

MUNICIPAL YEAR 2019/2020 REPORT NO. 215

MEETING TITLE AND DATE:

Cabinet 11th March 2020

REPORT OF:

Executive Director Place

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Agenda – Part: 1

Item: 10

**Subject: Meridian Water – Meridian Two,
selection of Development Partner**

**Wards: Upper Edmonton
Key Decision No: 4952**

**Cabinet Member consulted: Cllr Nesil
Caliskan**

1. EXECUTIVE SUMMARY

- 1.1 This report recommends the selection of a development partner to deliver “Meridian Two” - a site which will deliver circa 250 homes, 100% of which will be affordable, and 3,000m² of workspace at the site of the former gas holder site at Leaside Road.
- 1.2 Following the Cabinet decision (KD4033), the Council launched the procurement process for a development partner in March 2019 requiring 50% of the homes to be offered as ‘London Affordable Rent’, and 50% as intermediate tenures.
- 1.3 The GLA’s London Development Panel 2 Framework was used to undertake the procurement. Following the ‘Sifting’ stage, four bidders were shortlisted by the Council in June 2019, and following a competitive mini competition tender process, two submissions were returned on 2nd October 2019. The results of this evaluation are detailed in this report and a recommendation is made to Cabinet to enter into a Development Agreement with the successful bidder, selected in accordance with the terms of the procurement.
- 1.4 Meridian Two is a strong demonstration of the Council’s commitment to the Three Placemaking Pillars of Meridian Water;
 - Parklife on Your Doorstep will be realised through the continuation of parkland into the new development. Brooks Park will permeate the development through an accessible and playable route and native species will be selected to comprehend the surrounding natural environment.
 - Your Place to Make and Create will be realised through new workspace which will allow for maximum flexibility responding to the changing needs of the local businesses;
 - Mixing Uses, Animating Streets will be realised through mixing workspace and residential use at the ground level. These will surround the central courtyard, which forms the heart of interaction between the different users, and provide active frontages onto Leaside Road.

2. RECOMMENDATIONS

It is recommended that Cabinet:

- 2.1 Approves the selection and subsequent appointment of Bidder A as the Preferred Developer
- 2.2 Notes that the occupiers of the workspace will be determined in accordance with the Employment Strategy
- 2.3 Authorise the Council to dispose of the Meridian Two site at an undervalue, within the provisions of section 123 of the Local Government Act and the Local Government Act 1972, General Disposal Consent by virtue of the disposal securing the promotion and/or improvement of the economic, social and/or environmental well-being of the Council's area. Further details of the undervalue are set out in the Confidential Appendix in the Confidential Property Implications.
- 2.4 Authorises the development of a 100% affordable housing scheme at Meridian Two on the terms as set out in the Confidential Appendix on the basis that a subsequent sub phase(s) within Phase 2, will provide a lower level of affordable housing as set out in section 11.2 of the Confidential Appendix.
- 2.5 Authorises the Programme Director for Meridian Water (in consultation with the Director of Law and Governance, the Director of Property and Economy, and the Executive Director of Resources) to finalise the terms of the Development Agreement and ancillary documents for Meridian Two
- 2.6 Delegates authority to the Director of Law and Governance to enter into the Development Agreement and any ancillary documents
- 2.7 Approves the Council forward funding or underwriting the enabling works costs of the Developer as set out in the Confidential Appendix at Sections 6.4 and 6.5
- 2.8 Delegates authority to the Programme Director for Meridian Water to negotiate the level, timing and payment profile for the deal

3. BACKGROUND

3.1 Site context and Council's vision for development

The Site

- 3.1.1 Meridian Two is located at the former gasholder site, at the eastern end of Leaside Road, to the south of the IKEA store, and west of Pymmes Brook, adjacent to the borough boundary with Haringey.

