

Please note Part 2 report is now confidential appendix.

London Borough of Enfield

Portfolio Report

Report of: Programme Director Meridian Water

Subject: Stonehill – Meridian Water Studios

Cabinet Member: Leader of the Council

Executive Director: Place

Ward: Upper Edmonton

Key Decision: 5163

1. Purpose of Report

This report proposes the delivery of a Film Studios campus in Meridian Water to be run by Troubadour Meridian Water Studios (TMWS).

Following marketing of the Stonehill Site in 2019 Troubadour Theatres were selected as the preferred bidder. A new company called Troubadour Meridian Water Studios (TMWS) has been set up specifically for the delivery of the studios.

The proposal to deliver Film Studios is the boldest and most exciting project in Meridian Water that has been proposed to date. It could potentially be game-changing making Enfield one of the leading London Boroughs in the film and TV production sector. It would help transform Meridian Water into a destination through the delivery of a major public theatre venue, and help stimulate the economic regeneration of the Borough through the training academy and a new media and arts hub.

The report recommends approval of the appointment of Troubadour Theatres to deliver the construction of the Film Studios and approval to grant them a 4 year lease for phase 1 and linked through an agreement to lease a further 12 year lease on the completion of the Strategic Infrastructure works following the extensive marketing exercise for the Stonehill site. It recommends delegating the agreement of the final specification and lease HOTs to the Programme Director Meridian Water in consultation with the Director of Property and Economy and delegating the approval of the construction contract and final form of lease to the Director of Law and Governance.

In addition, the report sets out the case for the Council investing £2.89m into the film studios projects to enable the construction and purchase of film studios.

Through rental payments the Council's general fund will receive income equivalent to an internal rate of rate (IRR) of 9%. A Confidential Appendix sets out the financial details of the proposal.

2. Proposal(s)

1. Approve the selection of Troubadour Meridian Water Studios Ltd as the successful bidder following the marketing of the Stonehill site in Meridian Water.
2. Approve expenditure of £2.89m of capital budget to the delivery of Meridian Water Studios, noting that the expenditure will be paid back with interest over the life of the lease.
3. Authorises the Programme Director of Meridian Water in consultation with the Director of Property and Economy to agree and approve the Heads of Terms for the Lease arrangements with Troubadour Meridian Water Studios Ltd.
4. Authorises Legal Services to prepare and complete Agreements for Lease and Leases (together with the side agreements referred to in the report (pg 14) and any ancillary documentation) with Troubadour Meridian Water Studios Ltd on the basis of the approved Heads of Terms and to arrange for the due execution of the same.
5. Notes the waiver approved by the Interim Executive Director of Resources of the Contract Procedure Rules to enter into a works contract with Troubadour Theatres Limited to construct two temporary structures which will be part of a bespoke Film Studio at Stonehill.
6. Approves the entry by the Council into a works contract with Troubadour Theatres Limited for the construction of two temporary structures which will be part of a bespoke Film Studio at Stonehill for a contract price as set out in the Confidential Appendix.
7. Authorises Legal Services (in partnership with the Regeneration Team) to prepare and complete the construction contract (together with any ancillary documentation) and to arrange for due execution of the same.

3. Reason for Proposal(s)

Subject to planning, the Meridian Water Studios will deliver a major plank of the Meridian Water Employment Strategy, as it will be directly contributing to the objective of delivering 1,000 meanwhile jobs across Meridian Water, initially with up to 50 jobs on site, rising to 450 jobs in the second phase. The proposal promotes the Strategy's target growth sectors of culture, media and the creative industries. Finally, it squarely delivers against the Meridian Water placemaking pillar: Your Place to Make and Create.

As well as offering a stepped rental for the site, and subject to planning consent, the Troubadour offer combining film/TV studios, theatre, training and logistical support for the media sector would enhance Meridian Water as a place of

creativity, creating employment and providing activities for local people. Up to 150 training opportunities are planned to be delivered in Phase 1 of a Skills Academy. It is estimated that this would rise to circa 500 training positions per annum, once the full campus has been set up and is operating following the completion of Strategic Infrastructure Works.

