives.

## Current Position and Post Covid-19 Projection

There are several key areas that have been, or are likely to be negatively impacted by the pandemic.

### Commuter parking

#### Current position

The income from commuter parking is projected to show a loss of circa £1.5m

#### Post Covid-19

The income from commuter parking is unlikely to return to its pre-Covid levels due to changes in working practices, with more people reducing their commuting either altogether to work from home, or only travelling for part of the week.

### Shopper Parking

#### Current position

As shops, bars and restaurants have been closed for prolonged periods, the income from shopper parking has significantly reduced.

## Post Covid-19

It is anticipated that shopper parking will slowly return to around 80% of the pre-covid levels once shops, bars and restaurants are fully reopen. However, this depends on shoppers gaining confidence to venture into more crowded environments, and Chelmsford continuing to offer a varied and vibrant shopping experience.

## High Chelmer shopping centre

### Current position

Income in the last financial year was circa £3m, for this year it is projected to fall to circa £1.8m. Many tenants have been unable to continue to pay their rents.

The pandemic has drastically reduced shopper footfall, with some shops closing permanently and the uncertainty of when non-essential shopping venues will be able to operate effectively following the easing of restrictions during late Spring 2021.

### Post Covid-19

CCC has limited ability to influence how the centre is run as it is managed by the Coal Board Pension fund.

Resumption of full rent payment during 2021 should improve the overall income position, but it will not recoup the losses made during the lockdown periods unless arrangements are made with tenants to pay rent arrears over a period of time.

However, shoppers' general wariness to return to crowded environments, and the prevalence of online purchasing may have a long-term detrimental effect on income from this source.

## Markets

### Current position

Many market traders have been forced out of business, and it may prove difficult in the short to medium term to find new traders to bring the market back to its earlier level.

## Post Covid-19

If the market is not able to attract new stallholders and return to a varied and vibrant shopping experience, this may have a detrimental effect on general shopper footfall in Chelmsford for the short to medium term.

## Hylands House

### Current position

Weddings have stopped, and will not resume until the current lockdown is fully eased in late Spring this year.

Festivals have been cancelled, depending on the impact of the vaccination programme and easing government restrictions it is still unclear whether any will be able to be staged in 2021.

### Post Covid-19

Weddings will resume, although it will take some time to get back up to pre-covid levels. However, the future is looking positive as this venue will benefit from the backlog of weddings from 2020.

A 'virtual showroom' is available for people to see the venue before booking, without having to visit in person. This has proved very popular and successful in securing future reservations.

It is still unclear whether there will be an opportunity to host a Festival during 2021. But the income from festivals etc. will return in 2022.

Other planned events such as a repeat of the Christmas 'Light Walk' will attract existing and new visitors and generate income later in the year.

It is anticipated that income levels will return to pre-Covid levels by the end of 2021.

## Chelmsford City Theatres

### Current position

In common with all entertainment venues that have been closed for a significant amount of time, CCC has experienced a large decrease in its annual income.

## Post Covid-19

It is expected that as soon as opening is allowed, demand for performances will be very high and income levels will start to recover. However, it will take a while to return to pre-covid levels as customers may be wary to return to entertainment events in large crowds until the threat of the pandemic has significantly receded.

## Trade waste

### Current position

The trade waste service has seen a significant decrease in income during the pandemic with shops, bars and restaurants being closed for extended periods.

### Post Covid-19

As soon as shops, bars and restaurants are fully open, the level of trade waste will return to pre-covid levels, generating a predictable income stream. However, unless the customer base is expanded it will not be able to replace the income that has been lost during the close down periods.

## Riverside Leisure Centre

### Current position

The new leisure centre that was opened in Summer 2019 was bringing in membership fees of circa £2m per annum, plus fees from their pay and play option. The extended lockdown of leisure facilities has effectively stopped the income from this venue. Many of the members have also stopped their regular membership payments.

