

## MUNICIPAL YEAR 2018/2019 REPORT NO.

### ACTION TO BE TAKEN UNDER DELEGATED AUTHORITY

**Operational Decision of:**  
Sarah Cary  
Executive Director Place

**Agenda – Part: 1**

**KD : 4729**

**Subject:**

Commercial and Financial Advisor  
Procurement Award

**Wards: Upper Edmonton**

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### 1. EXECUTIVE SUMMARY

- 1.1 The London Borough of Enfield Procurement team has led a procurement process, with support from the Neighbourhood Regeneration Team, to procure a new Commercial and Financial Advisor for Meridian Water. The procurement was undertaken using a framework from the Crown Commercial Services (CCS), Estate Professional Services RM 3616 Lot 1. A mini competition has been run in accordance with the terms of the Framework.
- 1.2 Previously this role was carried out by two separate consultants who were procured with a scope aligned to Master Developer route for Meridian Water. However, as the Master Developer procurement process has been terminated the contracts awarded under the original procurement route are no longer relevant and a new procurement exercise had to be completed.
- 1.3 Combining the two roles will avoid duplication of responsibilities whilst also ensuring that the advisor takes end to end responsibility for the financial model inputs and outputs
- 1.4 Bidder A has the required skills, expertise and the capacity to deliver the tasks set out in Attachment 1. It is therefore recommended that they are appointed to the role.
- 1.5 The appointment is a call-off contract and funds will be drawn down from the approved Meridian Water budget when required. There is no obligation on the part of the Council to commit to any minimum expenditure under the terms of the contract

### 2. RECOMMENDATIONS

It is recommended that the Executive Director Place:

- 2.1 Approves the Appointment of Bidder A as set out in this report.
- 2.2 Authorises the draw-down of funds for the appointment from the Meridian Water Budget when required in accordance with the approved Meridian Water Budget.
- 2.3 See Part 2



### **3. BACKGROUND**

- 3.1 The Council has recently followed a robust OJEU competitive dialogue process in order to appoint a Master Developer for the Meridian Water project who would deliver the entire scheme over the course of a 20 year period. However, external factors such as structural changes in the residential market and Brexit, plus internal factors such as an accelerated land acquisition programme and significant progress in delivering the new Meridian Water station, have meant that the Council was unable to secure a deal which offered value for money and an equitable balance between risk and reward.
- 3.2 On July 25, 2018, Cabinet recommended that the Council no longer works with a single master developer for the entire regeneration area and instead will now procure developer partners for the first three development sites.
- 3.2 To ensure that the Council has adequate support from advisors, following the termination of the Master Development procurement exercise and subsequent ending of the linked Commercial Advisor and Financial Advisor roles, the LBE Procurement team has led a procurement process, with support from the Neighbourhood Regeneration Team.
- 3.3 The procurement was undertaken using a framework from the Crown Commercial Services (CCS), Estates Professional Services RM 3816 Lot 1. A mini competition has been run in accordance with the terms of the Framework. This procurement process was discussed at the Procurement Hub Board and approved in DAR report PL 18/033.
- 3.3 There are 12 suppliers on Lot 1 of the CCS panel. All members were invited to respond to the opportunity. One bidder, Bidder A, responded to the opportunity via London Tenders portal.
- 3.4 Bidder A's response was evaluated by a member of the Neighbourhood Regeneration Team and a member of the Finance Team. They scored the response as set out in the evaluation criteria. The scoring was undertaken individually. LBE procurement moderated the scores.
- 3.5 Bidder A has shown an excellent understanding of the requirements and demonstrated ability to undertake the work required to a high standard. It is therefore recommended that Bidder A is appointed

### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 **Do nothing**  
Doing nothing would leave the Council without the support needs at a critical stage in Meridian Water delivery.
- 4.2 **Re tender**  
The response from Bidder A was of high quality and demonstrated value for money. Retendering would delay Meridian Water. The team does not believe that retendering would lead to better response than that already received.

