

London Borough of Enfield

CABINET – PART 1

16th September 2020

Subject: Meridian Water Residential Delivery Programme (PART 1)
Cabinet Member: Cllr Nesil Caliskan

Key Decision: 5174

Purpose of Report

1. To update Cabinet on the progress made to deliver new homes and sustainable neighbourhoods at Meridian Water. To make a number of proposals that if implemented will contribute significantly towards meeting the Council's vision and objectives for Meridian Water.
2. Since the Council assumed the role of Master Developer in 2018 it is now either in contract, or imminently to enter into a contract, to deliver approximately 1,200 of the 10,000 homes at Meridian Water at both Meridian One and Meridian Two and the report makes proposals to commit to increasing the current residential delivery programme.
3. In October 2019, Cabinet considered an Options Appraisal for delivery of Phase 2 (KD4953) and approved a Detailed Delivery Plan for Phase 2 to be drawn up and presented back to Cabinet in respect of the preferred options 1 and 3 within that Options Appraisal. This report sets out that Detailed Delivery Plan which has been prepared by Lambert Smith Hampton (LSH), the Council's Commercial and Financial Advisor, and which is attached at Appendix 1 of the Part 2 Report. The Detailed Delivery Plan recommends a development strategy for Meridian Four that provides the Council with greater control and greater financial returns.
4. This report sets out the Council's ambitions to directly deliver housing at scale, assuming the role of Developer to deliver circa 800 homes at 'Meridian Four' with the benefit of a forward fund deal, while also facilitating a Student/Co-Living development at Meridian Three.
5. Together, these two schemes will accelerate much needed housing, provide a greater diversity of housing appropriate for Enfield residents, transform the heart of the Meridian Water site (Phase 2) and establish a successful place and thriving mixed tenure neighbourhood.

Proposal(s)

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6. That Cabinet note the progress across the first four 'Meridian' residential led schemes as detailed in this report.
7. That Cabinet note the latest position on the Skills Academy, and delegate authority to the Programme Director Meridian Water in consultation with the Leader of the Council to make all strategic and implementation decisions related to the Meridian Water Skills Academy within the budget as set out in this report. That Cabinet further delegates authority to the Programme Director – Meridian Water to approve and enter into such agreements as are necessary (including any consequential variation to the Meridian One Development Agreement) to formalise such instruction.
8. That Cabinet delegates authority to the Programme Director – Meridian Water to make all required procurement and implementation decisions in accordance with the relevant procedure rules to procure and enter into contract to complete 'shell & core plus' level of fit out works for Council owned non-residential spaces at 'Meridian One', in the event that the Council does not agree a price under the Development Agreement as explained in this report.
9. That Cabinet note as part of the community infrastructure being delivered at Meridian Water that a Health and Wellbeing Centre potentially will be established as part of D1 Community Use space at 'Meridian One' as set out in the report and agrees to delegate authority to the Programme Director – Meridian Water in consultation with the Executive Director of People and the Director of Property & Economy to make all relevant procurement and land disposal decisions required to implement the Meridian One community infrastructure provision.
10. That Cabinet authorises the marketing of two plots at 'Meridian Three' for permanent development in accordance with the use classes in the planning application and the third plot to Registered Providers (if not acquired by the Housing Revenue Account), or for some or all of the three plots to be marketed for a meanwhile use
11. That Cabinet delegates authority to the Executive Director of Place in consultation with the Acting Executive Director of Resources the disposal of two plots within the Phase 2 Outline Planning Permission to a Student and/or Co-Living Developer and a third plot disposed of to a Registered Provider or retained by the Council's Housing Revenue Account (if there is sufficient capacity to do so) or letting of some or all of the Meridian Three land on an operating lease (meanwhile use) all as detailed in this report under the 'Meridian Three' sections.
12. That Cabinet approves the Phase 2 Detailed Delivery Plan (as attached at Appendix 1) and the recommendation within it for the direct delivery of 'Meridian Four', as summarised in this report.
13. That Cabinet authorises the procurement of the professional team required to deliver Meridian Four, and the expenditure of the budget (set out in Part 2 of the report), and delegates authority to the Programme Director – Meridian

Water, acting in accordance with all relevant procedures and protocols, to authorise and enter into the individual contract appointments.

14. That Cabinet approves the competitive marketing of 'Meridian Four' to Build to Rent investors and potentially Registered Providers (where the affordable homes are not to be held in the Council's Housing Revenue Account), and delegates authority to the Executive Director - Place in consultation with the Executive Director - Resources and the Director of Law and Governance to select the appropriate parties and enter into any resulting agreement(s) including agreements to document funding arrangements, land disposals and construction contracts to those parties.
15. That Cabinet delegates authority to the Programme Director – Meridian Water, to determine the preferred procurement strategy, and commence the procurement of a Main Contractor(s) to deliver 'Meridian Four' (and the affordable housing units at 'Meridian Three', and potentially other Council projects subject to the relevant approvals, or third party landowners at Meridian Water) and notes that a future report to recommend the award of a contract (and potentially a framework) to a Main Contractor(s) will come back to Cabinet.
16. That Cabinet approves the inclusion of Plot Z05-08 (in the Phase 2 Outline Planning Permission) within 'Meridian Four' for an A3/A4 Use Class (Class E or Sui Generis under the new legislation) at Meridian Water as set out in this report to establish a Food & Beverage and evening economy offer, and delegates the delivery strategy and land disposal to the Lead Member for Meridian Water.
17. That Cabinet approves the inclusion of Plot Z04-10 (in the Phase 2 Outline Planning Permission) adjacent to the new Brooks Park for an A3/A4 Use Class as set out in this report to construct and establish a Park Pavilion, incorporating a café/restaurant, and delegates the delivery strategy and land disposal to the Lead Member for Meridian Water.
18. That Cabinet note the proposal to deliver leisure opportunities in the River Lea Navigation and Banbury Reservoir as the first stage of a health and wellbeing offer at Meridian Water, and delegate authority to the Programme Director – Meridian Water to approve the delivery strategy, enter into agreements with the land owners and commence the process to appoint delivery partners.
19. That Cabinet approves the development of a ground floor commercial space strategy for Meridian Water as explained in this report and delegates authority to the Programme Director – Meridian Water in consultation with the Director of Property and Economy to approve the strategy.

Reasons for Proposals

20. The enhanced Skills Academy is recommended to ensure that the intervention has a long term legacy at Meridian Water, beyond the timescales for 'Meridian One'. This will provide capacity for additional trainees and apprentices,

sufficient to support the whole Meridian Water Programme, including the Housing Infrastructure Funding strategic infrastructure works contracts, and the wider Borough's construction pipeline. Sizing of the facility will consider the impact of social distancing.

21. Providing a 'shell & core plus' level of fit out will help the commercial spaces to be more marketable and attractive to smaller businesses and tenants and reduce any void periods. Delegating authority for decisions relating to the 'shell & core plus' level of fit out works to the Programme Director – Meridian Water enables the Council to be more agile in making commercial decisions and achieve value for money for these works.
22. For Phase 2, approving the Detailed Delivery Plan, and for the Council to directly deliver Meridian Four as part of a forward funding deal with a Build to Rent investor is the recommended option based on an objective options appraisal. This ensures the greatest financial return to the Council, while also giving the Council far greater control on qualitative aspects such as design quality, provision of affordable housing (both in terms of addressing housing need, and quality of accommodation for Enfield residents) and the overall delivery programme. The Build to Rent product at Meridian Four will diversify housing tenure at Meridian Water and the borough, increase the supply of high-quality rented accommodation in the borough for Enfield residents, and offer greater security of tenure than typical private rented accommodation. Build to Rent also accelerates delivery over private sale housing, speeding up the regeneration at Meridian Water, and it is a more resilient tenure than private sale housing during an economic downturn.
23. As set out in the report, by directly delivering Meridian Four, the Council has a significant role in the design and project management and will be required to appoint a high quality professional team to reduce related design and construction risk, and provide confidence to the investor market who are forward funding the scheme. Authorising the expenditure of the budget at this stage and delegating the appointments of the professional team enables the Council to commence the preparation of the Reserved Matters Planning Application for Meridian Four in January 2021.
24. Delegating authority to the Programme Director to determine the preferred procurement strategy to appoint a Main Contractor(s) to deliver Meridian Four will enable the Council to be more agile in making a decision within programme timescales, considering the most suitable options in consultation with P&C Hub and with professional advice from relevant specialist consultants, and the Build to Rent investor.
25. Establishing a Food & Beverage and evening economy offer at the heart of Meridian Water is key to the Council's placemaking objectives. Delegating authority to the Lead Member for Meridian Water will enable the Council to respond to market opportunities to deliver the best outcome within more flexible timescales. Similarly, by delegating authority to the Programme Director – Meridian Water to approve a strategy for a leisure offer in the River Lea Navigation, the Council can be more flexible in its decision making to implement placemaking initiatives.

26. The Ground Floor Commercial Space Strategy will set out framework for activating the new neighbourhoods with a vibrant mix of commercial occupiers, bringing forward a neighbourhood-based lettings strategy for Meridian Four, in order to secure a range of commercial uses that deliver upon placemaking aspirations.

Relevance to the Council's Plan

27. Meridian Water is a key component in contributing to the vision, aims and priorities of the Council's Corporate Plan.

28. **Good Homes in well-connected neighbourhoods:** Meridian Water will contribute to the Council continuing its pioneering approach to regeneration to create thriving, affordable neighbourhoods and places, and increasing the supply of affordable, quality housing options for ownership, social rent and private rent. Of the circa 1200 homes already in contract (or soon to be in contract) to be delivered by development partners at Meridian One and Meridian Two, at least 60% will be affordable, and at least 30% will be for London Affordable Rent. 40% affordable equivalence will be applied to the whole of Phase 2 which means Meridian Two, Meridian Three and Meridian Four will contribute to meeting Enfield's housing needs.

29. **Safe, healthy and confident communities:** Measures have been built into both the strategies and individual project briefs for Meridian Water, as well as planning policies, that will help improve public health and people's wellbeing. The Council will work with partners to deliver a safer place by tackling all types of crime and anti-social behaviour; and protecting the local urban and green environment. The public open spaces in Meridian Water will vary in scale and character including family-orientated parks providing play space for younger children and outdoor gym facilities for adults, more naturalistic parks for older children promoting interaction with nature and water, community gardens with spaces to grow, and more formal Squares, like that Station Square in Meridian One, with food and drink, retail and workspace uses.