As a result of intense negotiation and careful structuring of a deal, the proposal allows the Council to enhance the value of the Stonehill land through development of a built Film Studio campus and ancillary buildings. The rental structure agreed provides for the repayment of the Council's construction cost, as well as market rent. Overall, the proposal will deliver secure occupation of the site, beneficial economic activity, and, crucially, full flexibility for the delivery of the Government funded (HIF) Strategic Infrastructure Works (SIW) across the rest of the Stonehill site.

Timing is a crucial consideration of this proposal. Statutory timescales mean that the earliest planning consent can be secured is December 2020. The studios can be erected quickly meaning that they will be ready for film production by early 2021. This gives enough time to schedule production activity between now and when the Strategic Infrastructure Works commence (approximately Quarter 2 2022, subject to the appointment of the contractor and the timing of the CPO hearing). The timetable is very tight, and in order to schedule provisional bookings TMWS are aiming to erect the studios no later than early 2021. Any delay could threaten the opportunity to have a film production programme before HIF works commence and disrupt use of the Stonehill site.

4. Relevance to the Council's Corporate Plan

Build our local economy to create a thriving place

The Meridian Water Studios would generate employment on a site currently devoid of economic activity. They would plug the local economy of Edmonton and Enfield into the dynamic international film and media sector. Currently the borough has a competitive advantage and is poised to become one of the leading London boroughs for high-end television and film production. The OMA Film Studios in the north of the borough, will increase production space by 53%. The building of Meridian Water Studios could consolidate Enfield's leading position in this sector. The Skills Academy would ensure that the local population benefitted from this development, by delivering training in a wide range of areas.

Sustain strong and healthy communities

The studios, if approved, will transform an extremely inhospitable corner of the borough, currently blighted by fly-tipping, trespass and unsightly heavy-duty security infrastructure into an attractive development with new buildings, green corridors and clean landscaping. The intervention will change what is currently a dangerous, unhealthy, polluted and waste strewn environment into one which will stimulate canal-side activity and exploration of the area. Crucially it will create a safe and active conduit for walking and cycling from the west (Edmonton, Meridian Water station and new housing) towards the Edmonton Marshes and Lee Valley Regional Park.

Good homes in well-connected neighbourhoods

This project, if approved, contributes to the Council's priority to regenerate Upper Edmonton. The project helps to raise the profile of Meridian Water, transforming its marketing reach and making the site more attractive for developers and house builders. The vastly improved environment and economic and cultural activity will imbue confidence in the housing sector to build and deliver new dense neighbourhoods in the adjacent areas, especially Phase 2, on the west bank of the Lee Navigation, where Meridian 3 and 4 will deliver hundreds of new homes in the 2020s.