## **5. REASONS FOR RECOMMENDATIONS**

- 5.1 Bidder A demonstrated the required expertise and experience to deliver the scope. The procurement used the CCS Framework to ensure quality and value for money

## **6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS**

### **6.1 Financial Implications**

See part 2.

### **6.2 Legal Implications**

- 6.2.1 Section 111 of the Local Government Act 1972 gives a local authority power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The matters outlined in this report are incidental to the functions of the Council's departments and are intended to help ensure an effective service.

- 6.2.2 The Council also has a general power of competence in section 1(1) of the Localism Act 2011. This states that a local authority has the power to do anything that individuals generally may do provided it is not prohibited by legislation.

- 6.2.3 The Council's Constitution, in particular the Contract Procedure Rules ("CPR's") permit the Council to procure services from an existing legally compliant framework as long as the framework terms permit such and the framework is accessible by the Council.

- 6.2.4 The Council's Corporate Procurement Service should conduct due diligence on the use of the Framework and must be satisfied the Council may procure these services in accordance with the Framework Agreement. The Call Off must be undertaken strictly in accordance with the terms of the Framework

- 6.2.5 The Council must comply with its obligations relating to obtaining best value under the Local Government (Best Value Principles) Act 1999.

- 6.2.6 As the Call Off Contract's value is over £250,000 this is a Key Decision and the Key Decision procedure should be followed.

- 6.2.7 The Call Off Contract will need to be sealed on behalf of the Council

### **6.3 Property Implications**

Nil Property implications

## **6.4 Procurement Implications**

The procurement was undertaken using the Crown Commercial Services (CCS) Estates Professional Services RM 3816 Lot 1. The procurement process was discussed and approved at the Procurement and Commissioning Hub Board. The procurement was carried out in accordance with the Council's Contract Procedure Rules. The mini competition process was run in accordance with the terms of the Framework. The result of the mini-competition was that one tender was returned which has been evaluated in accordance with the tender and has been found by the client to provide value for money.

## **7 KEY RISKS**

No significant risks have been identified with this procurement exercise.

## **8 IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD**

### **8.1 Good homes in well-connected neighbourhoods**

The Meridian Water scheme aims to provide a well-connected neighbourhood through improvements in both road and rail networks increasing the frequency of services as well as reducing travel times. The scheme will be built in accordance with a very robust design code ensuring high quality of design and build with a range of tenures. The appointment of a commercial and financial advisor will help to facilitate the delivery of the scheme in a fast and efficient manner.

### **8.2 Sustain strong and healthy communities**

The Meridian Water regeneration scheme aims to provide robust social infrastructure providing opportunities for the local community to partake in healthy lifestyle choices with access to leisure centres, a cycle network and access to high quality public open spaces. The appointment of a commercial and financial advisor will help to facilitate the delivery of the scheme in a fast and efficient manner.

### **8.3 Build our local economy to create a thriving place**

The Meridian Water regeneration scheme aims to bring economic growth, support inward investment, create new jobs and build a strong and sustainable future for the local community. The appointment of a commercial and financial advisor will help to facilitate the delivery of the scheme in a fast and efficient manner.

## **9 EQUALITIES IMPACT IMPLICATIONS**

Any contracts awarded should include a duty on the successful applicant to assist us with meeting our obligations under the Equalities Act 2010.

## **10 PERFORMANCE MANAGEMENT IMPLICATIONS**

Robust contract management will be undertaken to ensure effective service provision when the winner of the competition is in contract.

## **11 PUBLIC HEALTH IMPLICATIONS**

Meridian Water will provide energy efficient, sustainable housing, a basic tenet of a healthy life. The appointment of a commercial and financial advisor will help to facilitate the delivery of Meridian Water in a fast and efficient manner.