### Post Covid-19

The lifting of restrictions on the use of leisure facilities will enable the centre to reopen. However, it will need strong and targeted promotional activity to attract back previous members, and to encourage new membership.

The move to on-line fitness and exercise classes may have a financial impact, as many people have found this method of exercising both cheaper and more convenient as they don't have to travel to a centre to participate.

The leisure centre will need strong messaging and attractive benefits to persuade home-exercisers to come back to a physical venue

## Property portfolio

### Current position

CCC has a healthy property portfolio, with most of the tenants continuing to pay their rent during the pandemic.

Aquila House – the current lease on this expires in August 2021. It currently produces income of £300k per annum. It is likely that some or all of the office accommodation will be returned to CCC. Refurbishment works will be required and some of the cost for this will be offset by a dilapidation claim against the tenant. Provision has been for works to be undertaken by the Council. A rental void period of 12-18 months is expected.

The Aquarium – comprising of 20 small office units, during the pandemic 5 tenants were lost, however 3 units are now under offer.

There are several other initiatives underway:

- Galleywood House – being redeveloped as three business/light industrial units with planning permission going to the March planning committee meeting.
- Montagu Evans has been instructed to explore the potential of redevelopment of three surface car parks
- Baddow Road car park, part of the Chelmer Waterside scheme, a large project for development which will offer future opportunities

### Post Covid-19

With the commercial property market remaining in an uncertain state for at least the short term, it is difficult to predict how the overall portfolio will perform over the next 12 months.

However, it is clear that there is an increasing demand for small office units, flexible workspaces and affordable business centres.

There are opportunities to be taken, which are detailed in the Gaps and Opportunities section below.



## Conference and corporate events hosting

### Current position

During the pandemic the demand for on-site conferences or corporate events has disappeared, both in Hylands House and the Civic Centre. The Civic Centre revenue was circa £100k per annum pre-covid. Currently it is running at between £25-30k.

### Post Covid-19

The likelihood of recovery to pre-covid levels is debatable as it is likely that many organisations will move towards a hybrid approach for meetings, training, seminars, conferences and corporate events.

There will still be some demand for on-site events, however customers will expect to have access to high-quality audio-visual equipment to enable efficient streaming when required.

There is only one room in the Civic Centre that has an adequate level of equipment, and Hylands House doesn't have anything suitable.

Therefore, investment will be required to bring these venues up to standard. Hylands House has already spoken with CCC's IT team who are exploring the technical requirements that are needed to delivery high quality streaming.

## Gaps and Opportunities

**Appendix 1** shows brief details of commercial initiatives that have been undertaken by other local authorities. Clearly not all of these would be appropriate for CCC, and some may already have been trialled and dismissed as not viable.

**Appendix 2** shows Areas of Focus that have proved helpful to other authorities when planning, implementing and managing their Commercial Programmes.

## Hylands House

Although the venue is occasionally being used as a filming location, this could be explored more fully to secure additional income for CCC. Links with reputable location seeking companies and photo advertising agencies could result in additional bookings either for filming or advertising photoshoots.

It is understood that funding was secured and a consultant (ex-Blenheim Palace) has been engaged to explore opportunities in the area of cultural activities and attractions.

There will be a significant demand for activities and entertainment as soon as restrictions are lifted. This opportunity should be seized as it will soon disappear as people get used to a more normal way of life. But initially they will want to go out to almost anything as they have been unable to go to any events for many months.

A wide range of events can be staged at Hylands, so the full range of what would be attractive to visitors should be explored. There are already some ideas being developed, however the potential for attracting both existing and new visitors should be exploited.

## Property Portfolio and Council Offices

There is a strong demand in the market for business centres, flexible workspaces and smaller office units to accommodate both new businesses and people who are not going to commute to their office, but need somewhere local to work where working from home is either not possible or convenient.