30. This report sets out the first stage of the health and wellbeing offer at Meridian Water including new leisure opportunities and a health and wellbeing centre incorporating nursery provision.

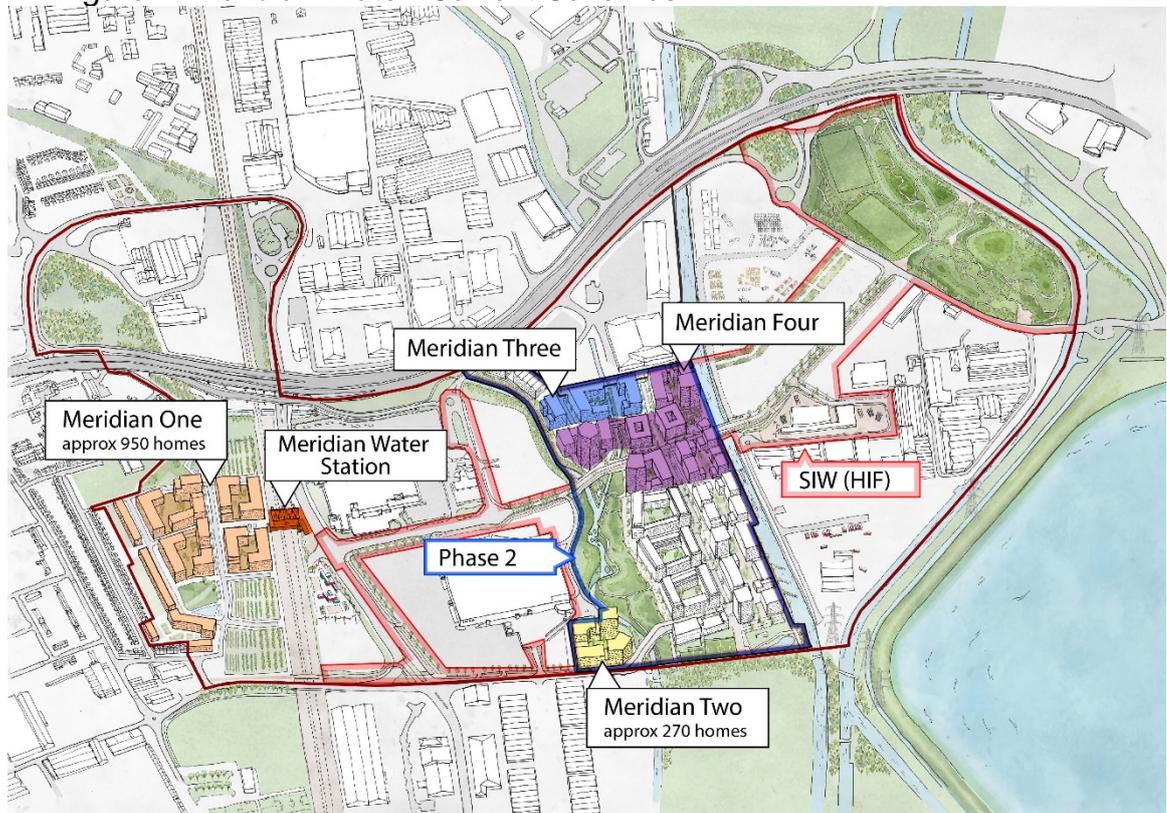
31. **An economy that works for everyone:** Following on from the Meridian Water Employment Strategy this report sets out plans to deliver new ground floor commercial premises, workspace, and a new construction skills academy. This is in addition to the social value benefits that will be secured through the appointment of partners for Meridian 3 and 4.

Background

Meridian Water Residential Delivery Programme

32. Since the Council assumed the role of Master Developer following Cabinet approval in July 2018 (KD4033), the Council is now in, or close to being in contract to deliver circa 1200 of the 10,000 homes at Meridian Water at both Meridian One and Meridian Two, and the Council has a resolution to grant an Outline Planning Permission to deliver 2,300 homes at Phase 2 of Meridian Water, meaning that it is close to having Outline Planning permission for over 3,000 of the 10,000 homes at Meridian Water. Two further development schemes are now also being progressed as detailed in this report.
33. The location of Meridian's 1-4 within the overall site are set out in Figure 1 below.

Figure 1: Meridian Water: Current Schemes



34. Table 1 below sets out the number of homes within the current MW Residential Delivery Programme.

<i>Table 1: Current MW Development Schemes Overview</i>				
	Status	Number of Homes (approx.)	Construction Start	Practical Completion
Meridian One	Partner in contract	950	Q2 2021	Q2 2026
Meridian Two	Partner Selected	270	Q4 2021	Q3 2024
Meridian Three	Pre-contract	625	Q3 2022	Q2 2024
Meridian Four	Pre-contract	804	Q3 2022	Q2 2025 / Q2 2026

35. The construction of Meridian's One, Two, Three and Four is expected to generate 1,200 construction jobs over the lifetime of the developments, with the delivery of Meridian One supporting the training of 196 local residents per year for and 10 apprenticeships each year over 5 years. The enhanced Skills Academy, as set out in this report, will provide capacity to train up to 600 local residents and provide 30 skilled apprenticeships each year, ensuring residents benefit from the employment opportunities generated by the development of Meridian 1-4 with capacity to support additional training and apprenticeships opportunities within the borough. In addition, the new commercial space and community facilities developed through Meridian 1-4 will host a further 600 high quality new permanent jobs.

36. The Meridian Water Masterplan is currently being revised, and the Masterplan, along with the Financial Model, and various site wide strategies will inform the future Phasing Plan and phased delivery strategy. The Meridian Water Masterplan 2.0 is being developed in coordination with other borough-wide planning studies and initiatives including the Enfield Local Area Plan 2036 which is currently under preparation. The masterplan will be a critical evidence piece to inform new area-based policies for Meridian Water in the new Local Plan for the next 10 years. It is likely to be a material consideration in planning decisions and will be used to inform the new Local Plan and site-specific planning briefs, the study may be taken further as a Supplementary Planning Document (SPD).

Impact of COVID-19:

37. The events of 2020 with the COVID-19 pandemic have been unprecedented and there are significant social and economic consequences globally, nationally, regionally and for Enfield.

38. Meridian Water has been affected by the pandemic in a number of ways, particularly in relation to immediate meanwhile use projects given the social

distancing requirements. However, the approach to the delivery of existing residential led projects at Meridian One and Meridian Two is largely unaffected. Innovative methods to consult the local community, residents and other stakeholders will be required, with public consultation carried out on an online platform to comply with social distancing requirements.

39. The Council's own Meridian Water internal team, and various multidisciplinary consultants have adapted well to the new way of working and there has been no loss of momentum or productivity.
40. The Council's development partner for Meridian One and Meridian Two, Vistry Partnerships, has been impacted by COVID-19 on its construction stage projects across London and the UK, however there has been little impact on the speed of delivery at Meridian Water.
41. As the first step in marketing the Meridian Three and Four schemes, investor and developers are being engaged through a soft market testing exercise. This is starting to paint a picture of the rental market sentiment being mixed in the short term but remaining strong in the long term.
42. For Meridian Four, this report makes recommendations for the Council to directly deliver housing at scale, including a large proportion of Build to Rent homes which is seen as a more resilient form of tenure than traditional market sale in the current climate.
43. The pandemic is changing the way we all think about the built environment longer term and access to green open space, private amenity space, space for home working are all considered more important than ever. The team currently working on a new site-wide masterplan are responding to the pandemic in a number of ways, outlined below.
 - Extra care on the design of homes for the vulnerable, especially for those receiving care.
 - Changes to housing layout and typologies for a better working-from-home environment. Improved access to good-quality natural light throughout the day and better soundproofing between walls.
 - More usable amenity spaces and quality green spaces that are easily accessible.
 - Delivery of energy efficient buildings with improved fabric specifications.
 - Introduction of shared neighbourhood offices so people can work within their neighbourhood whilst achieving separation from their home
 - Reassessment of all commercial spaces due to changing working patterns.
 - Whilst there may be increased time working in isolation at home, there will be more need for shared spaces for community activities to develop a sense of belonging and community identity.

Planning reform and White paper implications

44. The Council is still considering the impacts of the reform of the planning system including the White Paper, and how these will impact Meridian Water.
45. It is envisaged that most of Meridian Water would be considered a Growth Area and that there may be opportunities for the new Local Plan to incorporate Masterplan 2.0 design standards.

Meridian One

46. Following Cabinet approval in October 2019 and further delegated approvals in December 2019 (KD4864), the Council entered into a Development Agreement with Vistry Partnerships in December 2019 to deliver approximately 950 homes at Meridian One, including 50% affordable homes of which 50% will be Council homes at London Affordable Rents, as well as high quality new public open spaces, over 2,000m² of community, leisure, retail and employment space, and a new Skills Academy to train and increase opportunities for local residents in construction and built environment.

Current Status

47. The Council's development partner, Vistry Partnerships have been progressing with two planning applications in parallel; a Reserved Matters Application (under the existing Outline Planning Permission) for up to 300 homes which is expected to be submitted in September 2020 and a new full planning application (expected to be submitted in November 2020) for circa 550-650 homes to increase the density. The overall number of homes expected to be delivered at Meridian One is therefore between 900 and 950.
48. The planning application is being prepared by leading architect practices Hawkins Brown and HTA and two smaller practices. As part of the work the Council is doing to encourage greater diversity within the architect sector the Council asked Vistry to also appoint BAME led architect practices which led to the appointment of Urban Projects Bureau and local Edmonton architects Fisher Cheng Architects
49. The project governance includes a Senior Steering Group meeting attended by Exec/Director level members of both organisations, Steering Group meetings attended by Heads of Service, and three more regular meetings between Council officers and the Vistry project team; for Design, Technical and Socio Economic workstreams.
50. Vistry are currently on track to deliver against the target milestones in the Development Agreement with only a short delay in submitting the Reserved Matters application for Phase 1a of less than one month, mainly due to COVID-19 and which is not currently expected to delay the start on site.

Remediation

51. Since 2015, the Council has led on the remediation of the Willoughby Lane site which has required extensive turnover and bioremediation of the soils, removal of obstructions to a certain depth, significant changes to levels across the site and implementation of a capping layer as well as removal of contaminants such as non-aqueous phased liquids (NAPL) from the groundwater and extensive monitoring and reporting to the Environment Agency. The Council and its consultant team have received Environment Agency approval of the works and monitoring and have discharged the relevant planning conditions in relation to the remediation works. The Council has discharged its obligations in respect of planning conditions and will have met its obligations under the Development Agreement once the warranties have been agreed, with the remaining remediation works the responsibility of Vistry Partnerships.