### **Background Papers**

None

## **Scope of Services – Commercial and Financial Advisor**

### **1. Meridian Water Overview**

- 1.1. Meridian Water comprises 85 hectares of land in the Upper Edmonton area of the London Borough of Enfield (the Council). The ambition is to develop the land to provide a minimum of 10,000 new homes and 3,000 new jobs within a high quality setting. The project will deliver all elements of a successful neighbourhood inclusive of schools, a health facility, new rail infrastructure, connection into the LVHN, and new open spaces. The ultimate ambition is to create a place which becomes a destination for living, employment, leisure and entertainment and to raise the area out of the high levels of deprivation currently seen.

### **2. The Council's Objectives for Meridian Water**

- 2.1. From the outset the Council has been clear on its intention for Meridian Water to deliver the following objectives

- Highest quality of design and place-making (built environment, public realm, landscaping, hinterland greening, water features, open spaces) all in accordance with the vision provided by the masterplan contained within the draft Edmonton Leaside Area Action Plan (ELAAP) and the Placebook
- At least 10,000 new mixed tenure homes
- At least 3,000 new 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 based on effective and sustainable estate management & maintenance of homes & public realm. (likely to be delivered by a non profit management company)
- Environmentally sustainable development

### **3. Current position**

The London Borough of Enfield (The Council) is seeking to procure a commercial and financial advisor that is able to provide qualitative and quantitative advice that will assist the Council in facilitating and delivering the scheme in a way which optimises the achievement of these objectives.

#### **Overarching Timeline (subject to change).**

Commercial and Financial Advisor in contract – September 2018

Master Plan V 1 completed – autumn 2018

Procurement for Phase 1 Developer complete (note separate piece of work) –October 2018

#### **Brief**

The following scope of work is a maximum which would be required in the event that the Council is not able to successfully secure a master developer and therefore has to deliver individual phases to the market. In the event that a master developer is secured the scope will be more limited. This will be agreed prior to entering into an appointment document with the Advisor.

**Estimated contract value:** £600,000 over three years

The brief is broken into 2 parts to reflect the workstreams required.

**A) Strategic Approach**

**B) Delivery**

**A) Strategic Approach**

The majority of this will need to be carried out in the months leading up until December 2018. However, work will be required beyond this to ensure that the strategic approach is still fit for purpose and providing the council with the best outcomes throughout Delivery, Part B, of the brief.

**Scope:** Masterplan

Phase Programme (including financial support)

**Timing:** September 2018 to March 2019

**Expected Resource:** 3 days a week for 7 months. Please note that Key Personnel CVs must be provided in the Quality Section of the tender response (Question 4), the provider is not permitted to replace any Key Personnel save in certain limited circumstances e.g. if the person in question resigns or retires. In other circumstances the consent of the Authority is required.

**Specific Outputs (dates subject to confirmation):**

1. **Review of and input into masterplan uses and individual phases to ensure regeneration and commercial viability goals are met (September to December)**  
Version 1 of the Masterplan is due for completion in 2018 (date to be confirmed). Input from the Commercial and Financial Advisor will be required to ensure that the Masterplan contains an optimised mix of uses and adjacencies to meet market demand.
2. **Overarching Phasing Programme for delivery of Meridian Water phases (January to March)**  
Phased delivery of the masterplan to be programmed to optimise returns to the Council having regard to the regeneration effect and take advantage of expected market conditions.
3. **Financial Models (December to March)**  
A detailed cash flow based model for both the Master Developer role and individual phase delivery with flexibility to allow various sensitivities to be run including value, cost, indexation and programme options, different use and mix scenarios to be modelled and variable assumptions to be assessed quickly. The outputs of the model are to include quarterly cash flow, income, debt position and % returns A simple dash board front sheet to be designed to allow clear visibility all model assumptions and the resultant metrics to be assessed. Commercial inputs such as market prices and costs to be provided by the Advisor.  
The Financial Models are to be updated both on an ad hoc basis and quarterly
4. **Commercial risk log and risk reward profile for scheme updated monthly.**



**B) Delivery**

This piece of work will be to assist the Council in the delivery of each individual phase in accordance with the outputs from the Strategic Approach. This will include the preparation of tender documents to secure delivery partners.

