

MUNICIPAL YEAR 2018/2019 REPORT NO.

ACTION TO BE TAKEN UNDER DELEGATED AUTHORITY

PORTFOLIO DECISION OF:

The Lead Member for Meridian Water,
in consultation with the Executive
Director – Place.

Agenda – Part: 1

KD Num: 4796

**Subject: Meridian Works Site One:
Authority to sign key agreements to
enable project delivery.**

Wards: Upper Edmonton.

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1. EXECUTIVE SUMMARY

- 1.1 On 25th July 2018, Cabinet authorised the Meridian Water Employment Approach report (KD 4717), including in relation to the delivery of *Meridian Works One*.
- 1.2 The Meridian Works One project is focused on supporting professional and highly skilled makers and creative entrepreneurs and is directly aligned with the emerging Meridian Water employment strategy, as articulated in the Meridian Water Employment Approach agreed by Cabinet on 25th July 2018 (KD 4717). The project involves working with Building BloQs, an existing business within the Meridian Water regeneration area, to expand to provide high quality makerspace.
- 1.3 The project follows the emerging employment strategy and vision for Meridian Water by supporting local businesses. The project will safeguard 84 FTE jobs, and create 209 new FTE jobs.
- 1.4 The recommendations set out in this report reflect the agreement made by Cabinet in July 2018 to progress the project with Building BloQs.
- 1.5 Cabinet delegated authority to the Executive Director Place (in consultation with the Meridian Water Programme Director, the Executive Director Finance and Lead Member) to make all implementation decisions within the budget and scope approved by Cabinet to deliver *Meridian Works One*. Cabinet further delegated to the Director of Law and Governance to approve any legal agreements as required, and this report recommends that the Council signs a Grant Funding Agreement with *Building BloQs* to deliver the project outputs.

2. EXECUTIVE SUMMARY

- 1.6 Cabinet delegated authority to the Executive Director of Resource to authorise the business plan of Building BloQs – the Council's chosen delivery partner for Meridian Works One. The Acting Executive Director of Resource has also now authorised the Building BloQs Business Plan, which was a delegated decision from the Cabinet report.
- 1.7 This Report provides an update on progress on Meridian Works One to date and, subject to the approval of the necessary legal documentation by the Director of Law and Governance, recommends the Council make grant funding available to Building BloQs in accordance with the Cabinet approved scope and budget.
- 1.8 This Report also seeks authority to enter into a Deed of Variation with the GLA to amend the outputs and scope of the current Grant Funding Agreement between the GLA and Enfield Council.

2. RECOMMENDATIONS

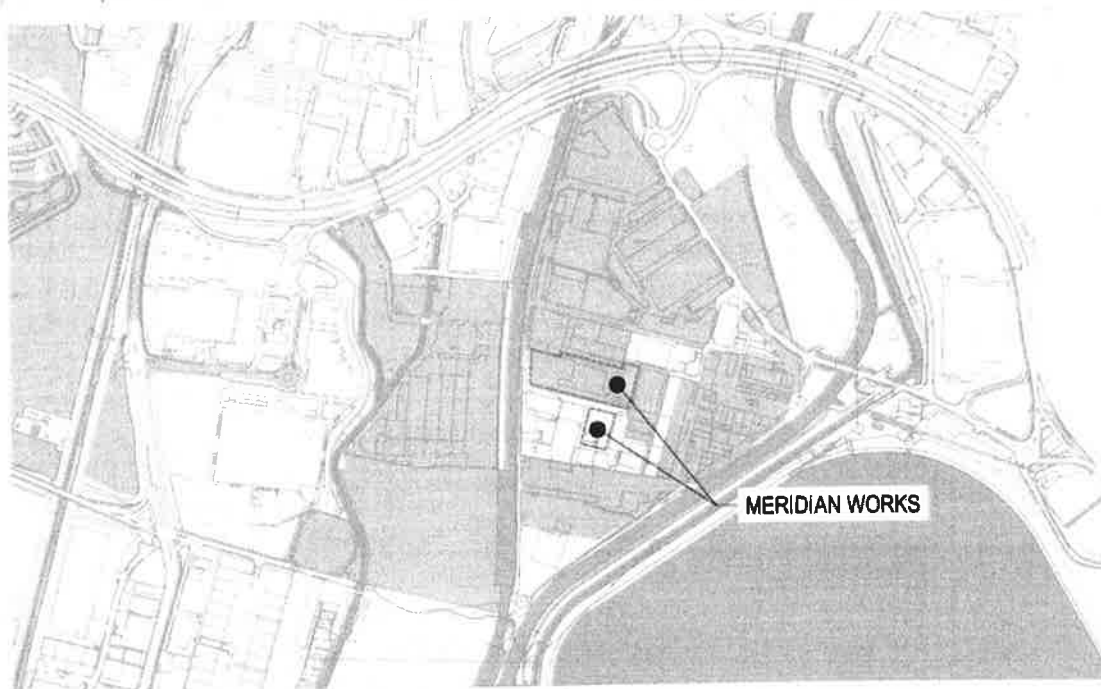
That the Lead Member for Meridian Water in consultation with the Executive Director for Place;

