

**MUNICIPAL YEAR 2018/2019 REPORT NO. 33**

**MEETING TITLE AND DATE:**

Cabinet 25<sup>th</sup> July 2018

**REPORT OF:**

Executive Director – Place  
Director – Law & Governance

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**Agenda – Part: 1**

**Item: 13**

**Subject: Meridian Water Programme Update**

**Wards: Upper Edmonton**

**Key Decision No: KD 4033**

**Cabinet Member consulted:  
All Cabinet Members**

**1. EXECUTIVE SUMMARY**

- 1.1 Following PCPD's withdrawal from the master developer procurement process, the Council has considered its approach to Meridian Water. PCPD's withdrawal followed the Council previously confirming to PCPD that significant concerns remained over their proposed commercial and financial terms specifically following PCPD presenting to the Council's new Cabinet on 26<sup>th</sup> June.
- 1.2 A report by Lambert Smith Hampton has informed the Council's position by analysing the whole scheme in terms of the Council's stated objectives and advising on a qualitative basis the recommended next steps.
- 1.3 This report recommends that the Council no longer intends to work with a single master developer for the entire regeneration area and instead will now procure developer partners for the first development sites.
- 1.4 The results of the report are that the Council should bring forward three sites quickly in order to maintain momentum and bring in early land receipts. These sites should deliver circa 925 new homes and 300,000sqft of employment space attracting up to 900 new jobs.
- 1.5 The LSH report advises that early delivery of these three peripheral sites will not affect the attractiveness nor negatively affect the long term future of the remaining scheme.
- 1.6 In parallel with this work, Lambert Smith Hampton have proposed a number of attractive options for delivery of the rest of the site and advise commissioning a detailed business case to work up details before a firm decision is made.

## **2. RECOMMENDATIONS**

### **PCPD**

- 2.1 To note that PCPD have formally withdrawn from the master developer procurement process
- 2.2 To note the position with PCPD and authorise the Director of Law & Governance to issue a Regulation 55 Discontinuation of Procurement letter.

### **Site 1 and Site 2**

- 2.3 To approve (following the completion of financial modelling) the procurement of developers to deliver Site 1 and, separately, Site 2 of Meridian Water, as described in this report, through a development agreement following a procurement exercise using the new GLA London Development Panel.
- 2.4 To authorise the Executive Director of Place in consultation with the Executive Director of Resources and the Director of Law & Governance to approve the tender documents for Site 1 and Site 2
- 2.5 To authorise the Executive Director of Place in consultation with the Executive Director of Resources to select the short list of bidders who are invited to tender for the Site 1 and the Site 2 opportunities

### **Site 3**

- 2.6 To approve further detailed work on the options for bringing forward Site 3 of Meridian Water, as described in this report.
- 2.7 To authorise the Executive Director of Place in consultation with the Executive Director of Resources and the Director of Law & Governance to approve the approach to delivering Site 3 and to approve the subsequent tender / land sale documents.

### **Rest of Scheme**

- 2.8 To approve the commissioning of a detailed business case for delivery of the remainder of the Meridian Water site as detailed in this report, the results of which will be brought back to Cabinet at the earliest opportunity
- 2.9 To note the Council's plan to review its resourcing requirements for the Meridian Water project and to procure a new professional support team following the end of the Master Developer Procurement process.
- 2.10 To note that the Council's key placemaking principles will be used in forming future plans

### **3. BACKGROUND**

#### **3.1 Master Development Procurement Process**

- 3.1.1 The decision to procure a Master Developer/Consortium to develop the entirety of Meridian Water was approved by Cabinet on the 29th of April 2015.
- 3.1.2 After a lengthy and rigorous selection process, the selection of Barratt as Preferred Bidder was approved by Cabinet on 18th May 2016 with PCPD selected as Reserve Bidder at the same time.
- 3.1.3 Full details of the negotiating history with Barratt as well as the key areas where their final position differed from their bid, and the risks that this would have introduced, are set out in detail in the Cabinet Report of 30 October 2017 (KD 4241). On 30 October 2017 (KD 4241) Cabinet noted that Barratt had formally withdrawn as the preferred bidder for the Meridian Water Regeneration scheme and that negotiations with Barratt to finalise the terms of the MDFA had therefore ended.
- 3.1.4 Cabinet also confirmed the status of PCPD as Preferred Bidder and delegated authority to officers to commence and progress financial and commercial negotiations with PCPD. However, no satisfactory financial agreement could be made with PCPD and PCPD withdrew from the process on 10<sup>th</sup> July 2018. Cabinet are asked to note that negotiations have terminated with PCPD and to authorise the Director of Law & Governance to issue a Regulation 55 Discontinuation of Procurement letter, thus formally ending the Master Developer procurement process.
- 3.1.5 In line with this recommendation, this report explores future plans for Meridian Water.