**Scope:** Ongoing market advice to underpin the timing and methodology for delivery of individual phases.

Management of phase by phase tender to procure partner developer

Detailed Development Appraisal for individual phases.

**Timing:** September to end of contract (3 years). (It is not expected that all phases will be procured within this time).

**Expected Resource:** As required, dependent upon individual phase and position in the programme. Please note that Key Personnel CVs must be provided in the Quality Section of the tender response (Question 4), the provider is not permitted to replace any Key Personnel save in certain limited circumstances e.g. if the person in question resigns or retires. In other circumstances the consent of the Authority is required.

**Specific Outputs:**

1. Develop individual phase appraisals and advise on any change to the estimates contained within the overarching financial model.
2. Provide detailed development advice including insight into market conditions and active developers and the most appropriate method of procurement for each phase
3. Provide Risk reward profiles for individual phases.
4. Manage tender process for procurement of a developer for each individual phase
5. Assist in relation to tender evaluation, negotiations etc from submission of tenders to selection of preferred party.

**Outline of Tasks**

The below table outlines the key tasks that will be required across the full brief. Some tasks will be required across both Strategic Approach and Delivery sections and this is shown in the table below.

Outline of Tasks	Section	
	A	B
Support and advise the Council on the ongoing strategy for delivery of the scheme taking into account current and evolving market conditions - including financial modelling and analysis of the risks and rewards	*	*
Provide in-depth market and industry knowledge throughout the course of the project to inform both anticipated development/land values as well as optimal procurement routes and partners	*	*
Carry out soft market testing of potential development partners		*
Support and advise the Council on financing strategies, investment partners and an appropriate balance between risk and reward for delivering the whole scheme and in particular the strategic infrastructure.	*	

Support the Council on financial and commercial matters during the course of the development both as a whole and for individual phases	*	*
Support the Council in identifying and understanding all commercial and financial risks and advise on how to mitigate them	*	*
Advise the Council on a prudent balance of risk and reward for the project; update and review the risk/reward profile throughout the course of phase procurement	*	*
Work with the Council's other advisors, including legal, tax and cost consultancy, where appropriate in order to ensure advice and recommendations are fully informed.	*	*
<p>Establish and manage a financial model for the project for the internal use of the Council, allowing the Council full access to the model. The model should be setup in such a way that inputs, including assumptions can be easily manipulated and different scenarios generated quickly. The model should include a Report appendix (front sheet) which provides a summary of key outputs from the model, which demonstrates the impact on Council's finances (capital and revenue) over the project life. All model assumptions and metrics should also be clearly visible.</p> <p>The model will be used for 3 distinct purposes:</p> <ol style="list-style-type: none"> <li>1. To assess the viability of each phase of the project</li> <li>2. To establish a baseline approved position</li> <li>3. As a monitoring tool during delivery</li> </ol> <p>The advisor will hold the master copy of the model and a version control protocol will be agreed at commencement. The Council will be given a working copy of each version of the model and full rights of use</p>	*	*
Advise the Council on the most appropriate financial and non-financial metrics to be used for assessing the health of the project including both the metrics themselves and what levels need to be achieved in order to protect the Council's financial interests.	*	*
Support the Council in developing evaluation criteria and methodology for the procurement of each phase.		
Support the Council in drafting the financial and commercial sections of tender documentation on a phase by phase basis as required		*
Support the Council in assessing developer proposals for each phase during the procurement evaluation process against both the financial metrics and the market.		*
Support the Council on the evaluation of the financial and commercial aspects of all bidder responses on a phase by phase basis as required		*
Advise the Council on commercial and financial matters during bidder discussions, negotiations and evaluations as appropriate on a phase by phase basis as required		*

### **1. SERVICE LEVELS AND PERFORMANCE**

- 1.1 The Authority will measure the quality of the Supplier's delivery by holding regular meetings with the successful provider.

### **2. BUDGET**

- 2.1 Prices should be inclusive of expenses and exclusive of VAT.