5. Background

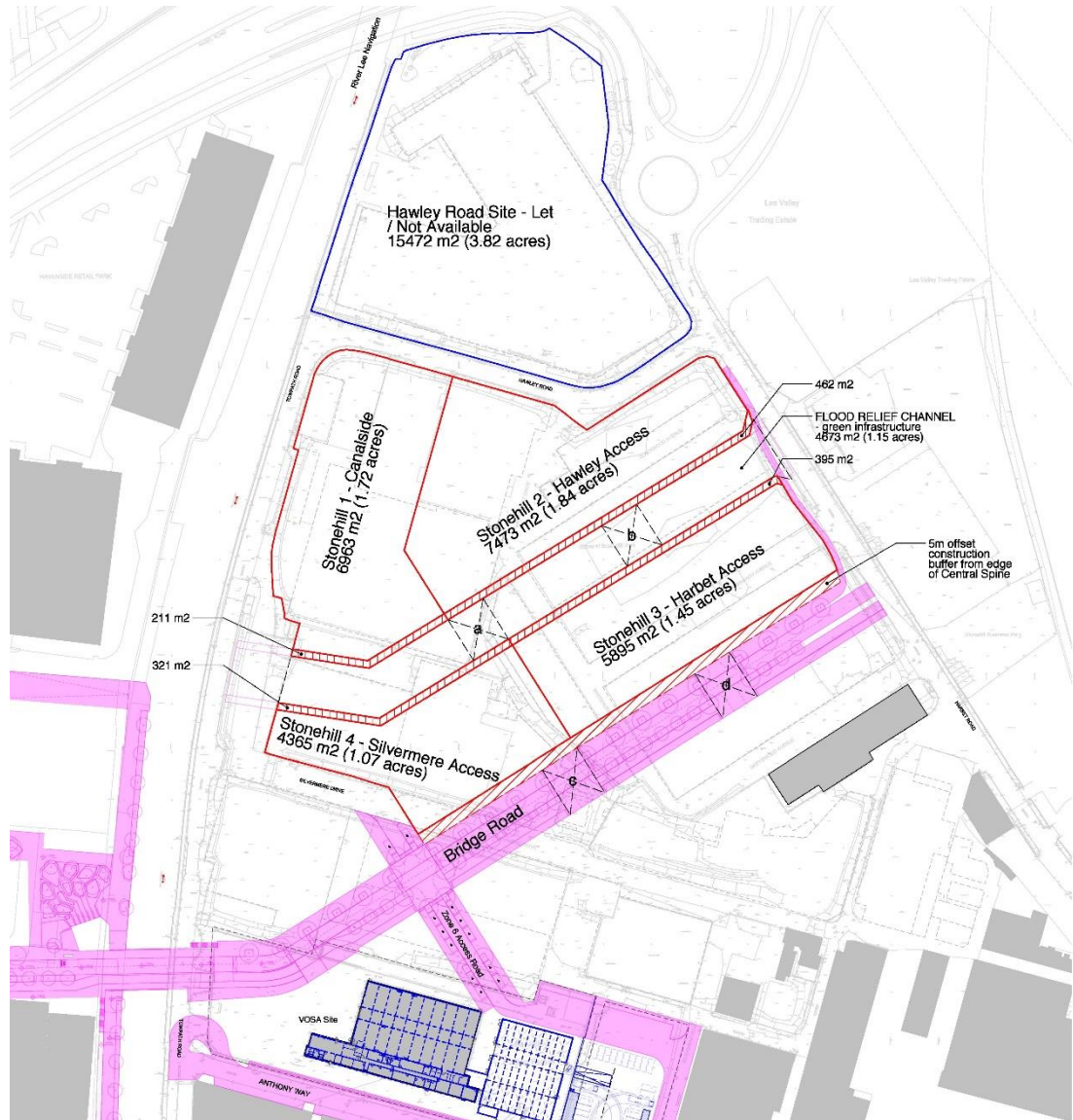
Meridian Water is the Council's flagship regeneration programme, with plans for 10,000 new homes and thousands of new jobs delivered over the next 20 – 25 years supported by the recently opened Meridian Water station.

In 2017, Enfield Council acquired the Stonehill site from HSBC Pensions as part of its land assembly for Meridian Water. Stonehill is located in the east of Meridian Water on the east bank of the River Lea Navigation, the area which is currently classified as strategic industrial land (SIL) in the London Plan and the Enfield Leaside Area Action Plan (ELAAP).

This land cannot be brought forward for residential development until the SIL designation has been lifted and is therefore not likely to be available for residential-led development for at least 15 years.

The large site is open and cleared of buildings. Since acquisition it has been intermittently used for the open storage of construction materials. However, the site has been underused and is extremely vulnerable to flytipping and trespass, and therefore significant security costs have been incurred by the Council to protect the site.

With the purpose of identifying a tenant for the site for the period between now and permanent development, the Stonehill site was marketed between January and March 2019 for a meanwhile use lasting c. 10 years. As a result of this marketing exercise, the northern 3-acre part of Stonehill (outlined in blue on the plan below), known as the Hawley Road site, was let to the North London Waste Authority to use as a Construction Compound (KD 4936).



For the southern part of the site (outlined in red), which lies between Hawley Road and the proposed new east-west Central Spine Road, there were no compliant bids, this part of the site was therefore re-marketed between May and June 2019, this time for a 12-year lease.

Marketing of Stonehill Site

Lambert Smith Hampton (LSH) were appointed to undertake the marketing of the site and to negotiate with prospective tenants to secure agreed heads of terms for lease.

The key objective behind the marketing of the site was to secure a tenant for the site that would provide a significant income and support the regeneration scheme.

The Stonehill site is a 6.08 acre site located South of Hawley Road. The site is cleared and mostly level with concrete slabs demarcating the position of former buildings. The site is protected by rubble bund and demarcated by a wire metal fence. It is currently accessible from Hawley Road, leading off Harbet Road, but

alternative access points could be created directly from Harbet Road, from Towpath Road and from Silvermere Drive (currently out of use).

In order to address the failure to secure a compliant bid in the first round of marketing, the large Stonehill site was split into four sub-plots allowing bidders the opportunity to only bid for part of the site or for the full site (see map above).