#### **3.2 Options Analysis report**

- 3.2.1 At the beginning of February, PCPD made an offer to the Council which they stated was their best and final offer. This offer was not acceptable to the Council for a number of reasons and it therefore officers were proposing to recommend termination of the procurement to Cabinet and PCPD were informed of this position. On 8<sup>th</sup> February 2018, the Council therefore asked Lambert Smith Hampton (LSH) to undertake an Options Analysis to inform the future delivery structure of Meridian Water. Its conclusions, alongside officer views, form the basis of this report and the recommendations within. The scope of this report was to provide a qualitative review of the options available to the Council detailing the pros and cons of each.
- 3.2.2 The report is available as an Appendix to the accompanying Part 2 report.
- 3.2.3 The brief which LSH worked to in preparing their report was based on the Council's key principles for Meridian Water, being :

- Highest quality of design and place-making all in accordance with the vision provided by the masterplan contained within the draft ELAAP and the Placebook
- 10,000 new mixed tenure homes
- 3,000 new high quality jobs
- Speed of delivery - the scheme is intended to be delivered over circa 20-25 years
- A return on the Council's financial investment
- A legacy to be proud of after 50 years
- Environmentally sustainable development

3.2.4 The Council's priorities have also been expressed in the report as:

- affordable housing of 35-50% across the whole scheme
- a range of residential tenures
- heating by Energetik
- 3,000 new quality jobs in addition to a further 3,000 jobs created in retail, leisure and other ancillary uses in accordance with the emerging Employment Strategy
- provision of social infrastructure to support the new community
- the Council will need to secure best consideration for its landholdings and will not dispose of assets for less than the acquisition cost. The Council may exceptionally consider a departure from this principle providing that a robust 'Green Book' type assessment can show that social benefits outweigh financial cost
- a delivery structure that enables the Council to have control over design standards in addition to its Town Planning powers
- a delivery structure that enables the Council and residents to benefit from the value growth that flows through the benefits of regeneration
- a structure that does not expose the Council to direct development risk
- a meanwhile use strategy that maximises interim revenue and amenity from future phase land, as well as developing a new sense of place across the development
- ensuring sites are phased to benefit from the planned Crossrail 2
- a successful delivery that enhances the Council's reputation as a facilitator and promoter of strategic development
- the Council wishes to explore the potential for holding revenue-generating assets

3.2.5 In addition to these priorities, the Council also requires that :

- local people are the principle beneficiaries of the scheme in terms of both housing and employment
- the Council own all the retail units across the scheme
- the strong priority is for a mixed use neighbourhood

3.2.6 A masterplan has previously been developed to support the AAP and incorporates these priorities. This is currently being updated and further detail

provided in anticipation of the commencement of the delivery phase of the scheme

### **3.3 Summary of Options**

- 3.3.1 The LSH report indicates that the scheme is viable and provides a number of options for how it may be delivered with a recommendation that a detailed business case is developed to inform the Council's decision on its preferred route.
- 3.3.2 However the report also strongly advises that the Council takes advantage of the fact that there are three sites which are capable of being delivered to the market quickly. LSH recommend that two residential sites on Willoughby Lane (Phase 1) and the Meridian Way (Teardrop) site (Phase 2) are brought to market via an appropriate developer framework and the options for the employment site (Phase 3, adjacent to the North Circular and Harbet Road) are developed in more detail before being brought to the market later in 2018.
- 3.3.3 Since the LSH report was completed, reasons have emerged why it is not practical to develop the Teardrop site at this time. These reasons are detailed in the Part 2 report. Officers are therefore recommending that the Council pursues options for delivering an affordable housing scheme on the Leaside Road Gas Holder site instead of progressing with development of the Teardrop site. This site, therefore, is now being put forward as Phase 2.
- 3.3.4 The LSH report advises that early delivery of these three peripheral sites will not affect the attractiveness nor negatively affect the long term future of the remaining scheme.
- 3.3.5 Site 1 :

Part of the Willoughby Lane site has outline planning consent in place, the site is being remediated and the Council is progressing with the relocation of the Pressure Reduction Station (PRS) alongside Cadent. Furthermore, construction of the new Meridian Water station is already underway due for completion in May 2019 and this is situated immediately adjacent to Willoughby Lane.

This location is therefore a key opportunity for the Council to deliver early land receipts and place-making.