- 2.1 Note progress made with the *Meridian Works One* project to date, and the recommendations that are made in the Part 2 report.
- 2.2 Subject to approval of the necessary legal documents by the Director of Law and Governance, approves the provision of a grant to Building BloQs at Meridian Works Limited to assist in the delivery of the Meridian Works One Project.
- 2.3 Approves entering into a lease with Building BloQs at Meridian Works Limited for the former VOSA site.
- 2.4 Approves commencing the procurement of works at the former VOSA site to enable the Council to enter into a lease with Building BloQs at Meridian Works Limited.

3. BACKGROUND

Project background and Cabinet authority

- 3.1 On 25th July 2018, Cabinet authorised the Meridian Water Employment Approach report (KD 4717), which included a proposal for the delivery of Meridian Works One. Meridian Works One is to be delivered at Anthony Way within the east bank area of the Meridian Water Masterplan.



Location of Meridian Works: 2 Anthony Way (the former VOSA site) and 4 Anthony Way (currently home to Building BloQs)

- 3.2 The Meridian Works One project focuses on supporting professional and highly skilled makers and creative entrepreneurs and is directly aligned with the emerging Meridian Water employment strategy, as articulated in the Meridian Water Employment Approach agreed by Cabinet on 25th July 2018 (KD 4717). The project, which is supported by the Greater London Authority (GLA), involves working with Building BloQs, an existing business within the Meridian Water regeneration area, to expand to provide high quality 'makerspace'.
- 3.3 By authorising the Meridian Water Employment Approach report (KD 471) Cabinet authorised a budget and revised scope for the Meridian Works One project to provide approximately 35,000 square feet of existing (refurbished) and new commercial space at Meridian Water for Building BloQs, to be relocated from their current premises at 4 Anthony Way to the larger former VOSA Depot site at 2 Anthony Way. Subsequently, potential artist studios (subject to reaching agreement with ACAVA, which is the intention of the

Council) or other creative space can occupy the existing 10,000 sq ft of the now Council owned 4 Anthony Way. The Cabinet approvals were all subject to agreeing commercial terms and further delegated approvals within that report.

- 3.4 The Cabinet report sets out the wider context, chronology of events to date including various options which were considered, and further details of the project objectives.
- 3.5 The recommendations set out in this report reflect the agreement made by Cabinet in July 2018 to progress the project with Building BloQs.

Socio-economic benefits

- 3.6 Meridian Works One follows the emerging employment strategy and vision for Meridian Water by supporting local businesses. The project will safeguard 84 full time equivalent (FTE) jobs, and create 209 new FTE jobs.
- 3.7 As explained in the Meridian Water Employment Approach report, the scale of the Council's control, vacant land and existing industrial buildings offers a significant opportunity for the Council to start to deliver on the employment vision from the outset by creating the right conditions for existing and new enterprises to be established, nurtured and grown rather than waiting for the long-term development. It is envisaged that many of these pioneering businesses will eventually be important employers in the permanent development.
- 3.8 As explained in the Meridian Water Employment Approach report, the benefits of providing both makers and creative businesses in a single scheme is that one use provides a stream of work – and therefore income for the other, as well as together creating a critical mass to be viable and create positive place-making benefits.
- 3.9 The diversity of maker space uses within both the existing, and proposed expansion of the Building BloQs workshop which this report relates to, will provide higher levels of employment and employment density than an otherwise anticipated commercial letting for logistics and storage type uses which might be achieved at this site. Though the latter may be slightly more competitive in terms of a rental income, ultimately, they will fail to realise the Council's ambitions for both economic development and place making at Meridian Water.
- 3.10 With investment in Meridian Works One, there is an opportunity for Meridian Water to benefit from the development of skilled creative industries cluster which has the potential to be regionally significant for makers and creative communities. Increasing land values in central and east London make Meridian Water an attractive opportunity for such industries to locate and develop at a greater scale, which can further support the Council's place making agenda.