Non-Residential Uses – Strategy

52. Meridian One will deliver in excess of 2200 sq.m of non-residential floorspace (gross external area), including retail, leisure, community, and employment uses.

53. The Council has concluded its brief to the Developer on the location, use classes, and floor areas of the non-residential ground floor spaces across the scheme (which will be owned by the Council) for the planning application. This has been informed by previous studies, the existing Outline Planning Permission parameters, and the Development Agreement while also taking into account use and site specific urban design considerations, the Council's Meridian Water placemaking pillars, discussions with public sector service providers, and with the Local Planning Authority.

54. With consideration of the MW Employment Strategy (KD4881) and other Meridian Water strategies, further detailed market and demographic analysis, soft market testing, and discussions within public sector service providers, the Council will develop its Meridian One specific commercial, social infrastructure and lettings strategies to ensure that tenants and occupiers are secured that deliver on the Council's vision and objectives.

55. The Council is keen to promote a 'health & wellbeing' theme at Meridian One, with the provision of the D2 Leisure Use, most likely to be a gym, and a health and wellbeing centre within the D1 Community Use.

Council Homes

56. The first homes to be delivered at Meridian One, and indeed Meridian Water, will be in Plot E1, at the west of the site adjacent to and parallel with Kimberley Road. First completions are expected in Spring 2022. Subject to the Reserved Matters Application, Plot E1 is expected to deliver 48 Council homes, all for London Affordable Rent (LAR), and predominantly family sized maisonettes. The Council may agree to amend the sub-phasing of Meridian One so long as an equivalent number of Council homes are delivered early in the programme.

57. The Council is preparing an Edmonton Local Housing Allocations Plan, which will be submitted to Cabinet. This plan will sit underneath, and align with the Council's existing Housing and Growth Strategy and the Council's Allocations Scheme. The Meridian Water team is working closely with the housing team to develop and consult on the plan, which will set out how the Council will ensure that the local people of Edmonton are the primary beneficiaries of the new affordable homes delivered at Meridian Water.
58. Specialist housing needs within the Council housing allocation at Meridian One will also be considered.

Social Value

59. The Meridian Water Team is currently drafting a Meridian Water specific Social Value strategy to align with those already adopted by the Cabinet; the MW Employment and Sustainability strategies. This new strategy will specifically focus on addressing inequalities and deprivation within Edmonton, to ensure that the delivery of associated actions directly address the aim of '*local people being the primary beneficiaries*' of the development project. Early related works now underway include a socio-economic baselining exercise within Edmonton, allied with the Housing Needs Assessment and the design of a Household Survey exercise to be undertaken and led by the local community themselves. The latter exercise will be refreshed annually for a full picture of local people's views as to their neighbourhood, changes underway and the Meridian Water development.
60. These projects are being commissioned with oversight from the Edmonton Officer's Group via a dedicated sub-group. Additionally, this group is advising and steering the development of the Edmonton Community Chest, £800k received from Vistry through the Meridian One development agreement, to be disseminated to local and charity projects. The recommendations from the Enfield Poverty Commission Report 2020 will guide themes and areas of focus but the officer's group is now considering how best to consult and build up community capacity to support the local delivery of projects. All of these developing projects, under the Social Value Strategy, are driven by the aim of tackling poverty and health inequalities and address our core strategic objective of ensuring that local people are the principal beneficiaries of the benefits from Meridian Water

Meridian Two

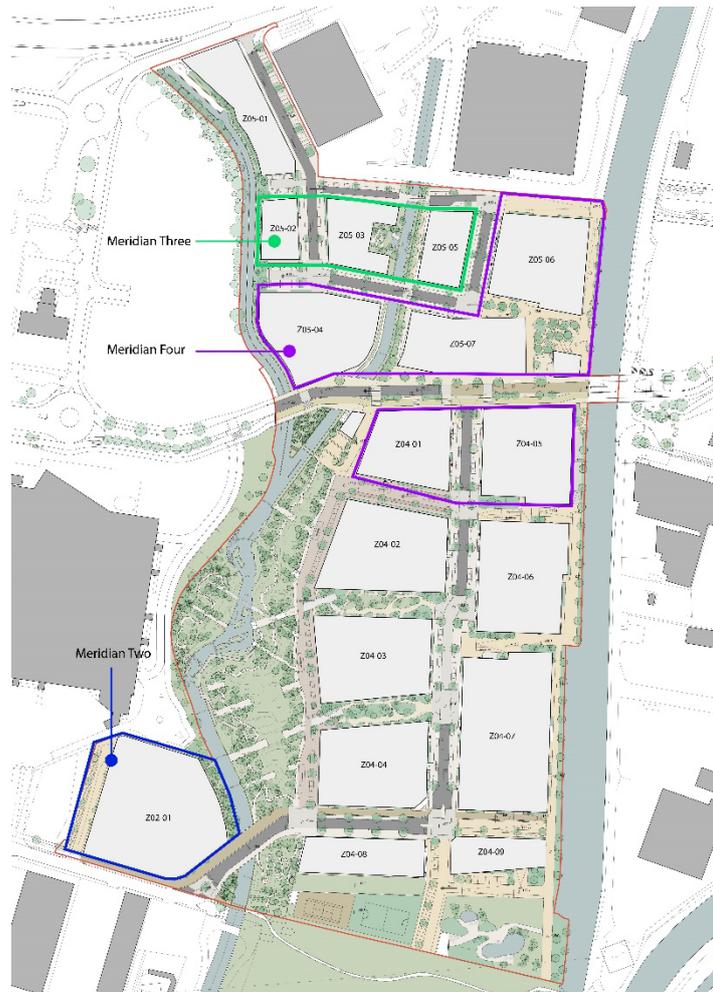
61. In March 2020, Cabinet authorised the selection of Vistry Partnerships as the Council's development partner for Meridian Two (KD4952), to deliver a 100% affordable housing scheme of circa 250 homes, and 3,000m² of Council owned commercial space at Meridian Two.
62. Cabinet delegated authority to officers to finalise the terms, and enter into the Development Agreement, and it is anticipated that the Development Agreement will be signed by October 2020.

63. Vistry Partnerships will also be entering into an agreement with Catalyst Housing Group who will be the Registered Provider owning and managing all of the homes (50% London Affordable Rent, and 50% Intermediate Affordable tenures).
64. It is expected that Vistry Partnerships will take possession of the site by the end of 2020 with enabling works commencing in early 2021, and construction works commencing by the end of 2021. Meridian Two is programmed to complete in summer 2024.
65. The Council will have nomination rights for all of the London Affordable Rent homes that are owned and managed by Catalyst, while intermediate homes will be marketed and allocated by Catalyst in accordance with the Council's intermediate housing policy.

Meridian Water Phase 2

66. In March 2020, the Council's Planning Committee resolved to grant planning permission for the Outline Planning Application (OPA) for Phase 2 of Meridian Water to deliver circa 2,300 homes (plus 18,000 sqm of Purpose Built Student Accommodation and Co-Living accommodation) as well as commercial, retail, social infrastructure, and public open spaces. The planning permission is expected to be referred to the GLA and confirmed this summer.

*Figure 2: Phase 2 Outline Planning Application
With M2, M3, and M4 Development Plots*



67. In October 2019 Cabinet considered an Options Appraisal for delivery of Phase 2 and approved a Detailed Delivery Plan for Phase 2 to be drawn up and presented back to Cabinet in respect of the preferred options 1 and 3 within that Options Appraisal. This report sets out that Detailed Delivery Plan which has been prepared by Lambert Smith Hampton (LSH), the Council's Commercial and Financial Advisor, and which is attached at Appendix [] of the Part 2 Report.

Strategic Infrastructure Works (SIW) and Housing Infrastructure Fund (HIF)

68. The Housing Infrastructure Fund is a government capital grant programme from the Ministry for Housing, Communities and Local Government (MHCLG) aimed at unlocking housing sites and helping deliver new homes.

69. In August 2019, MHCLG confirmed that the bid submitted by the GLA on behalf of the Council for £156million funding ask for both site wide infrastructure works (non rail) and rail infrastructure, had been successful.

70. The final terms of the grant are being negotiated and it is expected LBE will enter into an agreement in September. This will require LBE to meet the requirements of the grant funding to deliver up to 10,000 homes.
71. In parallel with the MW Phase 2 OPA, the Council's design team prepared and submitted a full planning application for the site wide Strategic Infrastructure Works (SIW) to deliver the onsite works proposed in the HIF bid. The application was determined by the Local Planning Authority and recommended for approval in March 2020. The planning permission is expected to be imminently confirmed by the Local Planning Authority having been approved by the Greater London Authority (GLA). The SIW includes the construction of the main Central Spine and Leaside link roads, highway improvements, pedestrian and cycle improvements and new routes, four new bridges, significant remediation, earthworks flood alleviation and creation of new parkland and naturalised brooks.
72. A report recommending the selection of a main contractor to deliver the Strategic Infrastructure Works (KD5181) is on the same September Cabinet agenda as this report.

On 12th August, the Council received notification that the Department for Transport has formally approved the Outline Business Case for new rail infrastructure at Meridian Water Station, which will increase train frequency from 2 trains per hour today, to 4-6 trains per hour in 2024. This is a significant milestone for Meridian Water, ensuring the viability of the overall project and providing confidence for third party landowners to bring forward their sites for development.

Main Considerations for the Council

Meridian One

Non-Residential Uses – Strategy

73. For the D1 Community Use space, the Council is keen to promote a health/wellbeing centre within this, which could include a nursery, based on projected need.

Non-Residential Uses: 'Shell & Core Plus' Fit Out of Council Assets

74. Currently in the Development Agreement, the Developer is only required to deliver to 'shell & core' which is the most basic level of finish, for example just the floor slab with no screed, no ceiling finishes, no fixtures and fittings, no ventilation and only very basic services connections.
75. The Meridian One Developer Procurement report to Cabinet (KD4864) envisaged that for the non-residential spaces (which are to be owned by the Council) the Council would agree a price with the Developer for undertaking a further level of shell & core 'plus' required to make the spaces marketable to tenants and reduce the level of fit-out works that they would need to undertake.

76. While it is the Council's intention to seek to negotiate value for money with Vistry Partnerships to deliver these shell & core 'plus' works, this report recommends that authority is delegated so that the Council has flexibility in the event it is required, to competitively tender the additional level of shell & core 'plus' works required to ensure that the non-residential spaces are marketable and to reduce any void periods to the Council.