During the marketing, it was made clear that bids were welcome either for the whole site or for the plots (Stonehill 1-4). This was to encourage small bidders to submit their proposals, and so that the Council could assemble individual submissions together to form a letting solution for the whole of Stonehill; or if there were no feasible bids for the whole, the Council would consider letting part of the site as a second preference.

The site was marketed from 25th May 2019 to 21st June 2019 through a variety of marketing channels including Estates Gazette, the Enfield Independent as well as a specific website set up for the purpose. The website included general information about the site as well as stating general terms upon which a lease would be granted including a 12-year lease.

Interested parties were invited to express an interest and were then given access to a data room with further information about the site as well as the evaluation criteria.

The evaluation criteria were based on a split of 75% price and 25% quality. The reason that price was heavily weighted was because it was deemed that there was a relatively high income-generating potential for this site thereby facilitating a contribution of these Council owned sites to revenue income.

Stonehill is a key opportunity site to contribute to regeneration objectives of the scheme. Reflecting the aspirations and vision of the Meridian Water Placebook and the Placemaking pillars, the 25% quality criteria was set out as follows:

- Supporting Regeneration, including demonstrating flexibility with the Strategic Infrastructure Works;
- Positive Socio-economic impact including promoting employment and training; and
- Stakeholder impact including demonstrable track record and helping to change perception of Meridian Water.

Evaluation and Selection

A total of five submissions were received for the Stonehill site, which were initially reviewed by LSH. Two of the bids were to occupy part of the site, three were to occupy all of Stonehill. LSH undertook a financial and commercial evaluation of the all the bids as summarised in the Confidential Appendix.

Of the three bids that were for the whole of Stonehill, one submission did not contain any detail about proposed use or financial information other than a simple rental offer. It was therefore not possible to evaluate the bid and this submission was eliminated.

The remaining two submissions were evaluated by the Meridian Water team against the stated quality criteria. Further details are provided in the confidential appendix to this paper.

On the basis of the rent proposed and quality evaluation, Troubadour Theatres bid scored the highest and the Council asked LSH to progress negotiations to agree terms for entering into a lease subject to Council authorisation.

Strategic Fit and Regeneration Impact

Troubadour projects at King's Cross, White City and Wembley have all been earlier pioneers in much larger regeneration projects. They helped to stimulate public interest in what were at the time marginal sites in London. In Meridian Water, Troubadour will join other early placemaking projects including Broadwick Studios and Building Bloqs in pioneering creative and cultural activity in the scheme.



Image: The Troubadour theatre at Wembley Park

The proposal by Troubadour fits well with the strategic direction of Meridian Water and indeed helps to advance and deliver several of its core strategic objectives.

1. The Placemaking Pillars

The proposal particularly matches two of the pillars: *Your Place to Make and Create*, as the studios will be a creative hub for film production and performing arts; and *Mixing Uses Animating Streets* since, this project will be the first development fronting the new east-west Central Spine Road. It will also front the canal side, helping to enliven this frontage, for example as

a front of house, outdoor bar space as was delivered at White City, or in other new theatres such as the Bridge Theatre.

2. The Employment Strategy

In March 2020, Cabinet approved the Employment Strategy for Meridian Water: Your Place to Make and Create. The proposals make an important step in helping to deliver against a target of 1,000 meanwhile jobs creating up to 50 new jobs straightaway, with the first phase anticipated to employ a total of 100 people in a variety of positions from cast to crew, to those in management, food service, security and studio management positions.

Overall it is expected that during the first phase of operation footfall could reach 350/day or 110,000/year through workers, contractors and visitors to the site. In the second phase (after 2023), this will increase to 600/day or 190,000/annually, at which time the studios are anticipated to support 450 jobs on site.

This footfall will support and promote renewed economic activity across Meridian Water, especially once complementary meanwhile projects and links are in place (such as footbridges and pathways linking the western part of Meridian Water with activity on the east bank). The footfall generated by the film studios is significantly increased once one of the film studios spaces is used for a 800 seater theatre in the mid 2020's, not only will this greater footfall support other businesses at Meridian Water it also supports the case for improving the frequency of the trains into Meridian Water station.

The studios will transform the customer base for new cafes at Bloqs, canal side activities such as bars as well as leisure and recreation offerings in the newly created green spaces on the west bank of the River Lea Navigation.