Contribution to Place Making; Aligning with the Place Vision

- 3.11 The Place Vision for Meridian Water articulates the Council's vision for delivering a successful and distinctive neighbourhood, designed to nurture economic, environmental and social sustainability with over 10,000 new homes and 6000 jobs. There are three pillars of Place Making within the Place Vision, which are; "Parklife on Your Doorstep", "Your Place to Make and Create" and "Mixing Uses Animating Streets".
- 3.12 The Place Vision explains the following aspirations for the Council in realising the "Your Place to Make and Create" pillar;
- That the site's history is one of industry and innovation, and that the Council sees Meridian Water as an opportunity to bring back production and making in a 21st century context, building resilience and diversity of people into the mix of office and workspaces.
 - That the Council hopes to turn Meridian Water into London's new home for production, offering an ideal environment for strategic business occupiers as well as small scale businesses and start-ups.
 - That the Council is committed to addressing deprivation and reducing inequality in the borough, and that attracting and nurturing companies that pay higher salaries will be central to creating a prosperous community. Providing benefits to local people will be at the heart of all decision-making at Meridian Water.
 - That Meridian Water will seek to retain the 'meanwhile pioneers', creative makers, local artists and manufacturers in the Lee Valley as well as attract strategic businesses from further afield to enrich the mix. The masterplan will foster connections and opportunities within the local economy and wider, international networks.
- 3.13 It is considered that proceeding with the delivery of additional high skilled creative employment space provided by Building BloQs is of fundamental importance to realising the "Your Place to Make and Create" pillar of Place Making, not only in the key early stages of the project, but as Meridian Water becomes a more established, thriving sustainable part of London, and beyond.

Meridian Works One: Project progress since Cabinet authority

- 3.14 Progress has been made since that Cabinet meeting on a number of fronts. Efforts have largely been focused on agreeing terms with Building BloQs and developing a scheme design for the new premises at the former VOSA site.
- 3.15 The Council also completed the acquisition of 4 Anthony Way in November which increases its landholdings at Meridian Water and its ability to deliver both meanwhile projects to generate employment and revenue, and longer-term development to realise the vision of the masterplan.

- 3.16 In terms of the Building BloQs scheme, a new project team of architects, engineers, a quantity surveyor/Employer's Agent, the Council's project manager and representatives from Building BloQs has been established through new procurements and variations to existing contracts. The team is progressing the scheme design to transform the site of the former VOSA Depot at 2 Anthony Way, partly through refurbishment of the existing structure and the construction of a new weather proof canopy and new thermally proofed structures within it.
- 3.17 After various options were tested, a cost plan has been developed at the end of RIBA Stage 1 which has informed the scope and level of specification for the emerging scheme design, to ensure the project is delivered within the approved Cabinet budget. Assurance that the alignment of the Boulevard, the new east west road and design of the access road to enable continued access for vehicles including buses to the Arriva depot, has been secured.
- 3.18 The Council has agreed the revised outputs, project scope and budget with Building BloQs and the GLA, to support a necessary Deed of Variation to the GLA Funding Agreement which can be signed subject to the approval of the recommendations in this report. As explained in the Meridian Water Employment Approach report (KD 4717), the original project was developed in late 2015 following a successful bid to the GLA as part of the London Regeneration Fund (LRF) and while the project is still supported by a £1.35m grant from the GLA, the set of outputs and anticipated scope have changed since Cabinet authorised the new strategy to deliver Meridian Works One at the former VOSA building and 4 Anthony Way. The new outputs reflect the reduced scale of the building at VOSA and 4 Anthony Way compared to the original proposed location at Orbital Business Park. The revised deed of variation allows for outputs to be reduced/altered further to meet any revisions required as a result of a fixed budget.
- 3.19 The GLA grant will be paid to LBE as their contribution to the overall project which includes LBE's grant to Building BloQs to deliver machinery, fit-out costs, and capital project costs. The Council is additionally investing in the building refurbishment and construction project to shell & core, for which it will receive a market rent. Due to the GLA London Regeneration Fund (LRF) deadline of 31st March 2019 for drawing down funding, and the timescales for delivering a revised Meridian Works One project at a different site, the Council has agreed with the GLA that the GLA funding will be drawn down against those elements of the project where expenditure has been incurred by that date, namely the acquisition cost of 4 Anthony Way which is required to deliver floorspace to meet the wider outputs, and the capital costs for Building BloQs which are largely for machinery that will be used now and when the new premises are occupied.
- 3.20 A number of commercial meetings have taken place between Officers and Building BloQs since the approval of the Cabinet report in July.
- 3.21 Negotiations on the Heads of Terms for the Agreement for Lease and Lease of the former VOSA site have been agreed with Building BloQs based on the