Skills Academy

77. The Skills Academy will deliver employment, training, mentoring and engagement with local communities at an on-site hub with classrooms and practical working space. It will create opportunities for local people to gain work experience, qualifications and benefit from high quality employment generated by the development of Meridian Water. The Skills Academy will deliver a broad curriculum of skills related to the built environment, e.g. building design, construction, trades skills etc. It will focus on creating pathways to sustainable and well-paid employment, and pathways for residents to obtain higher level qualifications through apprenticeships and training courses.

78. The Skills Academy will also provide an entry into build environment professions for groups more likely to suffer from worklessness, including the active targeting of young people not in education, employment or training, the long term unemployed, Enfield Council tenants, care leavers, ex-offenders and ex-military personal.

79. Through the Meridian One Development Agreement Vistry are required to commence works in relation to the Skills Academy Specification by 30th November 2020; Vistry submitted proposals committing capital costs and operational seed funding to the centre. Subsequently parties have agreed to enhance provision to increase the capacity of the Academy to serve the wider programme beyond Meridian One, and if feasible be a provider of training and apprenticeships to the Council's wider capital programme. The additional costs for enhancement will be forward funded by the Council and recouped through the lease of the building to the training provider and through other capital funding opportunities including developer contributions and CIL. If the enhanced provision differs from the scope of the Development Agreement, then the Council and Vistry Partnerships may be required to formalise the arrangement through a Deed of Variation to the Development Agreement, as included in the report proposals.

80. The Meridian Water team recommend that the Council confirms the enhanced provision of the Skills Academy, forward funding the additional costs of a larger facility. This will increase capacity from 196 trainees per year to 600 and increase the apprenticeships supported from 10 to 30 per year, sufficient to support the whole Meridian Water Programme for the next 8 years, including the Housing Infrastructure Funding strategic infrastructure works contracts, with capacity allocated to some of the wider Borough's construction pipeline. Sizing of the facility will consider the impact of social distancing, which has increased the required teaching space needed to create a safe teaching environment.

81. Vistry are obligated through the Development Agreement to construct a Skills Academy to support the delivery of training and apprenticeships for Meridian One. The difference between the initial set up costs of this Skills Academy and the enhanced facility will be forward funded by the Council, recouping the additional costs through ways expected to include: a combination of external match funding, government grant, contributions from the HRA, CIL, developer contributions secured through Section 106 and through the lease paid by the appointed managed learning provider. Future Meridian Water schemes will be obliged to contribute via Development Agreements or conditions within site disposals.
82. Through soft market testing with training providers by Vistry, it has been established that the operation of the facility will be self-funding after one year, with any shortfall met by Vistry through an interest free loan to the appointed learning provider should this be required. This loan would be repaid through future operational surplus. In procuring the Managed Learning Provider, a cap for the interest free loan will be set out so that the Council has cost certainty, with the risk and reward resting with the Managed Learning Provider.
83. The Council and Vistry will enter into an agreement to deliver the centre. The managed learning provider will be appointed through a concessions procurement, led by the Council, with input from Vistry... Future Meridian Water schemes and large capital works contracts will be encouraged to enter into Service Level Agreements with the appointed provider.
84. Initially governance arrangements will not differ from those set out within the DA, establishing a skills academy board, with Vistry and LBE as initial stakeholders. However, it is envisaged that the membership of this group will develop over time, with additional stakeholders added, who are either significant contractors or developers of Meridian Water Schemes.

Phase 2 Business Plan and Detailed Delivery Plan

85. The Phase 2 Business Plan (KD4953) report which Cabinet authorised in October 2019 set out the options appraisal for the delivery model for circa 1,550 homes within Phase 2; the report recommended further financial analysis of the two highest scoring options and formulation of a Detailed Delivery Plan recommending a course of action. The two recommended options being that the Council either acts as Master Developer for the delivery of Phase 2 (as per the Meridian One and Two delivery model) or delivers a Council led development of a rented housing scheme.
86. The first two schemes to be delivered at Meridian Water, Meridian One and Meridian Two, have incorporated higher levels of affordable housing than are required by planning policy. This has been a deliberate strategy by Cabinet to accelerate the delivery of affordable homes for local people but has been at the expense of the Council's capital receipts. The returns estimated by the approved financial model for these two phases have not been achieved for this reason and this puts the overall viability for Meridian Water at risk unless the

shortfall can be recouped in future phases to ensure that all the debt can be paid off by the end of the Meridian Water programme.

87. It has also meant that, once these two schemes have completed, a much higher level of debt will remain outstanding on them than originally expected. The interest on this debt must be paid from the revenue account as it can no longer be capitalised once the phase has completed unless other sites at Meridian Water can pay down the debt prior to the phase completing.
88. Therefore it is necessary for the next phases of Meridian Water to be delivered to maximise capital receipts to the extent possible whilst not compromising the Council's vision for the development. This can most effectively be done by assessing the strategy for delivery rather than compromising on quality. The Detailed Delivery Plan presented here allows such options to be evaluated.
89. Cabinet approval of the Phase 2 Business Plan Report (KD 4953) also authorised the commencement of soft market engagement on three Co-Living/Student housing blocks and the subsequent marketing of the blocks to a specialist Co-Living/Student Housing provider and delegated to the Executive Director of Place in consultation with the Executive Director of Resources disposal of circa 0.5ha of land to a specialist Co-living provider.

Meridian Three

90. The Meridian Three site consists of three development plots, Plot Z05-02, Z05-03 and Z05-05 (see *Figure 3* below). Two of these plots (Z05-03 & 05) have capacity to accommodate the full 18,000 sqm of Student and/or Co-living uses with a potential of circa 500 – 600 beds. However, the third block cannot be included as it would exceed the maximum area threshold allowable by the planning consent for Student and/or Co-Living accommodation.

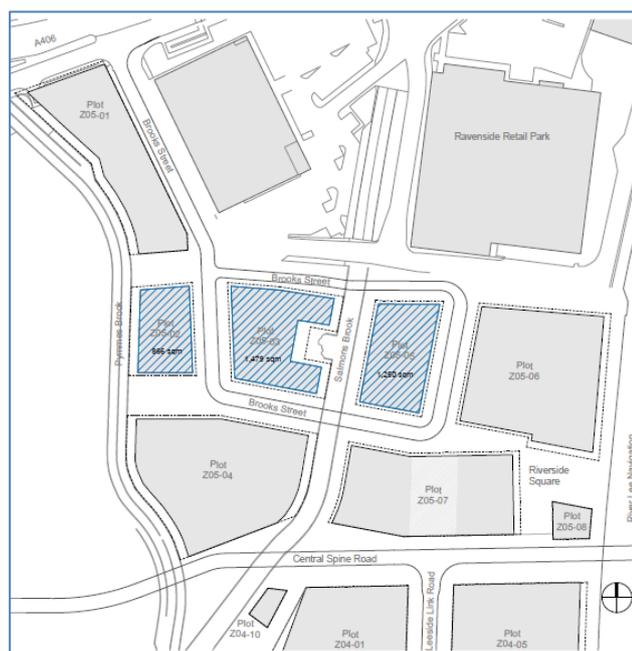


Figure 3: Meridian Three Development Plots

91. This report therefore recommends that the two plots (Z05-03 & 05) are marketed to Student and/or Co-Living providers and the land disposed of as previously detailed whilst the third plot, Z05-02, be utilised for delivery of the majority of the Affordable Housing requirement generated by the Student and/or Co-Living uses. The number of affordable units required will be calculated in accordance with the formulas contained within the Section 106 Agreement and is expected to be around 300 habitable rooms (or equivalent to 75 three bedroom flats with an open plan living/kitchen/dining area). Any such units which cannot fit into block Z05-02 will be delivered as part of Meridian Four.
92. Bidders for Meridian Three will therefore only be offered two plots and the third, affordable housing plot will be directly delivered by the Council as part of the build contract for Meridian Four therefore ensuring that quality, consistency and programming of delivery can all be controlled by the Council. The third, affordable housing block will then either be appropriated to the Council's Housing Revenue Account if there is capacity within the HRA business plan or, if not, sold to a Registered Provider on a forward fund basis either through a competitive marketing process or via the Council's RP Framework should one have been established at that time.
93. The alternatives to this approach to dealing with the affordable requirement from the student/co-living tenures are:
- a. A commuted sum – to be paid by the developer to the LPA and used to fund additional affordable housing elsewhere, ideally on Phase 2. This would reduce the land value payable by the Meridian Three bidders, potentially to a negative value
 - b. Deliver on-site affordable student accommodation – this is not considered to address any need within the Borough, particularly as most of the students will come from outside the Borough, indeed many will potentially be foreign nationals
 - c. Deliver on-site affordable Co-Living accommodation – this is not recognised or supported by the GLA
94. Initial market research has been conducted by Council officers and relationship meetings held with market leaders to ensure a thorough investigation and understanding of these specialist tenures. Co-Living and Student Accommodation Developers as well as Universities have subsequently been engaged through a formal soft market testing exercise carried out by the Council's Commercial and Financial Advisors, LSH in partnership with Gerald Eve. This exercise also included a review of the impact of COVID-19 to determine market readiness for new opportunities.
95. The market has projected confidence that Co-Living will not be impacted long-term and demand for community and shared living is expected to remain robust. Furthermore, the location has generally been well received by respondents.

96. Similarly, the consensus on Student Accommodation is that COVID-19 is a short-term problem which the market will recover from in the long term. However, responses have been somewhat negative on the suitability of the location for students. Around half of respondents have declined the opportunity and of those who showed interest, most would need to do due diligence before committing. All would need support from at least one University.
97. There has been very limited engagement from Universities with none so far showing any interest in the scheme. This may be exacerbated because it is a busy time for Universities at the moment setting timetables and making student offers for next year, as well as dealing with the implications of COVID-19, however half of Universities contacted have said clearly that the location is not suitable and the other half have not responded at all despite the consultants best efforts including utilising existing relationships. This would seem to be indicative of a more general lack of confidence in the location rather than bad timing.
98. This will need careful consideration once the soft market testing exercise has completed to establish whether to continue to market to Student operators or to focus purely on Co-Living. Furthermore, Co-Living is significantly less valuable as a tenure than Student accommodation due to the fact that the market is not well established and has larger rooms/units than student housing, meaning fewer dwellings within the same build area. Therefore Co-Living will deliver a much lower land value than student accommodation and may not be viable if market interest is low due to fears of recession and other uncertainties.
99. For this reason this report recommends that additional flexibility is maintained to let all or part of the land which is identified for Meridian Three for a meanwhile use on an operating lease of up to 15 years. In the event that it becomes apparent that a viable permanent student or co-living development cannot be delivered at this time, this will allow the area to be activated for the benefit of the Meridian Four investor marketing and potentially bring in some revenue income in the short to medium term whilst still allowing the Council the opportunity to dispose of the land at a later date and recover an acceptable land value. The possible meanwhile uses under consideration include a meanwhile co-living scheme (which would have the added advantage of proving the market to future investors prior to a future marketing exercise for a permanent disposal) and/or a hotel which will be required to serve the film studios and/or other meanwhile uses. While a new meanwhile use for these plots would most likely be subject to a new planning application, the Use Class of the meanwhile uses being considered are consistent with that of the Phase 2 Outline Planning Permission and the future, permanent intended uses.
100. The shorter term impact on both the student and co-living markets is apparent in the mixed response to the planned September 2020 launch date; whilst some developers continue to actively pursue location specific acquisitions targeting locations with less perceived risk, others are being more

cautious suggesting a later launch in January 2021 would allow time for more transparency and stability in the market to emerge leading to more funding certainty.