The recommendation is therefore to procure a developer to deliver the whole planning consent split into two stages. The first stage would consist of Blocks B, D and E of the existing planning consent at Willoughby Lane and the second stage would be the remaining Blocks A and C. The trigger to commence stage 2 would be entirely at the Council's discretion with a mechanism pre-agreed for valuing the land within stage 2.

Procurement would be via the GLA London Development Panel (LDP) Framework to secure a developer to deliver in accordance with the current outline consent through a development agreement with the Council.

### 3.3.6 Site 2

The Leaside Road Gas Holder site is an attractive site to develop as the Council owns the land and there are no restrictions on development other than the National Grid overage deed which is well understood.

An outline planning consent for the entire area of the Orbital Business Park and IKEA clear is about to commence, linked with the Council's bid to the Housing Infrastructure Fund as well as laying the foundation for future phase development to come forward. It is therefore proposed that the Leaside Road Gas Holder site is included within this outline planning consent and development of the site is brought forward as Site 2.

A competitive process will be followed to procure a developer, through the GLA's LDP Framework. It is recommended that the site is delivered with workspace on the lower floors and a target to deliver as much affordable housing as is viable.

The development agreement will be conditional on the Council obtaining the outline consent and the Developer subsequently securing reserved matters consent.

### 3.3.7 Site 3

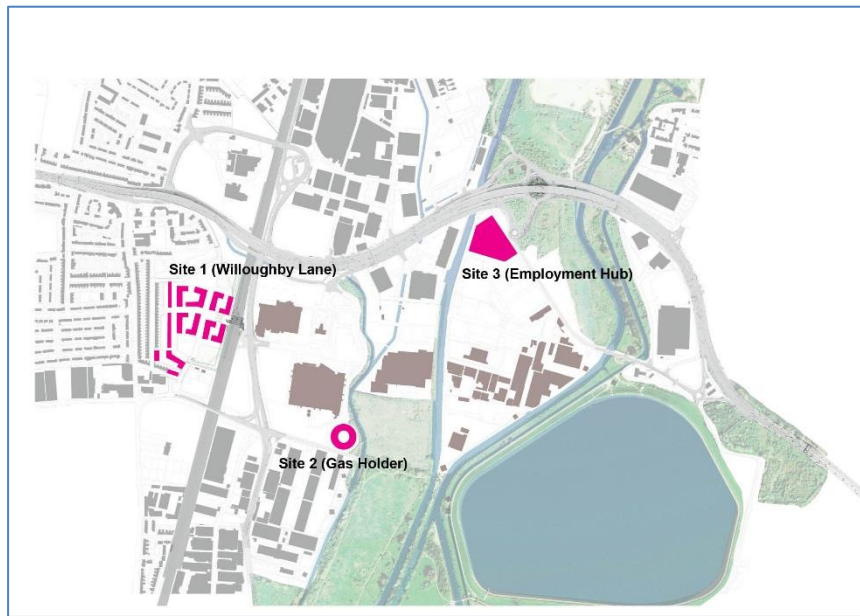
This site will consist of an employment hub alongside the North Circular where Harbet Road meets Argon Road, of around 2-3 acres, creating an ideal opportunity for pre-let or speculative development.

Delivery of an early employment phase would deliver the following benefits:

- possible partial retention of Strategic Industrial Land (SIL)
- early delivery of jobs
- activation of the east bank
- positive impact on rents on the balance of the east bank
- provide a permanent base for meanwhile businesses

The recommendation is to carry out further work on the options to ascertain the likely investment and returns then launch a soft marketing campaign to ascertain the market appetite for a pre-let before deciding on the optimal route.

The location of the sites is shown below :