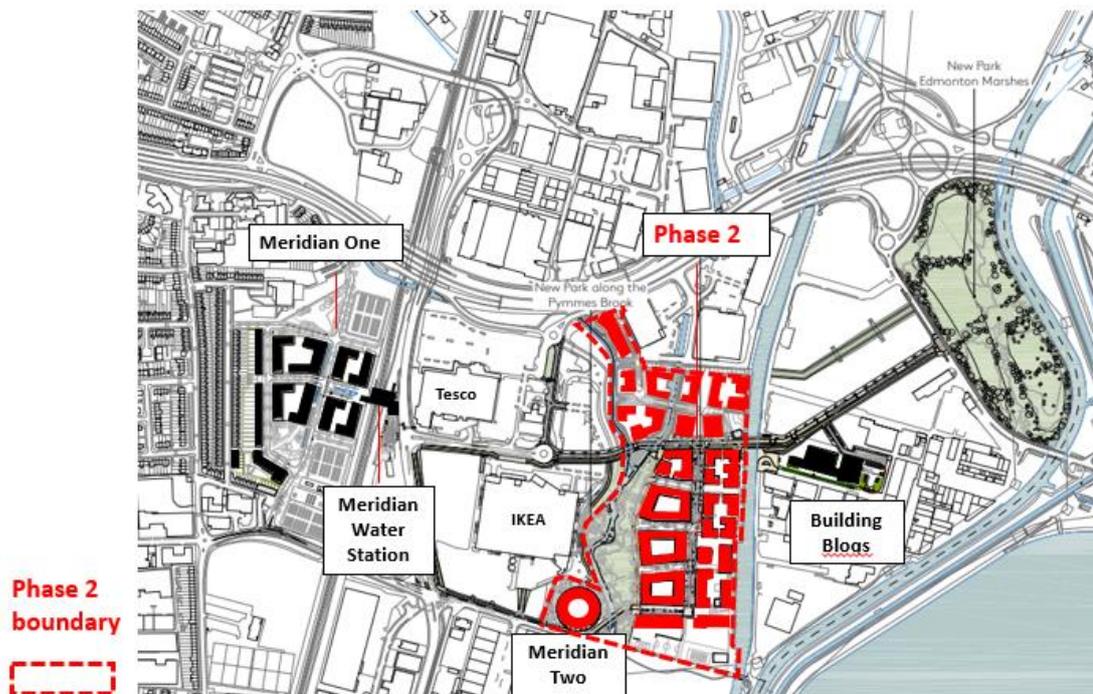


Meridian Two - site location

- 3.1.2 The Council acquired the site from National Grid in 2015, along with the Willoughby Lane and Meridian Way sites.
- 3.1.3 On 25th July 2018 Cabinet (KD4033) authorised the Council to bring forward the former gasholder site at Leaside Road for development with workspace on the lower floors and a target to deliver as much affordable housing as is viable.
- 3.1.4 The Council's commercial advisors Lambert Smith Hampton were of the opinion that development of the site on this basis could be attractive to the market and come forward in parallel with Meridian One.
- 3.1.5 The site has a number of constraints, some of which relate to its former use; the sub-structure of the gasholder basin itself, contamination which may require some remediation, relocation of utilities such as the 'gas governor' (pressure reduction station) and electricity substation and the fact that the site is located in an Environment Agency source protection zone which may place restrictions on piling methodology and depth.

There are also the IKEA store directly overlooking from the north and the busy Leaside Road and industrial estate to the south limiting amenity in these areas.

- 3.1.6 However the site also has numerous opportunities, namely its adjacency to the rest of Meridian Water Phase 2, improved public transport accessibility from the nearby Meridian Water Rail Station and enhanced frequency of trains (6-8 per hour from 2024) and proximity to the new 1.8ha 'Brooks Park' which will be delivered as part of the Strategic Infrastructure Works by 2024, providing high quality and ecologically rich amenity with naturalisation of the brooks. The site also benefits from proximity to the Lea Valley and Tottenham Marshes.
- 3.1.7 The Phase 2 Outline Planning Application and Strategic Infrastructure Works Planning Application were submitted to the Local Planning Authority in August 2019 and are both expected to be determined in March 2020.
- 3.1.8 The Phase 2 Outline Planning Application seeks permission to deliver up to 2,300 homes (of which 40% are to be affordable), commercial space, retail space, social infrastructure a primary school up to three forms of entry, hard and soft landscaping and new public open spaces.
- 3.1.9 The Meridian Two site is located within the Phase 2 Outline Planning Application as indicated below.



Meridian Two location within Phase 2 Outline Planning Application

Feasibility Study and Place Brief

- 3.1.10 The Council commissioned Periscope Landscape and Architecture to undertake feasibility studies to understand the site capacity, test different layouts and varying levels of commercial space to inform financial appraisals, and better understand the key design principles it wanted to promote.
- 3.1.11 Based on this work, the Council's brief for Meridian Two, was to deliver at least 200 new homes, along with 3,000m² of workspace.
- 3.1.12 Periscope were also commissioned to prepare the 'Place Brief' which is an aspirational document setting out the Council's vision for the development of Meridian Two, in line with the wider Meridian Water Place Vision and design best practice. This Place Brief was included as part of the tender documentation and the qualitative evaluation requirements were included how well the bidder's designs adhered to it.

Affordable Housing

- 3.1.13 The requirement for a 100% affordable housing scheme serves to meet numerous Council priorities and corporate objectives and so secures the promotion and improvement of the economic and social well being of the Council's area; namely addressing the acute shortage of affordable homes and the housing needs of the borough. It also demonstrates a commitment to expediting the delivery of affordable homes as part of the Council's flagship regeneration programme.
- 3.1.14 The Council held initial soft market testing meetings with four of the panel members, all Registered Providers, from the GLA LDP2 Framework, with three showing an interest in Meridian Two as a 100% affordable housing proposition.
- 3.1.15 Based on financial viability considerations, discussions internally and with the LPA, and considering the wider tenure distribution across Meridian Water, an affordable tenure mix of 50% London Affordable Rent and 50% Intermediate housing was established as the requirement for Meridian Two.
- 3.1.16 The extract below from the Council's Draft Housing and Growth Strategy summarises the affordability of affordable rented and intermediate tenures. Shared Ownership affordability is broadly in line with intermediate rented tenure in terms of bed sizes and annual household incomes.