101. The soft marketing exercise generally has helped to gauge the level of interest at the individual operator level and will enable shortlisting for an exclusively targeted tender process.
102. The current delivery programme for the land disposal anticipates a Marketing Launch taking place in September 2020 initiating a competitive marketing process leading to the end of November, with the preferred bidder being selected in February 2021. The feedback from the soft marketing exercise is likely to result in these timeframes being moved back to launch in Q1 2021. Pending the completion of Strategic Infrastructure Works the site will be accessible for the selected developer to start construction in June 2022 with completion targeted for December 2025. This timeframe could still be achieved with the later launch date.

Meridian Four

Detailed Delivery Plan

103. The LSH Detailed Delivery Plan sets out the details of the options which have been evaluated for delivery of the next phase at Meridian Water. These options are:
 - a. Option 1 – Council as master developer, phase delivered by third party developer (as for Meridians One and Two). The developer could deliver homes for sale or rent at their discretion
 - b. Option 2a – Council enters into forward sale agreement with a Build to Rent (BtR) Investor, and separately with a Registered Provider – and directly builds the scheme itself with payment being made for the units by the purchasers on completion. This would deliver both market and affordable homes for rent, with a range of prices.
 - c. Option 2b – Council enters into forward funding agreement with a BtR Investor, and separately with a Registered Provider, and directly builds the scheme itself with payment being made for the units by the purchasers during the build process, therefore the Council does not have to borrow the money to do so This would deliver both market and affordable homes for rent, with a range of prices.

The BtR Sector

104. A Build to Rent (BtR) scheme is a residential development designed and built specifically to let the units out long term rather than to sell. The scheme may be built and operated by the same investor, however more typically an investor will partner with a developer who will build the scheme and the BtR Investor will purchase the completed units at the end of the build period.

105. A BtR scheme is typically of high quality with a focus on efficiency, low maintenance and place-making. The residential blocks will incorporate amenities such as a gym, workspace, cinema, bars/restaurant etc. which are for the use of the residents (as well as non-residents where they can be directly accessed from the outside).
106. The BtR Investor will take a long term view of quality and placemaking as they make their return on investment over many years (they will typically take at least a 40-50 year view) and therefore need to ensure that the scheme remains attractive to renters over this time period and beyond. The investor will want to minimise the risk of units sitting empty as well as maximise the potential for rents to increase in line with inflation rather than deteriorating due to lowering standards.
107. The BtR sector has become increasingly well established over the last decade as the affordability of home ownership has been increasingly threatened. The potential recessionary effects of Covid 19 could accelerate this trend and an increasing number of institutional investors are therefore focussing on BtR seeking investment at scale.
108. This form of income stream is very attractive to pension funds and long-term investors such as sovereign wealth funds and family offices who are seeking long-term stable cash flows. The schemes are usually held for the longer term and maintaining a good reputation in the local market and building and maintaining a sense of place is important to Investors. This should align interests with the place-making ambitions and long term stewardship of the Council.
109. BtR is different from the traditional Private Rented Sector offer from buy-to-let landlords often with single or small portfolio ownerships. It offers high quality, purpose-built homes, usually with extensive amenity provision (as detailed above), professional on-site management and maintenance and longer tenancies of 3 years plus will be offered to all tenants.
110. A BtR investor will not seek to recover the properties from tenants who are not at fault, eg to live in or sell on, and as such no-fault evictions are not a likely scenario. They will typically increase rents in line with inflation every year and their priority is to keep tenants long term. There is also the ability for blocks to be offered to different audiences, for example young professionals, families etc with brand differentiation including amenity provision and potentially rent levels.
111. A BtR scheme that is owned and managed by professional long-term landlords and financed by institutional investors therefore offers the potential to deliver a greater supply of good quality market housing alongside a better deal for tenants.

112. Appendix 2 of the Part 2 Report provides details of BtR Investors who would be included in the marketing campaign for Meridian Four as well as three case studies for current BtR schemes in London. The Council will also be seeking local BtR Investors to include in the marketing campaign.

Evaluation

113. The evaluation of the three options in the Detailed Delivery Plan has been carried out across three separate criteria :

- a. Financial - a calculation of the Net Present Value and Return on Investment for each option. The metrics use a combination of the most likely assumptions on eg cost and value, and also risk-adjusted assumptions which take into account a worst-case scenario. The Council's Finance team have worked alongside LSH and the Meridian Water team to establish the financial evaluation criteria and have confirmed their approval to the final methodology.
- b. Qualitative – a range of benefits which are not financial in nature such as Council control, long term alignment of goals, Council reputation etc. have been assessed and scored for each option
- c. Risk – a range of non financial risks for each option have been assessed on both probability and impact.

114. The details of the financial evaluation are set out in the *LSH Detailed Delivery Plan* in Appendix 1 of the Part 2 Report (due to the commercially sensitive information). A summary is as follows:

- a. A development appraisal and cashflow is prepared for each option which generates both a land value and a developer's profit figure. These appraisals include the professional team's view on the most likely levels for various assumptions eg sales values, rental levels, yields, interest rates etc
- b. The net present value of all the Council's predicted costs and receipts based on these appraisals is generated, discounting future cashflows in line with the Treasury norm of 3.5% per annum. The Council's return on investment is also calculated. These are the 'base case' metrics
- c. A second development appraisal and cashflow has been prepared for each option generating a revised land value and developer's profit based on worst-case scenarios for the same set of assumptions
- d. An adjusted net present value of the Council's cashflows is generated based on these second appraisals. The Council's adjusted return on investment is also calculated. These are the 'adjusted' metrics.
- e. A 'moderated' net present value and return on investment is calculated adding together 50% of the base case metrics and 50% of the adjusted metrics. These are the moderated metrics
- f. The 'moderated' metrics are then compared between the three options and the options are ranked accordingly

115. Option 1 was found to score lowest in the Financial and Qualitative sections but scored best in the Risk section. This is as would be expected as the greater rewards seen in Options 2a and 2b are generated due to the fact that the Council would be taking on a slightly higher risk profile as detailed below.
116. The sensitivity analysis demonstrated that the increase in financial rewards easily accommodated the level of additional risk taken, with values and/or costs being required to differ from the assumptions made to an extent unlikely to be realised in the market before the financial rewards in Options 2a or 2b fell below those predicted in Option 1.
117. The reason for the significantly higher capital receipts in the BtR options is that whilst the land value in Options 2a and 2b is very similar to the level in Option 1 (which is to be expected), in addition to this the Council receives the benefit of the developer's profit in Options 2a and 2b which is broadly the same amount again as the land value thus almost doubling the total return to the Council.
118. The main additional risk taken on by the Council in the BtR option is the construction risk. The Council will be entering into a build contract directly and will therefore hold the construction risk for longer than in Option 1 where the costs broadly become the Developer's risk as soon as the Development Agreement has been signed. This risk will be mitigated by the Council appointing an experienced professional team who can manage the risk and also by entering into a fixed price design and build contract which transfers most of the cost and programme risk to the contractor. The Council will also need to ensure that the specification agreed with the BtR Investor is reflected in the build contract and again the risk of this will be mitigated by appointment of an experienced professional team.
119. Management of this construction risk will be carried out primarily by the Council's experienced professional team who will ensure that the build contract protects the Council from financial risks such as main contractor failure (through bonds and parent company guarantees), sub-contractor failure (risk passed to the main contractor), cost increases (through fixed price contract) and specification (through robust employer's requirements). The Council will also be protected through a suite of professional indemnity insurance, warranties and other safeguards.
120. The financial appraisals in the Detailed Delivery Plan for all options are based on a cost estimate by Stace dated March 2020, which at this very early stage of design can only be based on benchmarking data and so is used to compare options only. Further refinement and firming up of cost estimates will be undertaken throughout the scheme design development over the next 12-18 months to achieve a greater level of cost certainty. Changes in the cost

estimates, as well as any other assumptions within the appraisals, will affect the final land value and profit receipts.

121. Option 2b was the highest scoring option overall – being the forward funded route. This option benefits from a significant reduction in the amount of funding the Council would need to provide below that of Option 2a and is also the most attractive route for the BtR Investors themselves.

122. The recommendations of the LSH Detailed Delivery Plan can be summarised as follows :

- a. Meridian Four is directly delivered by the Council with the benefit of a forward funding deal with a BtR Investor for the market rented units and either a forward funding deal with a Registered Provider for the affordable units or some/all of the affordable units to be transferred to the Council's Housing Revenue Account if there is sufficient capacity to do so
- b. A package of market rented units is offered to Investors of between 200 – 500 units where the market appetite is at its strongest
- c. All affordable units are included in the Registered Provider package and not in the BtR package. BtR Investors cannot accept London Affordable Rented units as they are generally not Registered Providers. They will accept Discount Market Rent units up to a discount of circa 40% off their market rents but below this it becomes unviable for them to do so due to their high operating costs. Therefore, as the Council wishes to cap the Intermediate Rented units at the GLA's London Living Rent levels for the Upper Edmonton Ward, these should be included in the affordable package instead.

123. This Cabinet report recommends that the LSH report is approved and the recommendations within it are adopted as the approved strategy for delivery of Meridian Four.

