

Please note Part 2 report is now confidential appendix.

London Borough of Enfield

Operational Report: Part 1

Report of Programme Director Meridian Water

Subject: Meridian Water Commercial Advisor Appointment

Executive Director: Sarah Cary

Ward Upper Edmonton

Key Decision: KD5017

Purpose of Report

1. The purpose of this report is to seek approval for the appointment of the recommended Commercial Advisors to support the Meridian Water team.
2. An OJEU compliant procurement process has been completed seeking Commercial Advisory services with additional specialisms in Estate Management, Build to Rent and niche markets such as Co-Living and Student Accommodation to support the Meridian Water programme.
3. This report will set out the procurement process, detail the scope of services, provide a review of bid submissions and reasoning for recommendations.

Proposal(s)

It is recommended that the Executive Director of Place;

4. Approves the appointment of the recommended bidder to provide Commercial Advisory services in support of the Meridian Water programme.
5. Approves the commission to be a call off contract with a three-year duration.

See part 2 report

Reason for Proposal(s)

6. The appointment of the recommended advisors will ensure the Meridian Water team is supported and advised on Commercial, Financial and Property Market matters in the context of the Council's wider objectives and ensure quality and best value is reflected in Meridian Water outputs.
7. Commercial and Financial Advisors Lambert Smith Hampton (LSH) are currently retained within a similar scope of services. However; the increasing complexity of the project along with the required workload makes it prudent to appoint a second firm of advisors. Depending on LSH with their existing capacity will slow down the progress of Meridian water. The scheme

progressing at its current pace cannot afford to be wholly reliable on the one company.

8. This role will not be a replication of the scope and support provided by LSH but an addition of resources to support workstreams outside of LSH's scope, enable the ability to seek second opinions as and when required and deliver in the specialism areas listed which LSH would not have the resources or expertise to do so. The advisors being recommended for appointment, named in the Part 2 report, have demonstrated strength in the depth and breadth of expertise in general Commercial Advisory provision and within the specialism areas of Estate Management, Build to Rent and niche markets such as Co-Living and Student Accommodation.

Relevance to the Council's Corporate Plan

Good Homes in well-connected neighbourhoods:

9. The Meridian Water scheme is targeting the delivery of a thriving neighbourhood with approximately 10,000 homes of which 40% will be affordable. The role of the Commercial Advisor is key to achieving this target; utilising their industry knowledge to advise on the most appropriate approach to delivering the phases through options appraisals, analysis of procurement methods and reviewing commercial and financial risk the recommended delivery strategies will ensure developments achieve high quality in design, an appropriate mix of tenures and best value for the Council.

Safe, healthy and confident communities:

10. A high-level Estate Management strategy has been developed for Meridian Water. The specification for this appointment sought specialism in Estate Management as the appointed advisors will be tasked with developing the strategy to the next level of detail and assisting in the implementation to ensure delivery of uniform quality standards across the estate and public realm. A resources plan will be incorporated considering the day to day operation of the Meridian Water estate ensuring safety and security of its residents whilst working with the Master planning team to ensure public realms are activated and maintained to encourage the health and wellbeing of residents. Accessibility across the site will also be considered promoting walking and cycling whilst connecting the scheme with neighbouring wards through easily accessible public transport modes.

An economy that works for everyone

11. Majority of the ground floor spaces at Meridian Water will be retained by the Council and utilised as commercial premises, workspaces, retail and leisure outlets. Commercial Advisors will support the delivery of this by ensuring agreements with developers include the delivery of these spaces on behalf of the Council. Social Value requirement will also be built into developer procurements and agreements to ensure the provision of employment opportunities for borough residents and incorporation of local businesses into construction supply chains.

Background

Meridian Water

12. The Meridian Water scheme located in Upper Edmonton will facilitate the establishment of a neighbourhood delivering at least 10,000 homes, 6,000 jobs, high quality public realm and two thirds of ground floor space devoted to retail, workspace, community and leisure facilities. The ultimate ambition being the creation of a destination for living, employment, leisure and entertainment; raising the area out of the high levels of deprivation currently seen.
13. To date the Council has acquired 36 hectares of land at Meridian Water representing 73% of developable land, has delivered the Meridian Water train station, secured £156m Housing Infrastructure Funding to deliver strategic infrastructure across the site unlocking accessibility and is now in contract or finalising contract details for the delivery of approximately 1,200 of the targeted 10,000 homes.