Affordability of Affordable Tenures Worked example from Draft Housing and Growth Strategy
A household with an annual household income of £33,830 (the median annual household income in Enfield*) would spend less than 33% of their income on an affordable rented home of either one, two, three or four bedrooms.
A household with an annual household income of £33,830 would spend less than 33% of their income in a one-bed intermediate rented home , and just slightly above 33% on a two-bed home intermediate rented homes.
A household with an annual household income of £41,943 (average mean teacher's salary in Enfield**) would spend less than 33% of their income on a 1-bed or two-bed intermediate rent home . A 3-bed intermediate rent home would cost slightly above 33% of their income.
<i>*CACI Paycheck, Non Equivalised Household Income Data, 2018 **DfE School workforce data 2017</i>

Workspace

- 3.1.17 The workspace is a key component of Meridian Two in securing the promotion and improvement of the economic well-being of the borough, and through achieving the pillars of placemaking from the Place Vision - 'Your Place to Make and Create', by creating a hub of skilled creative employment space, and 'Mixing Uses Animating Streets', by activating the ground floor of the building and public realm. Non-residential uses, and particularly B1 workspace, is considered to be more appropriate than residential uses at the ground floor, due to the southern outlook across Leaside Road to the Leaside Industrial Estate.
- 3.1.18 The Council received independent advice from specialist consultants, CF Commercial, that in order to achieve the necessary critical mass for a successful workspace cluster, a minimum of 3,000m² GIA of B1 floorspace would be required.

Financial Viability and Grant Funding

- 3.1.19 The Council's commercial advisors, Lambert Smith Hampton, undertook a number of development appraisals for schemes of circa 200-300 units, with 3,000m² workspace gifted to the Council at nil cost.
- 3.1.20 This work demonstrated that in order to achieve a nil land value (plus the gifted workspace), additional 'enhanced' grant funding over and above standard 'Homes for Londoners' grant for London Affordable Rent (LAR) and Intermediate housing, from the Greater London Authority (GLA) would be required.

3.1.21 Prior to launching the procurement, the Council received a commitment in principle from the GLA to support the scheme with such additional grant funding, and the Council sought to place the onus on the market through the procurement process, to secure and deliver the optimal solution.

3.1 Developer Procurement Process - GLA LDP2 Framework

3.1.1 On 25th July 2018 Cabinet approved the commencement of a procurement process (KD4033) to select a development partner to deliver Meridian Two at the former Gasholder site at Leaside Road through the GLA's LDP2 Framework.

3.1.2 The LDP2 Framework was launched in September 2018 and contains 29 panel members. The Council used the LDP2 Framework to successfully procure the development partner on Meridian One, Vistry Partnerships.

3.1.3 The LDP2 Frameworks requires following a strict process set out by the GLA and use of the specific set of documentation including a form of Development Agreement and Headlease. Whilst some amendments to these documents are acceptable in order to reflect the specifics of each scheme, material or wholesale changes to the structure cannot be made as the LDP2 Framework has already been procured on the basis of these terms.

3.1.4 The Council's legal team and their external legal advisors, Trowers and Hamlins, reviewed the suite of documents and confirmed that they were suitable for this procurement with some project specific amendments.

3.2 Launch, EOI and Sifting Brief responses

3.2.1 Following the soft market testing in January 2019, a launch event was held at the London offices of Arup on 20th March 2019. As required by the LDP2 Framework, all 29 panel members were invited and around 70 people attended representing 20 potential bidders.

3.2.2 Being a 100% affordable housing proposition, it was expected that Meridian Two would have greater appeal to the panel members who were Registered Providers, however it did not preclude any panel member from bidding.

3.2.3 The Expression of Interest invitation was sent out on 27th March 2019, again to all bidders as required. A total of 13 of the panel members responded positively expressing interest in being part of the process.

3.2.4 Again, as required by the LDP2 Framework process, the Sifting Brief was sent out to all 13 of the panel members who expressed an interest. This was sent on 15th April 2019 with responses requested by 16th May 2019. A Sifting Brief is backwards looking, asking potential bidders to detail

relevant experience and track record. It also requires financial information from the panel members to ensure they are sufficiently robust to undertake the project. This allows the Council's bid team to select a short list of panel members who will be taken forward to the mini-competition stage. The Sifting Brief for Meridian Two stated that four bidders would be taken forward to the next stage.

3.2.5 The Council received 7 Sifting Brief responses and a panel of evaluators carried out a robust scoring exercise, supported by the Council's professional team including Lambert Smith Hampton, Ernst and Young and Trowers and Hamlin. The 4 highest scoring bidders were selected from the 7 responses to go forward to the next stage.

3.3 Selection of short list and mini-competition process

3.3.1 The four organisations invited to bid in the mini competition stage were, in alphabetical order;

- L&Q
- Nottingham Genesis
- Optivo
- Vistry Partnerships (formerly Galliford Try Partnerships)

3.3.2 All bidders who responded to the Sifting Brief were informed of the results on 6th June 2019 and the full Invitation to Tender (ITT) package was sent out to the shortlisted bidders on 19th June 2019 which followed four individual bidder briefing sessions held on 12th June 2019 at the offices of Lambert Smith Hampton.

3.3.3 The Invitation to Tender (ITT) package included:

- The ITT document
- The Place Brief; the Council's brief for design and placemaking which sets out the vision for the development and linked to the Design Information criteria in the ITT
- A legal pack including the development agreement, building lease, head lease and Energetik documents
- A Developer's Brief including technical information about the site and various appendices including the Site Investigation suite of documents
- Details of the Outline Planning Application for Phase 2 (of which Meridian Two is part) and Full Planning Application for the Strategic Infrastructure Works

3.3.4 Bidders were initially given 10 weeks to respond, however, the return date was eventually extended to 2nd October 2019, owing to a number of factors, particularly the delay in submission of Council's Outline Planning Application for Phase 2 and Strategic Infrastructure Works, summer holiday period, timescales for bidders to obtain necessary board approval and confirmation from the GLA on enhanced grant funding offers.