124. Plots Z05-06-, Z05-06, Z05-07, Z04-01 and Z04-05 shown on the Phase 2 Parameter Plan in *Figure 2* contain a total of circa 800 units. In order to achieve the 40% of affordable housing across Phase 2 as required by the outline planning consent (which includes Meridian Two, Meridian Three, Meridian Four plus circa 1,000 further homes) and in line with the authority given by Cabinet to proceed with the selection of Vistry Partnerships as the Meridian Two Developer (KD4952) based on a 100% affordable scheme only on the basis that the affordable element of future schemes within Phase 2 is reduced accordingly, Meridian Four will deliver 35% affordable units. This therefore would create a scheme of circa 520 market units and 280 affordable units.

125. These plots are also immediately adjacent to Meridian Three and will be constructed at broadly the same time, giving confidence to both Meridian Three and Meridian Four investors that building works around their units will be

completed quickly after completion. The five blocks also span the newly created Boulevard providing an active front to both sides and creating a real sense of place.

126. It is therefore considered likely that Meridian Four will consist of these five development plots but flexibility will be retained on this to ensure that the scope can properly respond to all market requirements. It is also possible that not all the market units will form part of the BtR package – some may be included in the affordable package as either market sales or market rent. This will enable the optimal number of units to be offered to the BtR Investors and also ensure that whole blocks are offered whilst still achieving the required market/affordable split.
127. The results of the soft market testing of BtR Investors has confirmed the importance of the ground floor non-residential uses to the Investors and there is likely to be a requirement for the BtR Investor to retain this space partially or wholly to ensure the delivery of high quality placemaking. Not offering some form of control and/or ownership of these units to Investors is likely to stop many Investors from bidding for the scheme at all.
128. The Council equally appreciates the value of controlling the mix of uses, and so an agreed lettings plan will seek to ensure both interests are set out clearly and agreed by both parties, irrespective of who will actually own the ground floor. The Council will also be seeking an option to form a joint venture with the BtR Investor for joint ownership, joint marketing and/or a revenue share of these ground floor units.
129. Direct delivery of a scheme such as this will require significantly greater skilled and experienced resource than the Council has appointed to monitor previous phases delivered by Developers. This is important not only to safeguard the Council's interests but also to give confidence to Investors. A new professional team will need to be appointed and the approved budget and Capital Programme already allow for this. The internal team will require strengthening in order to oversee this work.

Professional team structure, procurement and appointments

130. The Council has identified the requirements for the professional services team to design, manage, advise and implement Meridian Four. The roles, summary of the services are set out below.
131. This report recommends that Cabinet authorise the forward fund expenditure of the budget (included in Part 2 of this report) for the professional team (set out below) required in order to prepare and submit the Reserved Matters application for Meridian Four and enter into legal agreements with the investor on the basis that this cost will be recovered through the capital receipt for the land.

132. This report also recommends that authority is delegated to the Programme Director – Meridian Water to approve all individual services contract appointments to deliver Meridian Four from inception to completion, including Planning, Tender and Construction stages. The total value of the professional team appointments will be in addition to the cost referred to above they will cover the full scope of the RIBA Plan of Work for delivery of the project beyond the reserved matters submission all the way through to practical completion. The Council will not instruct any professional services beyond securing reserved matters consent until the BtR Investor has been secured and hence the cost of the further work will only be paid for by the BtR Investor.

133. Given the scale of Meridian Four, and level of design and project management responsibility that the Council is taking on, it is envisaged that the following consultant appointments are to be made within the proposed professional team structure;

- Project Manager
- Quantity Surveyor/Cost Consultant, and Whole Life performance consultant with potential for the Employer's Agent, and Clerk of Works to be provided
- Architects – a 'Lead Designer' supported by a consortium of architecture and landscape architect practices as sub-consultants, as well as the role of Principal Designer (under CDM), a Fire Engineer, and Façade Engineer, and other relevant services for the planning application and project delivery
- Engineers – A consulting firm to provide the Structural & Infrastructure/Civils Engineer and MEP / Building Services Engineer role, sustainability consultant, and other engineering services required for the planning application and project delivery
- Planning Consultant – to prepare the submission of the Reserved Matters Application, planning statement, affordable housing statement and other planning reports (with a budget to commission further specialist technical reports as required for the RMA)
- Legal services – to advise on property/title matters, funding agreements and construction contracts
- Commercial and property services - specialist Build to Rent and Commercial advice will be provided by the Council's existing commercial advisors, Lambert Smith Hampton

134. There may be additional services required as separate contracts or as additional sub-consultancy services to the above services contracts. Within their procurement, the whole professional team will need to demonstrate an expert and proactive working knowledge of environmental sustainability issues.

135. The above contractual relationship simplifies procurement of services for the Council and ensures individual accountability of different disciplines. The Council is in the process of procuring the above services and this report makes recommendations to approve the expenditure of the budget and to delegate authority to the Programme Director – Meridian Water to approve the appointments.

136. The Council recently recruited a new Delivery Director within the Meridian Water Team, and resourcing requirements to manage the delivery of Meridian Four will be included in a forthcoming re-structure.

Investor Appointment

137. An Investor will be sought to forward fund the BtR option for Meridian Four. Soft market testing is underway to raise awareness of the site and ascertain the appetite for the scheme. Commonly within the BtR market Investors acquire residential schemes with a minimum of 100 units with most Investors seeking a maximum of 500 units. Investors typically seek a forward commitment with a developer to deliver a turn-key product which the Investor will own on build completion, Increasingly, Investors also prefer to forward fund the build and the LSH report recommends that this route will not only reduce the Council's borrowing requirements substantially but is also likely to maximise the capital receipt from Investors.

138. Securing an investor early in the RMA process will de-risk the development process and also allow the investor to advise on specifications. The Investor having a degree of influence over the design will ensure the product meets the Investors requirements, securing their commitment to and longevity of the scheme. However, there is a limit to how early an Investor will commit as they will only engage with a scheme once it is demonstrably live and has a firm delivery programme and a design at a level which they can appraise. Many Investors also have a maximum time limit between ring-fencing their funds and requiring the scheme to be income generating. Therefore this report recommends that the Investor marketing is commenced at the same time as the reserved matters application is commenced with a view to selecting the preferred investor half way through the reserved matters designed process.

139. The current development programme anticipates preparation for the Investor procurement to begin in November 2020 with formal Investor engagement starting in January 2021. Securing a reputable Investor will require the Council to demonstrate to the market that the Council has secured an experienced and skilled team readily able to deliver a scheme of this nature. A preferred Investor should be selected by May/June 2021 with the Investor's team then working alongside the Council's team on completion of the reserved matters application and funding/purchase agreements being signed in Autumn 2021.

140. A targeted approach will be taken to the procurement process to create a sense of exclusivity amongst the parties and ensure best land value is achieved. Investors are unlikely to engage with a marketing process if they feel it is too open as the complexity of a BtR scheme necessitates potential Investors to dedicate a high volume of time and resources to model and underwrite a BtR opportunity which will not be forthcoming if widely marketed.

Main Contractor procurement

141. In directly delivering Meridian Four, the Council is undertaking the role of a developer and will need to manage all design and construction risk associated with a significant residential development. The Council has a number of different options to consider in determining its preferred procurement strategy to appoint a Main Contractor to deliver the Meridian Four scheme.
142. In terms of the procurement procedure to be adopted, broadly three options are being considered;
- following an OJEU process
 - using an existing OJEU compliant construction framework
 - setting up a new OJEU compliant Main Contractor framework for Meridian Water and other Council projects
143. The Council will also need to consider which form of contract it adopts. It could undertake a single stage tendering process which is typically undertaken at a later stage of the project with a more developed design, to obtain a fixed price tender from a main contractor. Alternatively it could undertake a two-staged tender process which enables earlier contractor involvement in developing the design and may be more attractive to the market. Further consideration of how the Meridian Four development is phased and packaged up (with different construction lots) will be made once the design is underway and the team appointed.
144. The Council will be taking professional advice to develop a procurement strategy, in consultation with the Procurement & Commissioning Hub and other Council departments, and the Build to Rent investor. The objective will be to manage the cost risk whilst delivering the required specification. This report recommends that authority is delegated to the Programme Director – Meridian Water to determine the procurement strategy for Meridian Four (and the affordable housing units at Meridian Three, and potentially other Council projects subject to the relevant approvals). A future report will come back to Cabinet recommending the award of contract (and potentially a framework) to a Main Contractor(s) and authorise the contract sum.
145. Opportunities for local suppliers to bid or be part of the main contractor's team will be provided for in a specific social value strategy as part of the tender. In line with targets set in the Employment Strategy, at least 10% of tenders will be delivered through local construction companies as a minimum. A package of support to optimise benefit to the local supply chain will be commissioned to work with appointed developers and their contractors, and to assist local construction companies in tendering for work.
146. There may be an opportunity for the Council to coordinate its Works procurement activity with other third-party landowners at Meridian Water to increase buying power and economies of scale to drive value for money and additional benefits. Any such proposal would be included in the proposed Procurement Strategy to be determined by the Programme Director, and any commercial deal between the Council and a third-party landowner would be subject to a separate approval.

Social infrastructure and community health and wellbeing

147. Meridian Four will benefit from the wide range of social infrastructure offered by the masterplan. To priorities walking and to keep the residents healthy, new parks and green spaces will be delivered together with the new cycling infrastructure that connects the sites to wider destinations. A brand-new community health and wellbeing centre is planned at Meridian One and a new primary school will come forward as part of Phase2 delivery.

New Food and Beverage Venue

148. The inclusion of a specific Food and Beverage venue within Meridian Four is seen as integral to the development of social cohesion within the new neighborhood, providing an inclusive social space, that will activate the adjacent riverside square, and establish the west bank of the River Lea Canal as a hub of waterside food and beverage offers for residents and Visitors.

149. There will be other food and drink offerings at Meridian Water as part of the ground floor strategy but this waterside location will be critical in activating the adjacent public square and creating a focus on the Western side of the Lea River Navigation as a destination for leisure and recreation.

150. The Council will develop the concept, detailed design's and play an active role in ensuring an appropriate approach to delivery is pursued so as to create a valued community asset. It is envisaged that the concept will reference the river, and potentially link to the use of the river as a recreational amenity. The food and beverage venue will also reference the Meridian Water Placemaking Pillar, "Your place to make and create" acting as an outlet for the Borough's brewing heritage, showcasing and supporting local brewing businesses.

Park Pavilion

151. The Park Pavilion, adjacent to Meridian Four, and to the North East corner of the new Brooks Park will be a key facility for the benefit of users of the park, the surrounding community and visitors. It is expected to incorporate a café and toilet facilities and provide a selection of healthy food and drink offerings, all year round.