Meridian Water Studios is the first meanwhile project on Meridian Water to commit to paying a London Living Wage to all its staff. This is key plank of the employment strategy and a powerful action in terms of expressing the Council's commitment to tackle and eliminate poverty pay in Enfield and London.

3. The Skills Agenda

The provision of a Skills Academy specialising in film, theatre and media skills will be an early win for helping to achieve an uplift in the skills and aspiration of the local community. This will also link with the Construction Skills Academy being delivered with Vistry Partnerships on Meridian One. Potentially synergies particularly include the hands-on construction related trades such as carpentry, set production, and internal decoration.

Phase 1 will deliver sector-specific accredited training courses through its Skills Academy, reaching several hundred students by Phase 2. Accredited

qualifications will be supplemented by internships and open days reaching an even wider number of people.

4. The Meanwhile Strategy and other meanwhile projects

The Meridian Water Studios fits in well with the emerging ecosystem of meanwhile projects across Meridian Water. There is a strong linkage with the workshops of Building Bloqs that can make bespoke stage films sets. The filming and tv sector itself is already becoming established at Meridian Water. The Drumsheds have been used for filming, and other locations such as Stonehill and F Block have been used to film music videos or stunts for movies. There are also other synergies, for example newly acquired Unit 11 Anthony Way is a warehouse let to Blitz hire that specialises in hiring equipment for the film and tv market such as rigging and drapes. The emergent Meanwhile Strategy will provide a spatial framework for linking all these projects and showing how this micro economy can be bolstered and grown as development unfolds.

5. Sustainability Strategy

The Troubadour proposal is an early example of the circular economy. Two large demountable studios have been relocated from White City, and will be reused and re-erected as the first Phase of Troubadour's project at Meridian Water. This sustainable approach significantly reduces the release of carbon dioxide and air pollution in the construction of new studios by using the embodied carbon in the existing material and structure. The third studio is also reused; in all 90% of the structures on site are recycled. The team is also looking at other ways to improve the sustainability of the project such as skip gardens and sourcing of energy.

6. Communications and Marketing Strategy

The proposal is an early and important example of change and regeneration at Meridian Water. By raising the profile of Enfield and demonstrating the Council's ability to delivery big, bold and ambitious meanwhile uses, this success story will help sell Meridian Water to investors, occupiers and visitors. It is a positive news story, that by its nature can create a strong pipeline of headline-catching announcements (theatre, skills and filming projects) in delivery of the communication and marketing Strategy.

Recently the management team of Troubadour (the parent company of TMWS) have set up a Drive-In Cinema on the site, with 300 car places providing entertainment. The Drive-In has been an early success with free places for NHS staff proving extremely popular and peak time shows selling out. The Drive In and the Studios have no corporate links however it is the same management team that are delivering the Film Studios.

Although on a smaller scale than the Film Studios, the success of the Drive In demonstrates a strong track record in delivering on Meridian Water, as well as an ability to developing effective working relationships with the Council and other stakeholders on site.

7. Emerging Culture Strategy

On 11th November 2020 Cabinet were asked to approve a new borough strategy for culture “Culture Connects”. The Vision for Enfield’s Culture Connects is :

“Our ambition is to connect Enfield through culture. We want to connect our rich history of cultivation and industry with creative activity throughout our green spaces and town centres, our young people with opportunity and our different communities with shared celebrations. As culture connects us we will see the borough grow its economy and promote its identity more widely as a bright and diverse mix of city, countryside and creativity. We will connect organisations and ambitions across the borough to achieve our vision for Enfield: Culture Connects.”

The Strategy lays out three cross-cutting priorities:

- a. Culture Everyday – culture as part of the borough’s fabric, reaching more people in more ways
- b. Opportunity for Young People
- c. Sustainable Culture – understood both as financial sustainability, seeking more funding from a wider range of sources for the borough’s cultural sector, but also sustainability through improved stakeholder relationships, support and recognition

The Film Studio’s associated training facilities and theatre will contribute to delivering culture connects objectives.