Approvals & Framework Selection

14. To support the extensive delivery programme and number of workstreams progressing at an accelerated pace, a Business Case was taken to the Procurement and Commissioning Board on the 22nd October 2019 to gain authorisation to procure Commercial Advisors. Following approval to proceed with the procurement process via a framework agreement by the procurement board, authorisation to initiate the procurement process was granted by the Programme Director of Meridian Water.
15. In order to determine the most appropriate framework option for the procurement thorough research was conducted on three relevant frameworks and the suppliers within to identify those with potential to deliver the required service. Market Engagement then took place by hosting a series of meetings with the potential suppliers to gain initial insight into the experience they have and provide opportunity to meet with potential delivery teams. As a result of this activity the Homes England Property Professional Services Framework was selected.

The Brief

16. The Specification document issued at tender stage provided a project brief as well as detailed scope of services. The brief set out the need for support and advice on commercial and property matters through qualitative and quantitative advice in the context of the Councils wider objectives. The brief also assigned responsibility for ensuring quality and best value is reflected in Meridian Water outputs and sound decisions made to determine the approach to delivering the scheme. Required areas of expertise were listed as;
 - Development Appraisals and Valuations, including Red Book Valuations
 - Options Appraisals
 - Alternative Funding sources for the public sector
 - In depth knowledge of development and investor markets
 - Affordable Housing
 - Meanwhile uses; adoption and integration
 - Estate Management

- Market Knowledge including
 - Residential
 - Employment; both large- and small-scale employers
 - Specialist tenures i.e. Build to Rent, Student Accommodation, and Co-Living
 - Retail

Tender Process

17. The Homes England Framework sets out a three-stage procurement process. The initial Expression of Interest phase for which an overview of the Meridian Water scheme and description of the role had been issued to suppliers allowing them to opt into the next stage of the process if interested. Thirteen of the nineteen suppliers within the Property Professional Services Framework responded positively to the opportunity.
18. Those who responded positively were then included in the Sifting stage, further detail had been provided on the project and scope of the role and three evaluation questions set to determine previous experiences providing such services in the required specialism areas. Six responses were received at this stage. The breadth of the brief covering specialism areas and preferences for higher contract values were among the reasons for those not pursuing the opportunity. Of the seven who chose not to respond four provided feedback as follows:
 - Would not have been the right delivery partner, having to sub-contract some of the elements would not have provided value for money
 - Realised strengths were in Property rather than Estate Management
 - Unable to cover the full scope of services within the specification
 - A purely advisory role not attractive despite having the expertise
19. During the evaluation process the bids were sifted to four as set out in the process. The two submissions which were not successful had received low scores for their responses on the basis that:
 - The first submission failed to demonstrate experiences in providing Commercial Advisory services on projects with similar size and scale to Meridian Water leading to concern over the level of Commercial and Property advice which would become available if appointed
 - The second submission failed to demonstrate Strengths in Estate Management showcasing little residential experience with focus on commercial.
20. The tender invitation was issued to the four shortlisted suppliers with a detailed Scope of services and supporting documents, bidders were given four weeks to respond. Two of the four suppliers invited to tender submitted responses.
21. Feedback was requested from the two withdrawing suppliers and one returned a response. The supplier having reviewed their sifting brief feedback realised they lacked the necessary capabilities and track record in Estate Management and felt there was insufficient time to shape a wider consortium having approached potential partners.

Evaluation

22. Submissions were evaluated on Quality, having 60% weighting and Price at 40% weighting. Quality evaluations were based on responses to seven questions seeking to determine;
- Ability and approach to delivering against the brief by setting out approach to providing commercial advice in the context of large-scale, mixed-use regeneration schemes and approach to working with the Meridian Water team
 - Understanding of the Estate Management requirements of the scheme and methodology for the implementation of a strategy at Meridian Water with timescales; identifying likely challenges and mitigation strategies. The Meridian Water Estate Management Strategy had been included in the tender documentation.
 - Ability to provide Build to Rent Advisory services, setting out knowledge and experiences delivering such schemes and detailing the important aspects to ensure success. The question also investigated knowledge, experience and presence within Co-Living and Student Accommodation sectors.
 - The delivery team that would be assigned to providing the service and the relevant skills/expertise available
 - In view of Meridian Water being delivered in phases a phasing plan was included in the specification. Bidders were asked to set out the approach they would take in advising on the most appropriate phasing and method of delivery
 - Approach to and expected challenges dealing with third party landowners at Meridian Water detailing the anticipated level of engagement with differing parties
 - The final question set out to explore strengths in non-residential uses, approach to apportioning commercial space across the phases and approach to establishing uses over time to achieve placemaking including consideration of meanwhile uses. The Meridian Water Masterplan and Commercial Strategy Report were included in the tender documentation.
23. Price evaluations were based on general daily rates across seniority structures for General Activities, Valuations, Estate Management, Build to Rent and Non-Residential Uses.
24. Bids were evaluated by a panel of three members of the Meridian Water team which included the Commercial Director who would manage the contract and the process moderated by a Senior Procurement Manager. The Bidder Scores were as follows:

| Bidder | Quality Score (60%) | Price Score (40%) | Total Score |
|----------|---------------------|-------------------|-------------|
| Bidder A | 52.80% | 40.00% | 92.80% |
| Bidder B | 43.20% | 37.46% | 80.66% |

25. The winning bidder (A) in their quality responses were able to demonstrate the level of capability, capacity and experience required to provide general

Commercial Advisory services. A strong portfolio of experiences were presented and understanding of the complexity of varying delivery models and key considerations for a large-scale regeneration scheme demonstrated.

26. Bidder A also demonstrated a clear understanding of Estate Management delivery setting out an approach to delivering the Meridian Water strategy which identified various stages in the process and differing strategies to deliver both the high level services and granular detail whilst coordinating the different stakeholders and factoring in key themes such as Sustainability and Place making.
27. Bidder A scored highly for their experiences consulting on Build to Rent schemes and knowledge of the sector, including the support of Co-Living and Student Accommodation schemes.

Refer to Part 2

Main Considerations for the Council

28. The Commercial and Financial Advisory services have been key to supporting the Meridian Water development to date and will continue to play a significant role in taking the scheme forward, maximising opportunities and best value.
29. The LSH contract period will terminate in September 2021 and procurement of replacement consultant will have progressed to ensure continuity. It is in the Council's best interest to approve contract award to Bidder A to extend resources and strengthen areas of expertise in the required specialist areas. The timely appointment will allow for Bidder A to have embraced the role, strengthen interactions across workstreams and familiarised themselves with the support provided by LSH prior to their contract end.
30. Having a second consultancy on board will enable the Meridian Water team to seek second opinions on appraisals where necessary validating decisions made to obtain best value and outcomes. It is not good practice for the companies working on deals to provide Red Book Valuations which would be avoided through this appointment.

Safeguarding Implications

31. There are no direct safeguarding implications from the appointment of a Commercial Advisor.

Public Health Implications

32. There are no direct public health implications for the appointment of a Commercial Advisor. However, through their consultancy and advisory on the Meridian Water scheme the appointed suppliers will contribute to the successful delivery of phases and activation of public realm to provide homes and a neighbourhood focused on bringing together communities and promoting healthier lifestyles.

Equalities Impact of the Proposal

33. An equalities impact assessment is not considered to be relevant to the decision to award this contract. However, the role will provide support in procurement activities for Developers at each phase presenting the opportunity to promote the Council's equality aims. The role will also provide advice to building on the social value expectations through Developer and Lease agreements to ensure the Meridian Water Employment strategy is embraced and positive impact on the borough is achieved.

Environmental and Climate Change Considerations

34. Environmental and Climate Change considerations were not directly factored into the appointment of the Commercial Advisor Role. However, it has been made clear to bidders that Environmental Sustainability is highly regarded for the scheme and will be incorporated into each phase of delivery to achieve the highest possible standards for Meridian Water. The successful bidder will also be advising on and where necessary inputting to the development of the Meridian Water Environmental Sustainability Strategy and how it can be adopted within delivery phases.

Risks that may arise if the proposed decision and related work is not taken

35. Given the Commercial Advisors are appointed to provide advice on commercial and property matters, not having those resources in place in view of the Council lacking the internal expertise poses both financial and quality risk to the Meridian Water scheme. Decisions to bring phases to market must be evidenced with financial and viability assessments to ensure best value is obtained rather put the Council at financial risk by not obtaining best value or ensuring financial risks are avoided when entering into agreements.
36. Secondly, should this award not be approved the Meridian Water team will continue to depend solely on LSH. Given their resources are not sufficient to support all workstreams delays will be caused with the risk of not maximising all opportunities.
37. Not appointing the recommended Commercial Advisors will slow down the delivery of homes on Meridian Water, a substantial impact on achieving housing targets.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

38. A potential risk would be the selected advisor giving poor advice. This will be mitigated through robust contract management, with regular review meetings and quarterly performance review meetings.
39. A Parent Company Guarantee was considered not to be appropriate for a consultancy in this role. However, there is an option to request one if required by the Council. All suppliers on the Home England Framework have undergone rigorous financial evaluation. Furthermore, as part of the IIT stage an assessment of economic and financial standing has been carried out to ensure suppliers are financially sound.