152. The Council will develop the detailed designs, taking an active role in ensuring an appropriate landmark building is created that is accessible to local residents, promoting healthy lifestyles and the use of the park. The Council will develop the approach on the delivery, management and operation of the building, as per the proposal in this report.

Leisure offer Swimming pool or Barge

153. A number of potential leisure opportunities in the River Lea Navigation and Banbury Reservoir are being considered as the first stage of a health and wellbeing offer at Meridian Water. Outline proposals include a barge that contains a swimming pool to be located in the River Lea Navigation, and also the potential for swimming and other activities in the Banbury reservoir. These proposals may be Council led or require facilitating other third parties to bring

forward proposals that can tie into various Meridian Water strategies and objectives.

Lettings Plan

154. The lettings strategy will either be implemented by the Council as Landlord or safeguard the desired mix of occupiers should the appointed build to rent provider retain the commercial property. Soft market testing has confirmed the importance of ground floor uses to Build to Rent operators and there is likely to be a requirement for the BtR Investor to retain this space partially or wholly to ensure the delivery of high quality placemaking. The Council equally appreciates the value of controlling the mix of uses, and so the Strategy will seek to ensure both interests are set out clearly and agreed by both parties, irrespective of who will actually own the ground floor. Approval of the area wide ground floor framework and the Meridian Four lettings strategy and all related future decisions are delegated to the Programme Director for Meridian Water and the Director of Property and Economy.

Tesco and IKEA

155. The Council continues to have dialogue with the two largest third-party landowners at Meridian Water, Tesco and IKEA. Both Tesco and IKEA are separately considering redevelopment of their landholdings while retaining their respective superstores on site. The Council is continuing to encourage and facilitate their respective development proposals to support the delivery of Meridian Water objectives.

Safeguarding Implications

156. It is not considered that the proposals in this report, which include a number of proposals to delegate future decisions from Cabinet to Senior Officers, have any direct Safeguarding implications however future decisions may have safeguarding implications.

Public Health Implications

157. Meridian Water is a significant development that will substantially affect people's health through urban layout, build quality, the attention paid to community cohesion, energy supplies, the food and leisure offer and transport systems.

158. Significant attention has been given to each of the above with the intention of enabling people to live long and happy lives without the need of health or social care services.

159. This includes making active transport the quick and convenient choice, the provision of healthy food, urban design that facilitates 'incidental social interaction' and leisure activities that encourage people to come together. Within this will be green energy so mitigating future climate change effects.

Equalities Impact of the Proposal

160. This report makes 17 proposals in total, the majority of which require further approval by Cabinet, Members and/or Senior Officers. As proposals are developed in more detail for future delegated decisions, they will need to have regard of any Equalities Impacts. For example the future detailed proposal for health provision will seek to respond to health inequalities in the borough.
161. Where proposals are to be implemented following Cabinet approval of this report, Equalities Impacts must be considered. For example, the procurement of professional services will have regard to the Council's equality aims to advance equality and eliminate discrimination.
162. A new Equalities Impact Assessment will be prepared for the overall Meridian Water regeneration programme.

Environmental and Climate Change Considerations

163. Enfield Council declared a Climate Emergency in July 2019, and the Council is in the process of developing a specific Environmental Sustainability Strategy for Meridian Water (KD5089) which will go to Cabinet in 2020. This strategy sets out ambitions for all projects and the financial assessment and implementation mechanism for achieving them. This also sets out the practical implications of increasing the sustainability levels of projects where the parameters are already agreed.
164. Although the construction of new homes will create an increase of emissions compared to not building homes, the draft Meridian Water Environmental Sustainability Strategy seeks to mitigate these emissions, progressively increase performance, and create a state where net zero carbon homes are a reality.
165. In the draft Environmental Sustainability Strategy, the targets are to reduce the operational energy from 105kWh/m²/yr to under 30kWh/m²/yr, to reduce the embodied carbon from 600 kgCO₂e/m² to under 300 kgCO₂e/m² and to increase the local renewable energy offsets from 25% to 100% of the residual carbon emissions.
166. The Council has also invested in a district heating network, using very low carbon heat from the rebuilt North London Heat and Power plant. This network will support Meridian Water in operating low carbon homes. All new homes constructed will be connected to the heat network, initially fed by temporary gas boilers until the Energy Recovery Facility comes on-line in 2026/7. This will achieve a 92% reduction in the residents' carbon footprint for heating compared to an individual gas boiler
167. For Meridian One and Meridian Two, the Council negotiated a Development Agreement assuming that the developer will meet current planning policy and Building Regulations and also connect to the Meridian Water Heat Network. However there is an expectation that energy standards for new buildings will increase over time to reduce carbon emissions.

168. The Council is in discussions with Vistry to deliver a pilot project to enhance sustainability standards for some of the Council homes to the London Energy Transformation Initiative (LETI) Climate Emergency Design Guide standards which adopt higher fabric performance and reduce embodied carbon. The Environmental Sustainability Strategy for Meridian Water (KD5089) due for Cabinet approval in October 2020 sets out ambitions for increased standards and the financial and implementation mechanism for achieving these. This uplift will be the first step to reaching the housing energy and carbon targets set out in the Meridian Water Environmental Sustainability Strategy.
169. At Meridian Three, it is recognised that Student or Co-Living investors are likely to adopt robust sustainability standards to future proof their buildings suiting their business model and credentials. Sustainability will be incorporated into the tender evaluation criteria and the building lease will include a covenant requiring that the developer cannot build other than to the design, quality and sustainability criteria adopted within the Bidder's offer. The intention is that this will bring the project to the standards set out in the Meridian Water Environmental Sustainability Strategy.
170. At Meridian Four, with the recommended option, sustainability standards are expected to be improved because the Council has greater control of the design and cost management, and a Build to Rent Investor is likely to be incentivised to improve energy efficiency for economic, as well as reputational reasons.
171. The ambition for Meridian Four, from the design brief onwards, will be the first project that completely aligns with the Environmental Sustainability Strategy for Meridian Water, including the progressive use of Passive House standards, subject to maintaining viability of the scheme. The selection of the BtR investor will include evaluation of the level to which they commit to meeting the Meridian Water Environmental Sustainability Strategy from a long-term operational perspective.
172. For Meridian Three and Four, the design for adaptation and resilience, including resilience to flooding and overheating, will be reviewed during the design stages of the project.
173. The Environmental and Carbon performance of all projects will be reported in the annual Meridian Water Performance Report.

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

Meridian Four

174. Approval of Detailed Delivery Plan and delivery of Meridian Four via forward funded deals with BtR Investor and Registered Provider – if this proposal is not taken then the Council risks reducing the capital receipt from Meridian Four, contributing to the ongoing overall project viability risk, as well as delaying delivery of homes.

175. Appointment of Professional team – the appointment of an experienced and capable professional team will reduce the risk to the Council of non-delivery, cost exposure, reputation in the market and poor agreements with partners. Therefore, not appointing the professional team will increase these risks.
176. Competitively marketing the affordable units to a Registered Provider or transferring to the HRA is there is capacity - if this proposal is not taken then there is a risk that the affordable units will not be delivered, reducing the amount of affordable housing available to local people as well as risking the market units not being available for occupation due to planning restrictions.
177. Procurement strategy for build contractor – it is important that the procurement strategy is well thought out and planned in order to ensure value for money for the Council as well as speed of entering into a suitable build contract.

Meridian Three

178. The previous Cabinet authority was to bring three development plots forward to student and/or co-living providers. However, the maximum area allowable in the outline planning consent for these tenures only allows for two blocks. Therefore, this report clarifies that if the Council proceeds with permanent development on this site it would be for two blocks – with either one for student accommodation and one for co-living or both for one of those tenures. If the decision is not taken to proceed on this basis then there will be no Cabinet Authority to deliver homes on this site that complies with the planning consent.
179. The alternative options for delivery of the affordable requirement generated by the student and/or co-living tenure are detailed in section 76. If the proposal to deliver the affordable units in the third block is not approved, then there is a risk that the land receipt for Meridian Three may become negative and also that the third block will remain undeveloped

Skills Academy

180. If the decision to enhance provision was not taken then there would be insufficient provision of training and support services and an appropriate local training venue to assist in the employment around 250 local residents per year from future Meridian Water projects, including Meridian's 2, 3, and 4, and the HIF infrastructure works.

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

Meridian Four

181. The most significant risk that the Council would take on in directly delivering Meridian Four, would be the risk exposure related to construction costs increasing above the budget, either as a result of the market generally, or the management of the design and specification process. This may impact the Council's return on investment.
182. The Council will appoint a Professional Team who will be responsible for managing the scheme design and specification within the cost plan prepared by the Quantity Surveyor and working collaboratively to manage this risk. Adequate provision for costing and inflation will need to be made as part of the initial project brief. Further detail of this risk mitigation is included in the Part 2 report at *Appendix 1 – Phase 2 Detailed Delivery Plan*.
183. There is also a risk that the Council will not be able to secure a BtR Investor and/or that the finances of deal are not as good as advised in the attached report.
184. The Council and its advisors has already conducted formal and robust soft market testing which has indicated strong investor interest in the scheme. Market engagement will continue throughout this year prior to launching the marketing campaign in January 2021 and any indication of weakening interest or a change in market levels of rents or yields will be carefully considered and modelled prior to launch.
185. There is a risk that the timescales for some of the main activities such as obtaining Reserved Matters approvals, appointing an investor, or procuring a main contractor, take longer than anticipated in the current programme. Delays could have positive or negative financial implications depending on the activity and market factors at that point in time, and whether the Council is in contract with an investment partner or not; for example construction costs and rental values may fluctuate during the project timescales. Detailed risk analysis including mitigations will be developed in the early stages of the project.

Meridian Three

186. The main risk is that the marketing exercise is not well received by investors and either no bids are received or land values offered are less than expected. This risk is greater due to the impacts of the recent COVID-19 pandemic and lockdown.
187. The Council has engaged extensively with the market, including a robust and formal soft market testing exercise which is informing decisions on timing of the launch, structure of the deal and the most attractive tenure mix offered. All this will be kept under review to ensure that the marketing is received in the most positive light.

Financial Implications

188. This section provides the financial implications for proposals 7 to 13, 15 and 19 in the Part 1 report as well as proposals 6 and 7 in this Part 2 report.

The financial implications will focus on the implications of each proposal on the Project's baseline financial position as approved by Council in November 2019 (KD4469), the impact on approved Capital budgets and any assumptions regarding Revenue budgets as per the Medium -Term Financial Plan (MTFP).