3.3.5 During the bid period a series of bidder clarification meetings were offered to each bidder as follows:

- 2 x qualitative clarification meetings
- 2 x legal and commercial clarification meetings
- 1 x final clarification meeting

3.3.6 The Council's team maintained a clarification schedule where written responses were provided and issued to bidders. Bidders were asked to submit all clarifications in writing through the London Tenders Portal, and these were added to the schedule and the responses issued to bidders.

3.3.7 Bids were to be submitted via the London Tenders Portal by 5pm on Wednesday 2nd October 2019. The portal closed at this time so that no late bids could be accepted.

3.3.8 Two bids were submitted before the deadline.

3.4 Scoring and Evaluation

3.4.1 Each bid was initially checked for compliance with the Pass/Fail Criteria which were:

Meeting the stated Minimum Scheme Requirements:

- 1) At least 200 residential units.
- 2) 100% affordable housing, subject to planning.
- 3) 50% of residential units must be London Affordable Rented tenure (general needs with 100% nomination rights to the Council) and 50% of the residential units must be Intermediate tenure (in line with the Council's Intermediate Housing Policy), subject to planning.
- 4) At least 20 Affordable Rent units must be identified within a single core as an option for the Council to purchase based on a proposed price included in the bid.
- 5) 3,000 m² (GIA) Commercial (Class B1) workspace to be built by the developer(s) and passed back to the Council for nil consideration with the benefit of collateral warranties.
- 6) £50,000 community chest contribution.
- 7) A Meridian Water Station contribution of £1,850 per unit for affordable housing unit, and £3,700 per private residential unit (in the event that the LPA require private residential units to be delivered).

- 8) Site infrastructure works including public realm and public open space as required under the Phase 2 Outline Planning Permission and Strategic Infrastructure Works Full Planning Permission.
- 9) Full compliance with the UNITE Construction Charter which Enfield Council has signed up to.

Meeting the stated Minimum Design Requirements:

Minimum Design Requirements	
Residential and workspace units	A minimum of 80% of commercial space to have no less than an absolute minimum 4m high floor to ceiling heights (including services, i.e. 'top of slab to underside of soffit).
	Columns at absolute minimum 6.5m centres (ideally 8m plus) with >90% arranged in a regular orthogonal grid arrangement allowing for greater flexibility in subdivision of B1c space.
	No ground floor residential homes to have floor to ceiling height of less than 2.8m (excluding servicing).
Environmental sustainability	Enabling a minimum BREEAM rating of Excellent.
	Connects all buildings to the Meridian Water Heat Network, in compliance with the Project Technical Specification, as soon as the Network is operational.
Design Team	The Council requires that a small architectural practice with no more than 50 staff members, with female or BAME leadership is appointed within the design team.

3.4.2 Any submission which failed on any of the Minimum Scheme Requirements or Minimum Design Requirements would not be assessed. Both bids passed these criteria and were therefore put through to the formal evaluation process.

3.4.3 Bids were then evaluated in accordance with the evaluation criteria set out in the tender documents, i.e. Qualitative (50%), Financial Offer (40%), Legal (5%) and Social Value (5%) (see below for more detail).

3.4.4 Evaluators were chosen for each question based on their expertise in relation to the matter in question and were assisted by reports prepared by the Council's external advisers.

3.4.5 Evaluators scored bids individually and then individual scores for each question were moderated with oversight from officers from Procurement and Legal Services and external advisors.

3.4.6 Bidders' scores from each section were then combined to give a total score for each bidder out of 100.

3.4.7 The Council reserved the right to fail and/or reject and exclude from further consideration any tender submission which scored less than:

- 6 out of 12 against any criterion within the Qualitative section and Social Value section.
- 7 out of 12 against any criterion within the 'Robustness of Business Plan and Financial Assumptions' areas; and/or
- 5 out of 12 in the Legal section.

3.4.8 This allowed the Council to fail a bid with a wholly unsuitable element which could not be accepted and removed the risk that such a bid might be strong in all other aspects therefore mathematically producing the highest score and forcing the Council to either accept it or terminate the entire procurement process.

3.4.9 The Council also reserved the right to reject and exclude from further consideration any tender submission where the land premium is less than £0

3.4.10 Under the terms of the procurement process, of the Bidders who have not already been failed for not meeting the thresholds above, only the remaining Bidder with the highest overall qualifying score can be selected for award of the contract. If the Council does not want to select the highest scoring Bidder, then it must terminate the procurement process without selecting any Bidder.

3.4.11 The scoring weightings were as follows:

Qualitative Section – 50% of total score

Criteria	Weighting
Design	
Deliver the development to achieve 'park life on your doorstep' Place	15%
Deliver the development to achieve 'your place to make and create'	15%
Deliver the development to achieve 'mixing uses – animating streets'	15%
Response to Urban Design Principles	5%
Planning Strategy	
Method Statement describing Planning Strategy in connection with securing the Reserved Matters consent.	10%
Programme	

Programme Pre-construction, construction and expected sales/lettings programmes including key milestone and longstop dates, timescales, the critical path and preferred approach to phasing.	15%
Risk Management	
Identification of the top ten relevant and site-specific risks for the project in a risk register with effective proposed mitigation measures provided.	15%
Estate Management	
Set out how an effective and consistent management service can be provided including levels of service charge, and explanation of how charging structure ensures fair proportion of service charge between occupiers.	10%
Total	100%