There is an opportunity to repurpose existing commercial properties into small units, or into a business centre, offering central office, working and meeting space to smaller organisations where there is a pent-up demand. This will be an area where commercial operators will be quick to respond, so CCC would need to be at the forefront to enable the maximum benefit and income to be realised.

Commercial premises could also be repurposed in to a mix of commercial and residential, subject to planning consent, providing an opportunity to deliver additional affordable housing or student accommodation.

Conversion to residential affordable housing may also help to alleviate the pressure on providing temporary accommodation.

CCC's own council offices should also be reviewed for usage and space requirements. Now that remote working has become more efficient and staff have the technology to work away from the office, at least for part of the time, there is an opportunity to review whether CCC still requires the level of office space it currently occupies.

This may involve redesigning or repurposing the space, so there is likely to be a level of investment required.

## Car Parks

The opportunity to undertake redevelopment of surface car parks is already being explored. This could lead to CCC providing more affordable accommodation (see note above under Property section), or student accommodation to service the medical school and university.

Careful monitoring of car park usage will be required to enable identification of other potential sites that could be repurposed in the future if parking levels do not recover to an acceptable level.

## Conference and corporate events hosting

With investment in high-quality audio-visual equipment, enabling efficient streaming, CCC will be well placed to offer their venues to organisations and venues for either on-site meetings, conferences, training, seminars or corporate events or via a hybrid version enabling delegates to attend either in person or virtually. This will be a very attractive offer but will depend on having the right level of technology in place.

## High Street space

Space in the High Street is hired out at circa £150 per day. With the contraction or closure of many retail-based businesses, demand for this type of space may increase as retailers try to kick start their businesses again, or new start-ups emerge. It would be good to explore how many 'pitches' could be offered to maximise potential income.

## OurChelmsford card

The card is currently used as the membership card for leisure. However, proposals were put forward in 2020 to extend this to a much wider use. Looking at the proposal, subject to further work being done on customer need and return on investment, it could prove to be a regular source of income for CCC. It would also foster keeping spending within the area as incentives would encourage users to take advantage of local shops, entertainment venues and other facilities.

This would require significant investment in IT, marketing, products and partnerships to achieve an effective rollout and would need to be adequately resourced. It is suggested that this proposal is re-examined during 2021 to establish whether it could be of benefit to CCC either in part or as a whole.

## Selling in-house expertise

- CCC could look to offer its expertise to other organisations in areas such as Legal, HR, Print, Graphics, Web design etc. However, this may impact on current resources and each element would need to be carefully costed to ensure it was recovering full costs and delivering a profit back to the council.
- In other areas, such as accessing funding, levies etc CCC could consider marketing the availability of skills and resources to take other authorities through the processes.
- CCC's conservation officer has provided services to other councils in the past, providing there is sufficient capacity this could be marketed more widely.
- In other areas where CCC staff are already providing support outside of the council there may be an opportunity to market their skills more widely (e.g., Planning policy), depending on resource capacity, ensuring that market rates are being charged for their services.
- The communications team have made a few short videos on communications and marketing. This could be expanded to provide a library of 'how to' videos. This would require additional resource. Potential customers would be other local authorities, charities, SMEs and medium sized enterprises.

## Charging fees for Museum Entry

- The introduction of a small fee, £2-£3 for non-residents could be achieved with no additional resource requirement. The scale of return would need to be calculated based on a view of how many visitors are non-resident, however there would be very little outlay to set this up.

## All fees and charges

If a full review of fees and charges has not been undertaken recently, it is suggested that this should be undertaken. A modest increase in fees and charges, where it is possible, could amount to an increase in income for CCC without any impact on resources.

## Use of data

Effective use of data held by CCC to enable cross-selling is likely to encourage existing customers to purchase additional products and services.

A separate page on the website outlining all the commercial offers would also serve as a one stop shop for customers and enable staff to see the whole range of products and services that are on offer.