Cabinet approval for the project. The Council has received a report from an independent valuer confirming that the terms of the disposal represent Best Value for the Council in respect of section 123 the Local Government Act 1972.

- 3.22 LBE Finance has been in dialogue with Building BloQs to ensure sufficient information on their Business Plan is provided. The Director of Resources, as delegated by Cabinet, has now reviewed and agreed the Building BloQs Business Plan. As set out in part 2 financial implications, there are risks with any expanding business, however mitigations are in place and ongoing monitoring of Building Bloqs will continue.
- 3.23 Further information on the commercial aspects of the project is included in the Part 2 report.

Programme and next steps

- 3.24 Subject to the recommendations of this report being approved, the Council will be able to sign an Agreement for Lease that commits both parties to a twelve year lease following the completion of the new premises. The Council will be able to sign the Deed of Variation to the GLA Funding Agreement to draw down GLA monies, and after signing the Grant Agreement with Building BloQs, will be able to fund Building BloQs initial capital costs.
- 3.25 Following completion of the necessary legal documents, efforts will be focused on project delivery and based on the current programme, it is expected that a planning application will be submitted during spring 2019. A formal pre-application meeting will be held at an appropriate stage in the programme to inform the design development and planning strategy and minimise planning risk as far as possible.
- 3.26 Subject to that planning application being successful, the Council will procure a contractor to deliver refurbishment works to the former VOSA building, and the construction of the new extension building under a single contract, both to a shell and core level of specification
- 3.27 It is currently envisaged that a single-stage procurement will be undertaken, with five contractors invited to tender. The form of contract and details of the procurement are being considered and will be presented to Procurement & Commissioning Review Board for approval.
- 3.28 It is anticipated that construction will commence on site in autumn 2019 with completion expected in summer 2020. The project team is seeking to expedite this programme where possible.
- 3.29 Fit out works in accordance with a specification agreed in advance by the Council will be undertaken by Building BloQs (or their sub-contractors). A portion of the grant funding provided to Building BloQs will be used to fund these works. The scope of these fit-out works which sit outside of the building contract are subject to further design development and consideration by the

Council and the proposed Agreement for Lease makes provision for a reduction in specification as necessary to ensure that the project remains within the available budget as approved by Cabinet at its meeting in July 2018.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The recommendations set out in this report reflect the agreement made by Cabinet in July 2018 to progress the project with Building Bloqs. Any other approach, for example to pull out of the deal or to seek an alternative site, would not be in line with that decision and would result in the withdrawal of GLA funds and are not therefore considered appropriate.

5. REASONS FOR RECOMMENDATIONS

- 5.1 The recommendations in this report reflect the decision made by Cabinet in July 2018.

6. COMMENTS FROM OTHER DEPARTMENTS

6.1 Financial Implications

- 6.1.1 Financial Implications are included in the Part 2 report.