Financial Offer – 40% of total score

Criteria	Scoring Mechanism	Weighting
Financial Offer		
Land Premium	<p>The Bid which generates the highest Land Premium will score the Maximum Points of 100. This is then weighted by 60% to arrive at the Weighted Score.</p> <p>In order to calculate the Weighted Score for the other Bids, the Bid will be evaluated against the highest Land Premium as follows :</p> <p>Bidder score =</p> $(100 - (\text{Difference between highest Land Premium and Bidder score}) / \text{£50,000}) * 60\%$ <p>If a Bid receives a negative score (more than 100 Points deducted from the Maximum Points), the Bid automatically receives a Weighted Score of 0%.</p>	60%
Council Units Offer Price	The total Council Units Offer Price will be divided by the number of Council units offered to establish	10%

	<p>the Average Council Unit Price.</p> <p>The Bid which generates the lowest Average Council Unit Price will score the maximum points weighting, which for this element is 10%.</p>	
Council Units Quantum	<p>The price offered for the Council Units Quantum will be evaluated as follows.</p> <p>The Bid which proposes the highest number of Council Units will score the maximum points weighting with all other bids scored proportionately.</p>	5%
Robustness of Business Plan and Financial Assumptions		
<p>This section seeks to assess certainty of delivery and performance from a financial perspective and to show that the financial assumptions are robust. The criteria used to evidence this status are as follows:</p> <ul style="list-style-type: none"> • Support the Offer (Land Premium) by reflecting realistic market conditions and costs. • The layout plans show a general layout which maximises marketability of intermediate units and consistent with the comparable value evidence. • Adopt construction costs which are consistent with the high quality of design and construction quality required. • Based on a construction and sales programme which reflect local market conditions. Confirmations of GLA grant funding allocation and status of discussions. • Assumptions on any extra over costs. 		20%
<p>Clearly show how the scheme is funded from internal and/or external sources (if appropriate) with high levels of certainty of the availability and continued availability of funding.</p> <p>To provide a funding strategy which is coherent and commercially deliverable.</p>		5%
Total		100%

Legal – 5% of total score

Criteria	Weighting
Acceptability of proposed amendments to legal documentation	
Marked-up Development Agreement identifying in full all amendments required. The assessment will consider: <ul style="list-style-type: none">• the extent to which the proposals depart from the draft legal documentation;• the extent to which the proposals transfer risk to the Council;• the extent to which the proposals are detrimental to the Council;• the extent to which the proposal balances the allocation of risk to the Council with the Council's potential reward;• whether the draft legal documentation is consistent with the technical, financial and commercial proposals.	100%

Social Value – 5% of total score

Criteria	Weighting
Social Value Offer	
Quantitative Bidders will be provided online access to the Social Value Portal 'National TOMs Calculator' which derives a value for each of the Measures.	50%
Qualitative Bidders to submit a Method Statement detailing their Social Value Proposal to include; <ul style="list-style-type: none">(a) Thematic Approach(b) Delivery Capability, Engagement and Collaboration Plan(c) Continuous Improvement Plan	50%

3.5 Tender Returns and Evaluation Results

- 3.5.1 The Council received two tender submissions.
- 3.5.2 Two of the four shortlisted bidders withdrew from the procurement process. Further details of the reasons for each organisation withdrawing are commercially sensitive and therefore included in the Confidential Appendix.
- 3.5.3 It is recommended that the Council selects Bidder A. Further details are set out in the Confidential Appendix.

3.6 Next Steps

- 3.6.1 If Cabinet approve the selection of Bidder A as Preferred Developer then the next step is to sign the Development Agreement and all ancillary documents and for Bidder A to commence work on the Reserved Matters planning application.
- 3.6.2 Bidder A has submitted marked up legal documents for which they have Board approval to enter into, without any further negotiation, subject to sign off of the issues identified in the following paragraphs.
- 3.6.3 The development agreement will govern the level of risk exposure for both parties, milestone dates for delivery including the delivery of the Council's workspace, and the agreed level and mix of affordable housing as well as contractualising all of the minimum requirements and specific proposals within the bid of the Preferred Developer.

3.7 Other Steps for the Council

- 3.7.1 As well as completing the Development Agreement, the Council has a number of other decisions which need to be taken over the course of the next few months as follows:
- Detailed assessment of the risks and benefits of forward funding the enabling works prior to the Unconditional Date
 - Developing a strategy for the management and operation of the 3,000m² B1 commercial space to deliver high skilled employment at Meridian Two.
 - Marketing the 3,000m² B1 commercial space to attract operators and/or tenants to realise the Council's vision for this space.
 - How to spend the Community Chest contribution received from the developer.
 - Various approvals are required from the Council in connection with the Development Agreement, such as approval of the Reserved Matters planning application.
 - Obtain vacant possession of the site, serving notice on NSL, so that the Developer can commence the enabling works as soon as

possible after exchange and subsequently take possession of the site on completion of the Building Lease.

3.7.2 Officers will be working with the Council's professional team on these actions.

3.8 Conditions Precedent

3.8.1 The Development Agreement includes three Conditions Precedent which must be discharged prior to the agreement going unconditional.

3.8.2 One of these, the Developer's Planning Condition, is the developer's responsibility and requires it to gain full Reserved Matters approval for the Meridian Two scheme in line with the Phase 2 Outline Planning Permission.

3.8.3 The two other Conditions are the Council's responsibility as follows.

3.9 Vacant Possession Condition

3.9.1 This condition requires that the Council gives the Developer vacant possession of the site free of occupation or any other property interest enjoyed by any third party other than utility providers.