## E-Scooter Rental

Trials are currently under way on the use of E-scooters for rent. Although the trials are at an early stage, it is suggested that CCC keep this under review as a potential income generator for the future. This will also contribute to the reduction in carbon emissions. This link will take you to the current government guidance page:  
<https://www.gov.uk/guidance/e-scooter-trials-guidance-for-users>

## Advertising and Sponsorship

It is understood that an initiative to sell advertising space in surface car parks was tried previously but was terminated as not commercially viable. However, there are other opportunities to generate income from advertising or sponsorship, such as selling space on:

- Council vehicles (including refuse vehicles)
- Council website
- Sports fields
- Roundabouts
- Digital advertising on major roads
- Multi-story car park floor and wall space

CCC could look at those that are relevant to them with a view to exploring the income generation potential.

## Overall Position

CCC has clearly lost a significant level of income during the pandemic, but there are positive signs that in many areas income levels will recover in the medium term.

There are opportunities to improve commercial offerings, and to initiate new ones. However, these are likely to require investment which will need to be carefully considered in light of social and economic uncertainties which will remain for at least the remainder of 2021.

CCC appears to have many officers who are commercially focussed, and this will greatly improve the potential for achieving increased income levels in the future.

However, CCC should explore whether the organisation itself has an embedded commercial culture, if not then it is recommended that a programme of commercial awareness training/workshops for relevant staff/teams is considered.

## Future Investment Requirements

For many of the areas of recovery and new opportunities investment will be required. Such as repurposing existing properties, redeveloping surface car parks and upgrading audio visual/streaming functionality.

Each area will need careful costing to ensure that full costs are being recovered and that CCC will be able to achieve an acceptable return on investment.

## Sources of information

### Telephone interviews

Telephone interviews were undertaken with, their co-operation is greatly appreciated in providing detailed information on their specific areas of expertise:

- Councillor Simon Goldman
- Joe Reidy
- Ali Naqvi
- Stuart Graham
- Jon Lyons
- Phil Reeves

### Documents and Reports

- Property Holdings Report as at 31<sup>st</sup> March 2020
- OurChelmsford PowerPoint presentation and accompanying reports – September 2020

## Recommendations

- To enable CCC to have a clear picture of its commercial activities across it is suggested that a Commercial Programme be developed that is able to track the performance of the different commercial elements using a dashboard methodology, as well as checking that new initiatives are not clashing with existing projects and have considered interdependencies etc. This could be overseen by a small 'Commercial Board' drawn from the key commercial areas within CCC.
- The development of a Commercial Strategy would support the Commercial Programme and enable CCC to give focus on its key commercial initiatives and

potential future opportunities. The strategy would be a valuable tool to instigate discussions with elected members and staff teams, and enable CCC to plan for any investment or resource requirements going forward.

- CCC should give its focus on the projects that are likely to achieve the highest returns, smaller projects should not be ignored but they can be very resource intensive for little financial benefit.
- Early consultation with the Finance team is recommended for any new initiatives or expansion plans to ensure that full costs have been identified and funding possibilities are being maximised. This can be easily implemented by having a step in the approval process where Finance is sighted on all business cases.
- CCC should consider implementing a programme of commercial workshops for relevant staff/teams to enable upskilling of key staff. This would be the start of embedding a commercial culture and to ensure that CCC moves forward with their key people really understanding how commercialisation works in the public sector, how to identify and maximise opportunities and what to avoid.

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## Appendix 1 – Opportunities pursued by other local authorities.