Financial Implications

40. Refer to Part 2

Legal Implications

41. 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". The general power of competence provides sufficient power for the Council to procure a land acquisition agent as described in this Report.
42. In conducting the procurement of the commercial adviser, the Council must comply with all requirements of its Constitution including the Contract Procedure Rules ("CPRs") and the Public Contracts Regulations 2015 ("Regulations"). It is proposed that the Homes England Property Professional Services Framework is used to procure the services. The CPRs and the Regulations permit the use of a framework provided that the terms of the framework are complied with.
43. As the anticipated contract value exceeds £500,000, this is a Key Decision and the Council must comply with the Key Decision procedure. Sufficient security from the Supplier should be considered to manage risk. Evidence of the form of security required, or why no security was required, must be stored and retained on the E-Tendering Portal for audit purposes.
44. The Council must ensure value for money in accordance with the overriding Best Value Principles under the Local Government Act 1999.
45. 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. The contract must be sealed, and the original retained within the Legal Department.

Provided by MD: 15th July 2020

Workforce Implications

46. There are no workforce implications relating to this award.

Property Implications

47. There are no specific property implications arising from this report as it is concerned with the appointment of consultants. It is anticipated that there will be future property implications as each report comes forward from the appointed consultants. These reports will need full and individual review and when property transactions are included Strategic Property Services will comment on those specific deals.

Property Implications provided by Ken Aitken on 13/07/2020

Other Implications

Procurement Implications

48. The tender was a call-off from the Homes England Property Professional Services Framework 2018/S 005-007230. Due diligence was carried out by the Procurement and Commissioning Hub (P&C Hub) on the Council's ability to use the framework. Other frameworks were also considered but the Homes England Framework was chosen due to the experience of the suppliers in the specialisms required under the contract. The tender process commenced with an Expression of Interest, followed by a Sifting Brief which was used to provide a shortlist of bidders. After the shortlist was complete, the project was mini tendered to 4 providers in accordance with the guidelines provided by the Homes England who operate the framework. The tender returns were evaluated by three members of the Meridian Water team, a moderation meeting was held on 23 June 2020 where the scores and final comments were agreed. The P&C Hub were involved in the procurement and the process was carried out fairly and transparently.
49. The tendered rates were compared with the competitively tendered framework rates and were lower than or the same as the tendered framework rates.
50. The procurement was undertaken using the Homes England London Tenders Portal (ref DN467444).
51. A business case was presented to the Procurement & Commissioning Review Board on 22/10/2019 where the procurement route was reviewed and approved.
52. The award of the contract, including evidence of authority to procure and award promoting to the Councils Contract Register, and the uploading of executed contracts must be undertaken on the Enfield London Tenders Portal including future management of the contract.

Procurement Implications provided by Samantha Rose on 13/07/2020

Options Considered

Internal Resources

53. Using internal resources was an option considered and discounted due to a lack of expertise within the required scope of services and lack of resource availability.

Extending LSH Contract Scope:

54. Extending the scope of the LSH contract had been considered to increase the resources allocated to Meridian Water and incorporate expertise in the additional specialisms sought. However, this option was discounted as LSH do not have the capacity to increase current resources to extend beyond those provided under their current contract terms neither the required level of expertise in the additional specialisms.

Conclusions

55. It is recommended that the Executive Director of Place approves the appointment of the recommended Commercial Advisors within the three year call off contract terms at the value detailed in the Part 2 report.

56. The recommended advisors had a strong bid submission overall and demonstrated the ability to provide quality skills and expertise to meet the requirements of the role essential in ensuring the successful delivery of Meridian Water.

Report Author: Oycan Sozcu
Regeneration Manager
Oycan.sozcu@enfield.gov.uk
02081321680

Date of report: 3.07.2020

Appendices

Appendix 1 – Part 2 report [Confidential]

Background Papers

The following documents have been relied on in the preparation of this report:
None.