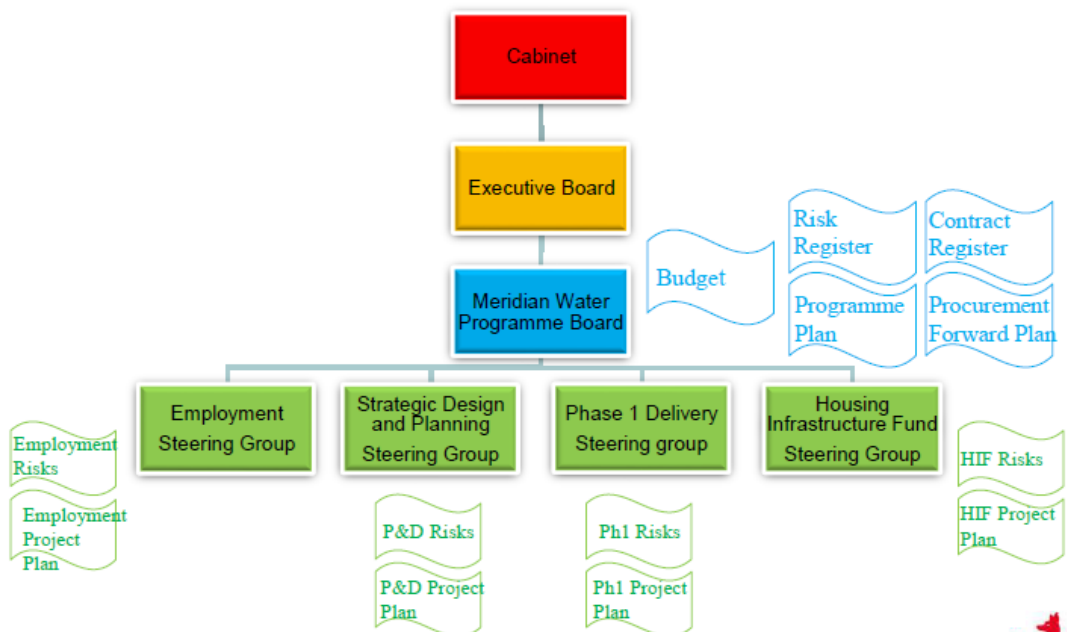


Map showing location of sites

### 3.4 Governance

3.4.1 Please find below a chart showing the governance structure for the project :

#### Meridian Water Governance Chart



## **4. ALTERNATIVE OPTIONS CONSIDERED**

### **4.1 Alternative options to the delivery of Meridian Water**

- 4.2.1 Following the termination of negotiations with PCPD, future options for the delivery of Meridian Water will be reviewed in detail and a further report brought to Cabinet at the appropriate time.
- 4.2.2 Option 1: Do not bring forward the three sites as described above for early delivery but rather include all sites in the future business case.
- 4.2.3 This option would delay the delivery of any homes or outputs from Meridian Water thus impacting the Council's financial position, the momentum already built up on the scheme and the reputation of the scheme in the market.
- 4.2.4 Option 2: Bring forward only one of the recommended sites early and leave the remaining sites within the future business case.
- 4.2.5 As the two residential sites identified are ready to go to market and there is a very strong employment market at the moment, this option would appear to be a lost opportunity for the Council to receive early land receipts and to take advantage of advantageous market conditions.

## **5. REASONS FOR RECOMMENDATIONS**

- 5.1 LSH report that there are significant benefits to be had by bringing forward Phase 1 as part of the Willoughby Lane site at Meridian Water through a development agreement, namely that outline planning permission for 725 homes is already in place, the extent of Council investment into the site to date and its immediate proximity to the new Meridian Water station due to open in May 2019. The route identified is considered to strike the right balance between Council receipts, speed of delivery and quality.
- 5.2 With early development of the Teardrop site no longer being practical, it is considered that an affordable housing scheme on the Leaside Road Gas Holder site provides a suitable alternative Phase 2. This site is owned by the Council, has sufficient access and connectivity for development and would provide early delivery of critical affordable units. There are also parties in the market who have made it known they would be interested in development on this site.
- 5.3 There is an exciting opportunity to bring forward an early employment phase on Meridian Water (Phase 3). Whilst further work is necessary to establish the scope and nature of this opportunity, as described in the LSH report, this



phase is considered to be viable given current market conditions, and will make a significant statement about the Council's ambitions to bring new employment to the area. The details of the preferred route to delivering this opportunity require further investigation as described in this report.

- 5.4 Notwithstanding the immediate opportunities for Phases 1, 2 and 3 as articulated, further detailed work is necessary to appraise options for the future of the remainder of the Meridian Water site. Importantly the LSH report does not consider that bringing forward the early phases identified will prejudice the attractiveness of the remainder of the site to potential partners in the future.

## **6. COMMENTS OF THE EXECUTIVE DIRECTOR OF RESOURCES AND OTHER DEPARTMENTS**

### **6.1 Financial Implications**

The cost of procuring developers for Sites 1, 2 , undertaking further options work for Site 3 and the development of the business case for the rest of the project will be met from within the already approved 2018/19 Capital budget of £49.3M.

Financial due diligence will be undertaken as part of the procurement process to ensure the robustness of submitted business plan proposals included are tested. External specialist financial advisors will be appointed to support the Council with this work, which will include taxation advice. The financial viability of each individual phase will be subject to a detailed financial appraisal by the Council's External Financial Advisor's, signed off by the Executive Director of Resources

### **6.2 Legal Implications**

6.2.1 In accordance with the Public Contracts Regulations the Council has been in negotiation with PCPD in order to confirm its financial and other contractual commitments as part of its final tender. These negotiations have now broken down and PCPD has withdrawn from the procurement. In the event that a decision is made not to award a contract for which there has been a call for competition Regulation 55 of the Public Contracts Regulations 2015 requires the Council to issue a Discontinuance of Procurement letter.