3.9.2 The site is currently occupied by a tenant, NSL who operate a car compound. The Council as landlord has the ability to break the lease with 6 months' notice.

3.10 Landowner's Planning Condition

3.10.1 This Condition requires the Council as Landowner to secure an outline planning consent for the development at the site.

3.10.2 The Council intends to do this through securing the outline planning consent for Phase 2 which was submitted in July 2019 and is due to go to planning committee in March 2020.

3.11 Energetik

3.11.1 The Council requires that the developer for Meridian Two and the developers for all other phases of Meridian Water use the Energetik network to provide heat to all residential and commercial units on the scheme. The Energetik standard legal pack was included within the Meridian Two tender package and has been agreed to by Bidder A.

3.11.2 Cabinet approved the underwriting of any Carbon off-setting costs incurred by a phase developer caused by Energetik not connecting to the low carbon energy supply (KD4864). It is therefore recommended that such underwriting is included in the development agreement for Meridian Two.

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 Select Bidder B

4.1.1 The reasons why selecting Bidder B would not be in the Council's interest are set out in the Confidential Appendix.

4.2 End current procurement

4.2.1 The bid from Bidder A is on terms which are relatively unchanged from the Council's tender documents.

4.2.2 A new procurement would result in a significant delay to when new homes can be completed and occupied, the optimal time to bring the scheme back to the market has been assessed as 10 years during which the site could be used as open storage in order to generate meanwhile income.

4.2.3 Terminating the procurement would also reduce the confidence the market has in Meridian Water and cast doubt on the deliverability of Meridian Water. The response to future procurements may therefore be weaker

4.2.4 Terminating the procurement would delay the delivery of affordable homes. The impact of this is particularly heightened by the weakening of the RP market and the slowing down of investment by RPs in new stock due to the need to invest substantial amounts in existing stock post-Grenfell. The need for local authorities to bring forward as much affordable housing as possible themselves is therefore greater than ever.

4.2.5 Terminating the procurement would also not enable the Council to meet contractual obligations with another third party landowner.

4.2.6 For further details please see the Confidential Appendix.

5 REASONS FOR RECOMMENDATIONS

5.1 Recommendation to enter into Development Agreement with Bidder A on the terms offered:

- The Council's ambitious objectives to deliver a 100% affordable housing led scheme, with a significant quantum of commercial space, have been met through the procurement
- Competent development partner with robust assumptions, who is able to accept a number of risks associated with a challenging former gasholder site, in a relatively untested location in challenging market conditions to deliver new homes in 2023 and 2024, providing the Council with certainty of delivery.

- Quality design of housing, public realm, and commercial space in line with the Meridian Two Place Brief and Meridian Water vision.
- Setting benchmark for continued development of Meridian Water, maintaining market confidence in the Council and the overall programme.
- Workspace gifted to the Council generating revenue income stream in the long term, or alternatively an asset which could be sold after completion to reduce the scheme's debt position
- Design proposals considered to fit well with the 3 Placemaking Pillars.
- The project is considered to fit strategically with the 3 Placemaking Pillars;
 - Parklife on Your Doorstep will be realised through the continuation of parkland into the new development. Brooks Park will permeate the development through an accessible and playable route and native species will be selected to comprehend the surrounding natural environment.
 - Your Place to Make and Create will be realised through new workspace which will allow for maximum flexibility responding to the changing needs of the local businesses;
 - and Mixing Uses, Animating Streets will be realised through mixing workspace and residential use at the ground level. These will surround the central courtyard, which forms the heart of interaction between the different users of the development: residents, workers and visitors. The frontage on Leaside Road will project onto the street the commercial activities from the inside and provide opportunities to sit and socialise, without compromising the privacy of the residential entrances.

5.2 It is considered that the purpose for which the land is to be disposed is likely to contribute to the promotion or improvement of economic well-being/the promotion or improvement of social well-being/the promotion or improvement of environmental well-being because;

- A significant quantum of new affordable housing will be delivered in the borough, with the Council having nomination rights on the affordable rented accommodation, and the intermediate accommodation being prioritised for Enfield residents.
- The 3000m² of B1 commercial space will provide employment opportunities in the borough, with circa 200 FTE jobs expected to be created.
- The regeneration of a former gasholder site will provide a mixed use and sustainable development benefitting from enhanced access to the Pymmes Brook, new green open spaces, planting and biodiversity enhancements.

6 COMMENTS FROM OTHER DEPARTMENTS

6.1 Financial Implications

6.1.1 The Financial Implications are contain confidential and commercially sensitive information and are included in the Confidential Appendix.