Phased Delivery

The delivery of this project is phased in order to facilitate the building out of Strategic Infrastructure Works (**SIW**). Phase One is the northern half of Stonehill, and is the subject of a planning application submitted by TMWS in October 2020 (see image below) The area immediately to the south of the studios will be transferred to the SIW contractor from March 2022 (subject to confirmation by the SIW contractor) for the undertaking of civil engineering works to Stonehill. This includes the construction of a Flood Relief Channel (the green corridor crossing the site), an east-west road (shown as black and grey highway with landscaping on the image below) and bridge over the canal. This work will necessitate the breaking up of concrete slabs on Stonehill, as well as generating significant construction traffic. The precise timing and extent cannot be determined until the contractor has been appointed but we do know that disruption will be considerable and is likely to prohibit filming activity during this time.

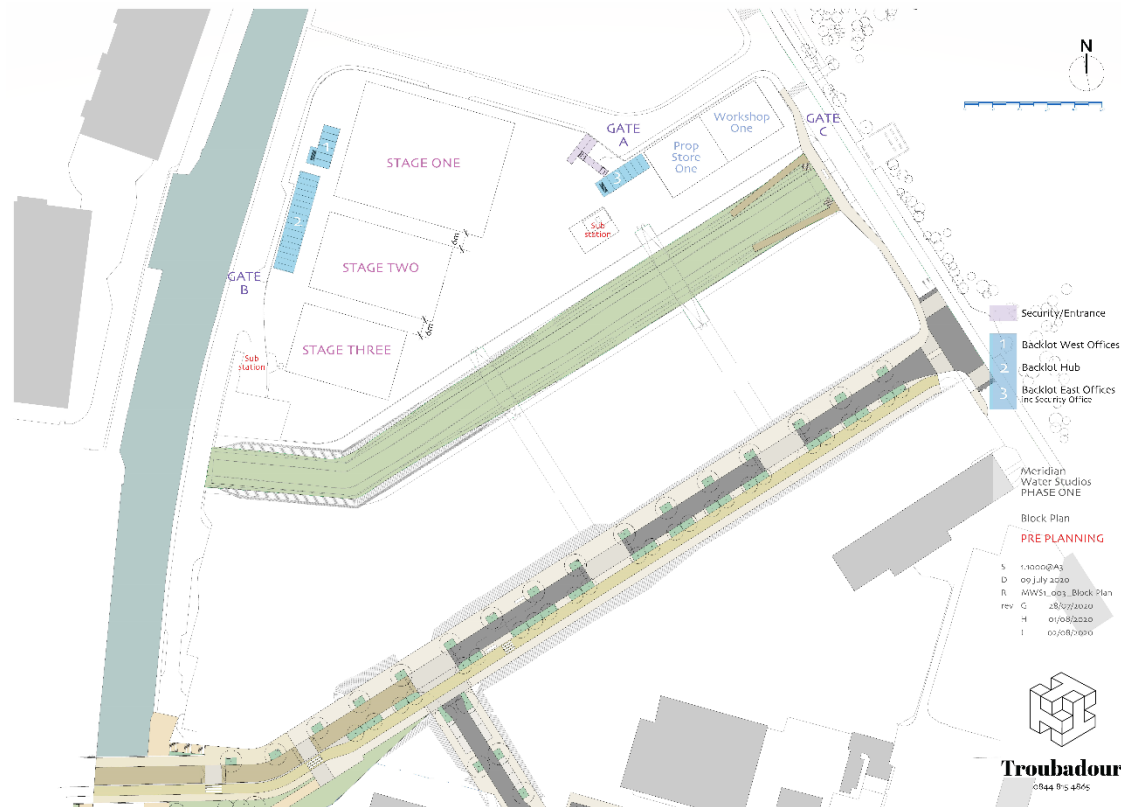


Image: Stonehill Site showing current submitted plans for Film Studios (Phase 1); Strategic Infrastructure Works, and white area between the Flood channel and the road (Phase 2)

This need to facilitate the essential delivery of SIW means the following for the Film Studios programme:

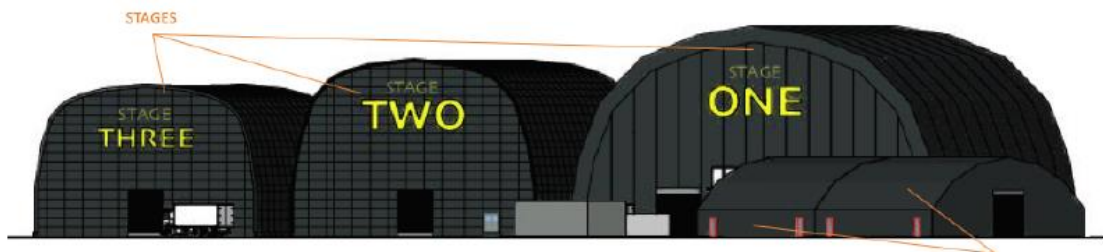
- There is a short window of time in which to run the initial Film Studio campus. It is therefore imperative that it gets built and set up as soon as possible to optimise use of this time window for bookings and productions before SIW works commence
- During SIW works there is no guarantee of being able to programme activity. There may be scope to repurpose some of the land or buildings for other revenue-generating activity, such as live events or storage.
- Once the infrastructure works are complete, the film studios will already be in place to reopen and activity can restart. At this time, work can begin to expand the Film Studio project to the rest of the site.

The phases of Meridian Water Studio activity are summarised below

Phase	Indicative Timescale	Area Covered (see plan on p.6)	Milestones	Use
Phase 1	Spring (or early) 2021 – Spring (or early) 2022	Stonehill 1 & 2	Up to commencement of SIW	Film Studios, Skills Academy
SIW	Spring 2022 – end 2023	Stonehill 1 & 2	During SIW	Studios (if possible), Skills Academy, Live Events, Venue, Storage
Phase 2	2024 –	Stonehill 1,2,3 &	After	Theatre, Film

	2035/6	4	completion of SIW	Studios, Academy
Meridian Water Studios: Phases of Operation (Note exact timescale is subject to SIW works and planning consent)				

In **Phase 1**, the two large flexible structures relocated from White City will be re-erected on Meridian Water to serve as Film/TV stages for filming and production (one is c. 16,000 sq ft, the other 10,500 sq ft). It is proposed that the Council acquires these. A third even bigger structure (24,000 sq ft) will also be erected by Troubadour. Within the first 12 months a skills academy will also be established. Together with front of house and workshop structures, this collection of buildings will be a fully functioning and self-contained film studio capable of simultaneously accommodating three major film productions at once. In total, phase 1 will provide c. 65,000 sq ft of film studio floor space and the required support buildings.



TMW are responsible for securing planning and any other statutory consents for Phase 1. A full planning application has already been submitted and is likely to be considered at December 2020 planning committee.

In **Phase 2**, Troubadour’s demise will expand to cover the southern part of Stonehill up to the Central Spine Road. Additional studio space will be built in the area between the newly constructed Flood Relief Channel (FRC) and the Central Spine Road, more than doubling the capacity of the Film Studios. This phase will bring the total scale of the film studio up to 140,000 sq ft bringing it in line with other studios in north and east London (OMA Film Studios are 139,000 sq ft), recently consented film studios in Dagenham are 140,000 sq ft. Once there is a critical mass of population in Meridian Water, and the transport infrastructure allows, at least one studio will be converted for performing arts use. This Theatre space will begin before Troubadour have been in occupation for 6 years but is subject to the HIF Strategic Infrastructure Works being complete, at least a 1000 homes built, public transport of at least 4 trains an hour and planning consent.

The south west corner of the site, at the junction facing the canal, bridge and central spine road, will be subject to a Design Charter that will provide parameters guiding the design and development on this important site opposite Meridian Four. It will set out how the placemaking pillars should be applied, stipulate the need for active frontages, accessible public realm, quality design and provide a framework for the clustering of the public-facing uses including the theatre, front of house, hospitality and skill academy.

Delivery of Phase 1 Film Studios

If approved the Council will help fund the delivery of Phase 1 of the Film Studios and retain ownership of two of the smaller studios - Studios Two and Three.

The works will be delivered in three stages: first ground works to prepare the site, then erection of the studio structures themselves, and finally the integration of the structures into the wider site and laying of internal flooring.

1. Stage One: Ground Works

The first stage of work involves preparing the ground conditions. It includes drainage, ground stabilisation works, and laying concrete bases for the structures.

The specification for these works has prepared by Clark Smith Structural Engineers, on behalf of STACE, the Council's retained Project Manager. It is important to note that the Ground works have already been commissioned at a cost to the Council of £410,000 and would be required for any occupier of the site. Should the proposals in this report be rejected the Ground works could be used for future occupiers of the site.