6.2 Legal Implications

- 6.2.1 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
- 6.2.2 The Council has a fiduciary duty to look after the funds entrusted to it and to ensure that its Council tax and ratepayers' money is spent appropriately. The Council must carefully consider any project it embarks upon and conduct its affairs in a business-like manner with reasonable care, skill and caution, with due regard to tax/ratepayers' interests. In embarking on any project the Council must consider whether the project will be a prudent use of the Council's resources both in the short and long term and must seek to strike a fair balance between the interests tax/ratepayers on the one hand, and the wider community's interest on the other hand.

- 6.2.3 Any procurement arising from the matters described in this report (including the procurement of building contractors and consultants) must comply with the Council's Constitution (including the Contract Procedure Rules) and, where applicable, the EU Public Contracts Regulations 2015 and the Public Services (Social Value) Act 2012.
- 6.2.4 Any acquisition or disposal of property (including by way of lease) arising from the matters described in this report must comply with the Council's Property Procedure Rules. Furthermore, any lease granted for more than 7 years will be subject to compliance with s123 Local Government Act 1972. For more information, please see section 6.2 below.
- 6.2.5 The Council must ensure value for money in accordance with the overriding Best Value Principles under the Local Government Act 1999. Accordingly, officers should robustly monitor the recipient's use of the funding in accordance with the provisions of the grant funding documents to ensure that
- 6.2.6 All legal agreements arising from the matters described in this report must be approved in advance of contract commencement by the Director of Law and Governance.

6.3 Property Implications

- 6.1.1 The Council's Property Procedure Rules (PPR's) set out mandatory procedures regarding the acquisition, management and disposal of property assets and form part of the Council's Constitution.
- 6.1.2 It is noted that the rental income that will be derived for the proposed letting of this asset to Building BloQs is below Market Value and therefore does not comply with the PPR's Market Value requirement. This means that the letting cannot be signed off by Property Services under standard delegated procedures.
- 6.1.3 Whilst this is the case, Property Services recognise the Meridian Water team's position in stating that there are wider economic and social benefits to the proposed letting, which can be considered outside of the Council's PPRs but are still within the legal framework of s.123 the Local Government Act 1972.
- 6.1.4 Therefore, in order to obtain the appropriate authority to proceed with this letting, the proposal to let to Building BloQs will need to be approved by either the Leader of the Council or Cabinet by way of a Portfolio decision report.

7. KEY RISKS

- 7.1 A project specific risk register is included as an Appendix to Part 2 of this report. The content of the document contains commercially sensitive information throughout.

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

8.1 Good homes in well-connected neighbourhoods

The implementation of this project has a broadly neutral impact on this objective. Please refer to the Meridian Water Employment Approach Cabinet report, KD4717, for further detail.

8.2 Sustain strong and healthy communities

The implementation of this project has a broadly neutral impact on this objective. Please refer to the Meridian Water Employment Approach Cabinet report, KD4717, for further detail.

8.3 Build our local economy to create a thriving place

The implementation of this project has a highly positive impact on this objective by facilitating the growth of skilled creative industries and boosting employment opportunities at Meridian Water and the borough. Please refer to the Meridian Water Employment Approach Cabinet report, KD4717, for further detail.

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.
- 9.2 Corporate advice has been sought in regard to equalities and whilst there are no Equalities implications in agreeing this report seeking authority to sign key agreements to enable project delivery. It is recommended that as part of the review of the Meridian Water Project, the Meridian Water EQIA be reviewed and updated at an appropriate

time to embed Equalities and Diversity in the future procurement, design and delivery of the project.

9.3 In addition to this it should be noted that projects or work stream deriving from this may be subject to a separate Equalities Impact Assessment and they will therefore be assessed independently on the need to undertake an EQIA to ensure that the council meets the Public Sector Duty of the Equality Act 2010.

9.4 It is also recommended that 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 AND DATA IMPLICATIONS

Please refer to the Cabinet report KD4714.

11. HEALTH AND SAFETY IMPLICATIONS

Please refer to the Cabinet report KD4714.

12. HR IMPLICATIONS

n/a

13. PUBLIC HEALTH IMPLICATIONS

It is considered that this particular project does not have particular public health implications of note.

Background Papers

None