189. Proposal 7– Skills Academy

As part of the Meridian One development agreement Vistry are required to make provision for a Skills Academy, this was noted in the Meridian Water Cabinet Report (KD4469) presented in October 2019. There has since been a proposal to provide an enhanced Skills Academy. The enhanced Skills Academy building will be delivered through a supplementary agreement to the Development agreement, with Vistry constructing the Skills Academy Building. The detailed budgetary implications for this proposal are discussed in Part 2.

190. Proposal 8 - Meridian One non-residential shell and core plus fit out works.

Cabinet approved the appointment of Galliford Try (now Vistry), in October 2019 (KD4864). The cabinet report set out a forecast net land receipt assuming a reduction of the shell and core plus fit out costs from the gross land value paid by Vistry. As detailed in this report, the proposal is to procure the shell and core plus fit out of the commercial spaces on Meridian One. This would be done via a competitive process to ensure value for money, should the Council not come to an agreement with Vistry for the works. The budgetary implications for this proposal are further discussed in Part 2.

191. Proposal 9 – Authority delegation to establish a Health and Wellbeing Centre that includes nursery provision within the community space at Meridian One.

See Part 2

192. Proposal 10 & 11 - Marketing of two plots for disposal or letting within Phase 2 for a specialist Co-Living and/or Student provider and the third plot to registered providers or letting of some or all of the Meridian Three land on an operating lease of up to 15 years as meanwhile use

During the process of marketing the plots of land, consideration should be given to the capital receipts assumed within the approved financial model and therefore the Council's existing capital programme. If the plots are sold and disposed of, any outstanding debt attached to the sites can no longer be capitalised and instead will be charged to the revenue budget.

Estimated costs for each plot are detailed in Part 2.

As outlined in paragraph 91, the affordable homes block will be directly delivered by the Council as part of the build contract for Meridian Four. It is the intention to use the same building contractor for the affordable blocks within Meridian Three and Meridian Four.

The Council will receive a capital receipt should an external registered provider purchase the affordable homes, rather than the Council retaining them through the HRA. The registered provider will pay for the homes providing income into the Council, whereas the Council would receive no capital receipts should the

HRA buy them. The HRA appropriation of the units would result in an increase in the HRA debt levels and a reduction in the GF (Meridian Water Project) debt levels.

193. Proposal 12 - seeks approval of the Phase 2 Detailed Delivery Plan and the direct delivery of 'Meridian Four' for the preferred recommendation
See Part 2

194. Proposal 13 - Procurement of professional team to deliver Meridian Four
The proposal includes details of the types of roles required for a fully resourced team for which there is an allocation within the 2020/2021 approved Meridian Water budget. This budget will fund the project team up to the point where the investor is secured. The remaining costs for the professional team will be funded by the investors.
The costs and budget implications for this proposal are discussed in Part 2.

195. Proposal 14 - Delegation of Authority to enter into agreements with Build to Rent investors and/or Registered Providers to dispose of Meridian Four assets to those parties
The financial elements of an agreement with an external company will need to be considered to ensure we are demonstrating value for money to the Council. The Council will need to understand the impact on its overall finances as a result of entering into any agreement with an external company.

196. Proposal 15 – Delegation of Authority to commence the procurement of a main contractor to deliver Meridian Four and other Council projects (subject to approval)
The financial elements of an agreement with an external company will need to be considered to ensure we are demonstrating value for money to the Council. The Council will need to understand the impact on its overall finances as a result of entering into any agreement with an external company.
The costs and budget implications for this proposal are discussed in Part 2.

197. Proposal 16 and 17 - Marketing of sites adjacent to Meridian Four for the purposes of a Food and Beverage offer and a Public House
In determining that an appropriate approach for the delivery of a Food and Beverage offer and a Public House is adopted, consideration should be given to the current and future costs incurred in relation to the sites. Once the site is completed the interest attached to any outstanding debt will be charged to Council revenue budgets. Any disposal proceeds should equal or exceed the total costs incurred on the site, or the income from any rental agreements should cover annual finance costs to prevent a negative impact on the revenue budget.

198. Proposal 18 – Delegation of Authority to commence the process to appoint partners to deliver leisure opportunities in the River Lea Navigation and Banbury Reservoir.
The financial elements of an agreement with an external company will need to be considered to ensure we are demonstrating value for money to the Council. The Council will need to understand the impact on its overall finances as a result of entering into any agreement with an external company. If the delivery

of leisure services involves the Council paying a provider these will need to be funded from revenue budgets.

199. Proposal 19 - Approve the development of a ground floor commercial space strategy and delegates authority for the approval of the strategy

The base case financial model has been developed on the assumption that the Council retains ownership of the commercial space on the Meridian Water site and estimates for the level of rental income have been included.

See Part 2 for the estimated rental income for the commercial space.

Legal Implications

MD 25th August 2020 (based on report timed at 10:26 25th August 2020)

200. The Council has the statutory powers to undertake the regeneration of Meridian Water. Further legal implications will be provided in delegated authority reports as the details of the proposals in this cabinet report are developed. Officers should continue to liaise with the Council's Legal Services department as the detailed scheme progresses.

201. Public law principles will apply to the decisions made by the Council in relation to the project, 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 in relation to the delivery of the project are made after having given due and proper consideration to all relevant factors (disregarding irrelevant factors).

202. The public sector equality duty under section 149 of the Equality Act 2010 requires the Council to have due regard to (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; and (ii) the need to advance equality of opportunity between persons who share a protected characteristic and persons who do not share it. Any equality impact assessment prepared in respect of the Meridian Water regeneration project should be revisited as the scheme develops.

203. Any procurement of goods, services or works as envisaged by this report must be conducted in accordance with the Council's Constitution, including the Contract Procedure Rules, and the Public Contracts regulations 2015. For contracts over the EU threshold for goods and services and over £1,000,000 for works, the Procurement and Commissioning Review Board must approve the procurement. The Council's Key Decision procedure must be followed for all contract awards for £500,000 and above.

204. Any disposal of land must comply with s123 Local Government Act 1972 and the Council's Constitution, including the Property Procedure Rules.

205. Section 19(1) of the Housing Act 1985 (the 1985 Act) allows local authorities to appropriate any land vested in them or at their disposal to the Housing Revenue Account (HRA).
206. The preferred structure for the delivery of Meridian Four includes a partnering arrangement with an investor. While the exercise to select an investment partner is not expected to be within the scope of the Public Contracts Regulations 2015 given the subject-matter (i.e. injection of funds rather than procurement of works, goods or services), in order to ensure compliance with the Council's best value and fiduciary duties to local taxpayers, a competitive selection exercise should be undertaken.
207. The Council should be mindful of its obligations under the Housing Infrastructure Fund grant agreement which it is expected to enter into with the Ministry of Housing, Communities and Local Government. In particular, the grant agreement will place an obligation on the Council to deliver infrastructure and housing in accordance with specified milestones. It will also place restrictions on the ability of the Council to dispose of its assets.
208. The Council must ensure value for money in accordance with the overriding Best Value Principles under the Local Government Act 1999.
209. All legal agreements arising from the matters in this report, must be in a form approved by the Director of Law and Governance.

Workforce Implications

210. To deliver these recommendations changes to the existing Meridian Water team are required. A restructure has been drafted and is currently going through the new finance board review.
211. We will adopt a 'thin client' model where we will directly employ relevantly qualified development professionals to manage the key development activity and risks. This team will be responsible for procuring the necessary professional team including project, development and contract management expertise.

Property Implications

212. Any general property information is contained within the body of the report. There are no individual property implications arising directly from this report which is of a more general and strategic nature. It is anticipated that there will be future Property Implications as each section of the development is brought forward and progressed. Any future reports arising as a result of these proposals will need to be fully reviewed and when property implications / transactions are needed Strategic Property Services will comment on the individual deals.

Other Implications

213. No other implications have been provided.
214. Procurement & Commissioning Hub colleagues have been consulted on the procurement aspects of this report.

Options Considered

Meridian Four

215. The Detailed Delivery Plan in Appendix 1 of the Part 2 Report sets out the options for delivery of Meridian Four and the findings are summarised in this report above.
216. The number of units to be offered as part of Meridian Four has been assessed and a range of 200 - 500 homes has been well received by the market. A package at the lower end of this range would not take advantage of place-making on both sides of the Boulevard and will not accelerate delivery of homes as effectively, therefore a package at the higher end is considered more beneficial whilst still attracting a large number of investors.
217. A package which included the majority of Phase 2, being 1,556 homes, was not well received by most of the investors who engaged with the soft market testing exercise. Indeed the market would be reduced to potentially only 1 or 2 risking less competition and therefore less beneficial terms; such a large package would also mean that the Council would lose the ability to diversify tenure at a later date and also create a risk that Council does not maximise land value as the regeneration effect takes hold
218. Including the London Affordable Rented units in the BtR Investor package would cut down the market to only those investors who are Registered Providers and this would not represent a good selection of potential partners for the Council. Including the London Living Rent units in the BtR Investor package would significantly reduce land value as the BtR Investors typically have much higher operating costs making it very inefficient for them to offer units at such low rents.
219. Do Nothing – this would result in no new market or affordable homes being delivered on Meridian Water, no regeneration of the area and also no income from being received to pay down existing Council debt.

Meridian Three

220. An alternative option to delivering the Affordable Housing requirement of M3 within the third plot would be to accept an upfront payment in lieu from the operator in the form of a Commuted Sum. However, the scale of commuted sum required by the GLA under the draft S106 would create a negative land value for the Council on a scheme which is targeted to maximise capital receipts in order to pay down existing Council debt.

221. The option to deliver all three blocks at the Meridian Three site as either Co-living, Student Accommodation or a combination of both has been considered and discounted as a new Planning Application would need to be submitted. The length of time to do so would cause unnecessary delays to delivery and have a financial impact on the scheme not receiving a land receipt for the site within the planned timeframe.

Skills Academy

222. Deliver the Meridian One Skills Academy baseline offer proposed by Vistry. This would provide sufficient capacity to support the training and apprenticeship delivery for Meridian One only, requiring additional separate facilities to realise the local employment opportunities arising from Meridian's 2, 3, and 4 and the HIF Strategic Infrastructure works contract(s) which would not be cost effective, or would lead to a reduction in the local employment benefits arising from the wider Meridian Water programme.

Conclusions

223. This report provides an update to Cabinet on the Council's ambitious residential delivery programme at Meridian Water, and it makes a number of proposals to significantly scale up the delivery of regeneration and the supply of new homes, and the creation of new sustainable neighbourhoods.

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