6.2 Legal Implications

MD: 2nd March 2020

- 6.2.1 Officers have been advised throughout the procurement process outlined in this report by officers from the Council's Legal Services department and by Trowers & Hamlins LLP.
- 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. Furthermore, pursuant to section 8 of the Housing Act 1985, the Council is required to consider the housing conditions and needs of their area with respect to the provision of further housing accommodation. The Council has the power under section 9 of that Act to provide housing accommodation. The Local Government Act 2003 gives the Council power to borrow for any purpose related to its functions, and to utilise capital receipts, subject to the limitations set out in that Act. The Council therefore has the statutory powers to enter into the transactions described in this report.
- 6.2.3 Public law principles apply to the decisions made by the Council in relation to the proposals set out in this report, including the Council's duty to take account of its fiduciary duty and to act prudently with public monies entrusted to it. The Council is also under a general duty to act reasonably and show that its decisions are made after having given due and proper consideration to all relevant factors (disregarding irrelevant factors).
- 6.2.4 In conducting the procurement of a developer for Meridian Two, the Council must comply with all requirements of its Constitution, Contract Procedure Rules ("CPRs") and the Public Contracts Regulations 2015 ("Regulations"), both of which permit the call-off from an existing framework if the framework terms permit. The resulting call-off contract must be based on the framework terms and officers have ensured that the rules of the relevant framework. Any selection process must be carried out in a manner which is fair, transparent and proportionate.
- 6.2.5 Throughout the engagement of the preferred developer, the Council must comply with its obligations of obtaining best value, under the Local Government Act 1999.
- 6.2.6 The disposal of land to the developer by way of building lease and, upon practical completion of the development, headlease must comply with s123 Local Government Act 1972 (which requires the Council to obtain the best consideration that can reasonably be obtained for the disposal of its land). Details in relation to the Council's compliance with this statutory provision are set out in paragraph 6.3.2 below.

- 6.2.7 The Council must consider whether the proposed disposal for less than best consideration complies with State aid rules. The land is to be transferred to the developer at below market value on the basis that the Council will entrust the developer to build affordable housing, which can be considered a Service of General Economic Interest (“SGEI”) under State Aid Rules. The SGEI Block Exemption allows public authorities (including the Council) to provide financial compensation (including by way of a discounted land price) to enable entities to provide public service obligations which would otherwise not be cost effective without public funding. The compensation provided may not exceed what is necessary to cover the costs incurred in the discharge of the public service obligation, considering relevant receipts and allowing for a reasonable profit. The SGEI Exemption requires an act of entrustment to be entered into between the Developer and the Council. The Development Agreement will be sufficient for these purposes.
- 6.2.8 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

- 6.3.1 Any property transactions entered into by the Council as a consequence of the subject matter of this report must comply with the Council's Property Procedure Rules.
- 6.3.2 A valuation of the site has been provided to the Council by BNP Paribas who have confirmed that their valuation has been prepared in accordance with the current RICS Valuation – Global Standards 2020 (the “Red Book”) incorporating the International Standards (2020) and the UK National Supplement (2019). BNP Paribas have also confirmed that in preparing their valuation they have followed the guidance contained in the Technical Appendix attached to Circular 06/2003: Local Government Act 1972 general disposal consent (England) 2003. The valuation states that the proposed disposal to the developer will be at an undervalue but the amount of the undervalue will be less than £2,000,000. Furthermore, officers consider that the development will secure the promotion or improvement of the economic, social or environmental well-being of its area for the reasons stated in paragraph 5.2 of this report. It is therefore considered that the proposed disposal complies with the requirements set out in Circular 06/2003 and the proposed disposal is compliant with s123 Local Government Act 1972.
- 6.3.3 The Council will retain ownership of the freehold interest in the site of Meridian Two, the disposal process is by the granting of a Building Lease when the Conditions Precedent of the Development Agreement are met. The conditions of the Building Lease permit construction and when these conditions are fulfilled the Bidder is granted a lease for a term of 250 years. It is this mechanism which secures the standards and timing of development and specifically in this case the delivery of 100% affordable accommodation and the workspace. This structure is considered to offer the highest level of certainty of delivery of the development requirements.
- 6.3.4 The procurement of the developer for Meridian Two was conducted through the GLA LLP2 panel with all required information to formulate an offer communicated through the marketing web site and London Tenders Portal. Lambert Smith Hampton have confirmed that the marketing process in this form both fully exposed the opportunity to the LLP2 panel and effectively communicated all of the information required to formulate the offers.
- 6.3.5 Independent Registered Valuers at BNP Paribas have concluded that the transaction (based on the development requirements) would result in an undervalue, however this is within the confines of the General Disposal Consent (England) 2003 ('the Consent') which allows authorities to dispose of land without Secretary of State consent where the difference between the unrestricted value of the interest being disposed of and the consideration accepted, is £2,000,000 or less.

- 6.3.6 The modest undervalue is a result of the Council's requirements for a 100% affordable housing scheme.
- 6.3.7 The transaction has implications on the Council's commercial estate owing to the workspace accommodation being retained. To meet the financial projections in the model and the level of asset value reflected in the Best Consideration assessment this accommodation will need to be let on market terms and managed well. This will maximise income, offer amenity and high environmental standards in support of the housing on this, and adjacent sites in Phase 2. This will require resources to be responsible for interim management, lettings and long-term estate management. The Meridian Water long term estate management strategy is still being formulated and the management of the workspace will be co-ordinated with this procedure.
- 6.3.8 Other than as mentioned in this section none of the outputs from this development has other implications on the remainder of the Council's corporate or commercial estate
- 6.3.9 The agreement of the Bidder to take responsibility and cost risk for remediation works is a significant benefit to the Council in comparison to the Bidder B proposal which caps the degree to which they will fund these costs. The Bidder B proposal not only creates financial risk but a potential practical risk over protecting remediation warranties in favour of the Council if these costs were shared in the way proposed.
- 6.3.10 The transaction is in line with the Council's Strategic Asset Management Plan's overriding themes of good homes, creating places and strong communities and has full regard to other Council policies, in particular Housing, Employment, Regeneration and Social Value.