Service Area/Asset	Opportunity
Civic Buildings:	<ul style="list-style-type: none"> <li>• Offering space for local group meetings/activities</li> <li>• Sharing office space with other organisations</li> <li>• Providing hot desks for small businesses</li> <li>• Hosting civil ceremonies</li> <li>• Catering for events/weddings/funerals etc</li> </ul>
Pest Control	<ul style="list-style-type: none"> <li>• Winning new contracts</li> <li>• Offering services to other local authorities</li> <li>• Providing services to private sector companies</li> </ul>
Creative Communications (Marketing, Web Design, Graphic Design, Print Services)	<ul style="list-style-type: none"> <li>• Offering services to other local authorities, SMEs, local groups, charities and other local businesses</li> </ul>
Commercial Waste	<ul style="list-style-type: none"> <li>• Sales &amp; Marketing initiatives to increase market share with commercial and retail companies</li> <li>• Utilising cab and routing technology to maximise use of staff and vehicles</li> </ul>
Horticulture	<ul style="list-style-type: none"> <li>• Sales &amp; Marketing initiatives with schools, housing associations, blue light services and developers</li> <li>• Inspection and maintenance of play equipment for Parish and Town Councils</li> <li>• Maintenance of plant and machinery for Parish and Town Councils and local small businesses</li> </ul>
Cemeteries	<ul style="list-style-type: none"> <li>• Selling space and products for memorials (trees, seats, plaques)</li> </ul>
Landscape Architect Services	<ul style="list-style-type: none"> <li>• New property developments</li> <li>• Architects and planners</li> <li>• Other local authorities</li> <li>• Government agencies</li> </ul>
Support Services packages – HR, IT, Legal, Audit, Training, Meeting facilitation and secretariat	<ul style="list-style-type: none"> <li>• Other local authorities</li> <li>• SMEs and other local businesses</li> <li>• Parish and Town Councils</li> <li>• Schools, Colleges and Academies</li> </ul>
Sponsorship and Advertising	<ul style="list-style-type: none"> <li>• Sports fields</li> <li>• Roundabouts</li> <li>• Digital advertising on major roads</li> <li>• Multi-story car park floor and wall space</li> <li>• Sides of refuse and other council vehicles</li> <li>• Website</li> </ul>
Cross Cutting Packages	<ul style="list-style-type: none"> <li>• Pre-application service</li> <li>• New business support</li> <li>• Developer support service</li> </ul>
Commercial Property Investment	<ul style="list-style-type: none"> <li>• GP surgeries</li> <li>• Commercial office/retail premises</li> <li>• Hotels</li> <li>• Leisure</li> </ul>
Housing	<ul style="list-style-type: none"> <li>• Local authority housing companies</li> <li>• Provision of affordable housing</li> </ul>



## Appendix 2 - Delivering Commercial Opportunities – Areas of Focus

Area of Focus	How the council can use its skills, experience and assets
Place Shaping	Using strategic planning, economic growth, highways, and education and skills knowledge to shape a create a vibrant market both locally and more widely
Staff	Developing the knowledge and skills of the workforce to embed a culture of empowerment and involvement in commercial activities
Infrastructure	Using and developing digital, ITC, highways, street furniture and broadband infrastructure for commercial gain
Land and buildings	Using land and buildings to their optimum capacity to promote and deliver economic growth
Partnerships	Selecting appropriate private, public or third sector partners to deliver schemes and projects that bring the maximum income and value, (social and economic), for customers, residents and the wider community
Business intelligence	Using business and service data more intelligently to identify and develop commercial opportunities and improve service delivery models
Customer communication and intelligence	Using all media channels to communicate with the public. Effectively analysing customer information and feedback to design and develop new commercial opportunities
Supplier engagement	Using economic, infrastructure and asset strength to inform and influence how supply chain and infrastructure providers operate, ensuring maximisation of commercial benefits and attracting new income streams
Market strength	Developing a strong value proposition for commercial offers, targeting marketing initiatives after careful analysis of market trends and customer requirements
Web presence and brand	Using web presence and brand value to promote trading and commercial activities, including when partnering with others
Funding	Accessing cost effective borrowing and liquid assets to finance evaluated and considered commercial investment
Commercial Culture	Embedding an ethos and culture to support commercial initiatives and delivery through staff development, evidenced success and continual communications to all staff