6.2.2 Section 1 of the Localism Act 2011 provides the Council with the power to do anything an individual may do, subject to a number of limitations. This is referred to as the "general power of competence". A local authority may exercise the general power of competence for its own purpose, for a commercial

purpose and/or for the benefit of others. This general power of competence provides sufficient power for the Council to seek a partner to develop Phases 1 and 2 of Meridian Water and to approve the approach to Phase 3 of Meridian Water as described in this report.

- 6.2.3 The public sector equality duty under section 149 of the Equality Act 2010 requires the Council to have due regard to; (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; and (ii) the need to advance equality of opportunity between persons who share a protected characteristic and persons who do not share it. Any equality impact assessment prepared in respect of the Meridian Water regeneration project should be revisited as part of changing nature of the Scheme.
- 6.2.4 Any procurement must be conducted in accordance with the Council's Constitution, including the Contract Procedure Rules, and the Public Contracts regulations 2015. The report proposes that the Council use the GLA London Development Panel (LDP) Framework for the procurement of developers to deliver Phases 1 and 2. The LDP has been procured by the GLA following an EU compliant procurement process and the Council is entitled under the terms of the framework to procure developers for Phases 1 and 2 through a mini competition amongst the framework panel members. For contracts over the EU threshold for goods and services and over £1,000,000 for works, the Procurement and Commissioning Review Board must approve the procurement. The Council's Key Decision procedure must be followed for all contract awards for £250,000 and above.
- 6.2.5 The Council must ensure value for money in accordance with the overriding Best Value Principles under the Local Government Act 1999.
- 6.2.6 All legal agreements arising from the matters in this report, must be in a form approved by the Director of Law and Governance.

### **6.3 Property Implications**

See Part 2 report

## **7. KEY RISKS**

See Part 2 report

## **8. IMPACT ON COUNCIL PRIORITIES**

### **8.1 Fairness for All**

- 8.1.1 Meridian Water will deliver fairness for all by providing homes of different tenures, types and sizes to meet the diverse need of the community. In addition, it will create well managed open spaces

making Meridian Water a key destination and a place where people want to live, work and play.

## **8.2 Growth and Sustainability**

8.2.1 Meridian Water will deliver new homes, jobs and infrastructure: both major new physical and transport infrastructure and social infrastructure including medical facilities, schools, nurseries, community centres, parks and gardens. Clean and green energy will be provided by the Lee Valley Heat Network, which will ensure that the development is environmentally sustainable.

## **8.3 Strong Communities**

8.3.1 The new neighbourhood at Meridian Water will be designed to foster social cohesion through a series of physical and social interventions, such as direct pedestrian, cycle and other connections into existing neighbouring community for example Angel Edmonton; and position new community facility to encourage a mixed use by both existing communities and future new residents. The new Meridian Water station and public realm will in itself serve as a hub where existing and new communities will mingle and interact.

## **9. EQUALITIES IMPACT IMPLICATIONS**

9.1 Equality and diversity considerations will continue to be integrated into the development and delivery work for Meridian Water to make sure they are embedded in the decision-making process and to avoid costly design changes.

## **10. PERFORMANCE MANAGEMENT IMPLICATIONS**

10.1 Delivery of a comprehensive regeneration scheme at Meridian Water is a corporate priority within the Council's Business Plan for 2016-2018. Completion of the Masterplan and the delivery of phased infrastructure improvements including increased rail services, station improvements and new homes will help to meet the strategic priority: "a borough that attracts inward investment and supports sustainable regeneration and growth."

## **11. HEALTH AND SAFETY IMPLICATIONS**

11.1 The Meridian Water Project bringing widespread improvements in transport, accessibility, and comprehensive remediation of contaminated brownfield sites will have positive health and safety benefits for the local community and the future residents, workers and leisure users at Meridian Water.

## **12. PUBLIC HEALTH IMPLICATIONS**

12.1 A regeneration neighbourhood at Meridian Water will have far reaching public health benefits particularly from the promotion and expansion of public transport, namely a more frequent rail service, an expanded bus network and

integrated walk and cycle routes. This together with extensive green space, water fountains and a positive urban environment will continue to well-being at Meridian Water. The development will include all necessary public health and community services from health clinics to nurseries.