6.4 Procurement Implications

- 6.4.1 The Councils' Contract Procedure Rules (CPRs) permit the use of a framework call-off as a means of tendering from an existing framework if the framework terms permit (CPR 4.0). The resulting call-off contract must be based on the framework terms and the Council must ensure that it follows the rules set out by the framework.
- 6.4.2 The procurement was a call-off from the GLA London Development Panel Framework (LDP2 MD2068). This is the second call off from that framework, Meridian One was also called off under the same framework, this approach was agreed by Cabinet on 25 July 2018. Due diligence was undertaken by the Procurement & Commissioning Hub for Meridian One including a review of other available frameworks, this due diligence also applied to Meridian Two, the call-off was compliant with the framework agreement and the Council's CPRs.

- 6.4.3 The project was mini-tendered in accordance with the guidelines provided by the GLA, who operate the above framework, this comprised the issue of an Expression of Interest followed by a Sifting Brief to shortlist the potential bidders with the tender being issued to the shortlisted bidders. Both the Sifting Brief and the tender were issued and returned through the London Tenders Portal; all documentation must be retained on that portal.
- 6.4.4 The evaluations of all returns were carried out in a fair and transparent manner. The Council has complied with the LDP2 Framework terms in this procurement. The P&C Hub were involved in the procurement and the complete process was carried out in a fair and transparent manner.
- 6.4.5 The award of the contract, including evidence of authority to award, promoting to the Councils Contract Register, and the uploading of executed contracts must be undertaken through the London Tenders Portal.
- 6.4.6 The awarded contract must be promoted to Contracts Finder to comply with the Government's transparency requirements.

7 KEY RISKS

- **Risk:** Extended period of negotiation entered into by Bidder A before signing development agreement
- **Effect:** Delay in commencing on-site, potential for terms to become less favourable to the Council
- **Mitigation:** Bidder A have submitted a binding offer in their tender response with Board approval to enter into the documents with the Council in the form submitted.

- **Risk:** Market softens leading to Bidder A attempting to renegotiate terms
- **Effect:** Potential delay or reduction in land value
- **Mitigation:** The Council has the contractual right to enforce the delivery of the programme and land offer. The revenue associated with the bidder is based on a fixed price offer for 50% 'London Affordable Rent' homes, and 50% shared ownership homes which are likely to be pre-sold to the developer's pre-selected RP

- **Risk:** Bidder A go insolvent prior to completion of build or are unable to fund to completion
- **Effect:** Delay to completion whilst Council secures step-in and appoints a new developer to take over the build
- **Mitigation:** All bidders have been subjected to robust financial evaluations by Ernst and Young and William Lickorish. The Development Agreement requires the developer to continually monitor its financial position and advise the Council of any material changes. The Council has step-in rights to the Development

Agreement in the event of insolvency or default. The parent company of Bidder A are providing a parent company guarantee and is a substantial organisation. For further details please see the Confidential Appendix.

For further risks, please see the Confidential Appendix.

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 design code, and the Place Brief, ensuring high quality of design and build of all affordable homes.

8.2 Sustain strong and healthy communities

- The Meridian Water regeneration programme will provide social infrastructure, 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. Meridian Two will provide new workspace to provide a cluster of high skilled creative employment opportunities, which will compliment a residential courtyard for the benefit of residents. Meridian Two will provide views across Pymmes Brook and Tottenham Marshes for residents, and improved access to Pymmes Brook for the public. The scheme will benefit from the proposed enhancements to Leaside Road and improved connections to the Lee Valley, as part of the Council's Strategic Infrastructure Works programme, delivered through Housing Infrastructure Fund (HIF) funding.

8.3 Build our local economy to create a thriving place

- The Meridian Water regeneration programme will bring economic growth, support inward investment, create new jobs and build a strong and sustainable future for the local community. Meridian Two will provide a significant quantum of commercial space providing workspace for high skilled creatives, makers and entrepreneurs, in line with the 'Your Place to Make and Create' placemaking pillar. The development will also be aligned with the 'Mixing uses; animating streets' placemaking pillar, ensuring an active ground floor. The proximity to the station and attractive public realm will encourage people to visit and enjoy the area.

9 EQUALITIES IMPACT IMPLICATIONS

- 9.1 The Council has a duty to have, in all its services, policies and functions (including procurement) due regard to the need to:
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 9.2 The Council will work with the successful bidder to ensure, in the delivery of this contract, that they help to promote the Council's equality aims and duties under the Equality Act 2010.

10 PERFORMANCE AND DATA IMPLICATIONS

- 10.1 Corporate advice has been sought in regard to performance and data implications. A series of key performance indicators will be developed that relate to Meridian Two. These KPIs will form part of the Place Departmental Management Teams scorecard and report. These measures will be developed and then reported upon for the new financial year.

11 PUBLIC HEALTH IMPLICATIONS

- There are no direct public health implications from the selection of a developer for Meridian Two. However, the Meridian Water programme is likely to positively impact on population health in a number of ways; it will provide housing (including affordable housing) which is fundamental to health and it will be a sustainable development and seek to minimise and mitigate its effects upon the environment thereby reducing impact upon climate change, itself described as the greatest threat to public health in the 21st century.
- Further, Meridian Water is being designed so that it will integrate healthy lifestyles into everyday life; active transport will help to increase and maintain levels of physical activity (associated with reducing the risk of all long-term conditions by 20-40%), retail outlets will be encouraged to sell healthy food (associated with a reduced risk of obesity and several cancers) and reduced smoking (the greatest cause of premature death in the UK, responsible for more deaths than the next 5 causes combined).