2. Stage Two: Erection of Film Studios and Ancillary Buildings.

The second stage of work is the erection of the film studios and ancillary buildings. It is proposed that the Council enters into a construction contract with Troubadour Theatres Limited to undertake these works. The three film studios will be constructed as per the planning permission. A draft specification has been provided by contractor Acorn Event Structures for the main structures (see Appendix 1). However, Acorn will only provide part of the build, the rest will be provided by Troubadour Theatres Limited and its regular suppliers.

Troubadour Theatres Limited have satisfied STACE, the Council's retained Project Manager that they have the credentials, experience and insurances to be the Principal Contractor for this project. It is recommended that the Council directly appoint Troubadour Theatre by a waiver of the Contract Procurement rules to oversee and deliver the works. This waiver has been approved by the Interim Executive Director of Resources, and will be reported to the Audit Committee in the usual way. The waiver is required because although the Council marketed the site on the open market twice for somebody to take a lease for the site under the Property Procedure Rules the nature of the arrangement has now changed and we are contracting Troubadour Theatres to deliver the studios.

It is recommended that the Council enter into a JCT Contract with Troubadour Theatres Limited to supply and build the 2 studios. The full works specification will be approved by our project manager, STACE, who will also be responsible for overseeing the delivery of construction work on site. STACE are retained as one of the Council's Project Managers, their fees for this work will come from the Meanwhile Site Works budget.

Under the contract, two large temporary structures (studios 2 & 3) would be retained as an Enfield Council asset. A third (studio 1) is being leased from Acorn by Troubadour Meridian Water Studios Limited.

The erection of the studios and ancillary structures is estimated to take 6 – 10 weeks.

3. Stage Three: Internal flooring and landscape

The work includes laying an internal floor for each studio, construction of access into studios, completion of drainage and access works around the structure and construction of pathways.

It is anticipated that this work will take c. 4 weeks.

Lease Agreement

LSH has negotiated the terms of the lease agreement with TMWS. Entering into the leases is conditional on planning consent, approval of the Tenants Board and Council authorisation. The lease provides TMWS with the land to deliver and run the Film Studios and provides the Council with the rental income covering the cost of leasing the land and the cost of constructing the first phase of the studios. The key terms are as follows:

- The first lease demise will cover the area of Stonehill 1 & 2 (up to the FRC). On completion of the SIW works in Stonehill, the second lease will begin which will expand to cover Stonehill 1, 2, 3 & 4 up to the Central Spine Road (see Lease demise plan at page 6).
- The second lease demise includes the corridor of the Flood Relief Channel that will be constructed as part of SIW. While Troubadour will be able to pass over the channel, occupation will be limited and rights access will be reserved by LBE
- During the delivery of SIW, when it is acknowledged that there will be physical activity disrupting the immediate adjacent area of the site, as well as noise and vibration disruption from the wider site, the Tenant will not have to pay a fixed base rent, but instead a rental sum based on a percentage of net profits. However, it will have to continue to repay the construction cost during this period.
- Troubadour will contribute towards the upkeep and security of the wider Stonehill Estate via a service charge contribution
- A Side Agreement will be appended to the lease that will cover the Tenant's obligations in relation to the delivery of a Media Skills Academy, a Performance Space, London Living Wage Accreditation and compliance with a Design Charter.

- A Design Charter has been prepared that sets out a framework for how placemaking principles should be applied to proposals that the tenant brings forward in the southwest corner of the tenant's post-SIW demise (shaded orange on the Lease Plan Appendix 3).
- The lease includes full repairing and insuring obligations
- See Confidential Appendix for rental information

Skills Academy, London Living Wage and Theatre clauses

MWS will commit to provide, open and operate a training academy within 24 months of lease commencement, delivering the agreed KPI's as set out in schedule attached to the HOTS.

The Training Academy will provide accredited industry courses, with the course curriculum and certification following recognised industry standards and be externally accredited by a Higher Education or Further Education institution associated with Film and Media.

Evidence associated with the outputs from the Training Academy will be reported to LBE on a quarterly basis.

The lease will also include requirements to deliver a performance arts use no later than Year 7 of their occupation of the site subject to certain criteria being met including the completion of the SIW, completion of 1,000 homes and the establishment of minimum levels of public transport

The lease will also commit TWS to paying the agreed London Living Wage hourly pay rate (currently £10.75 per hour) to all staff employed by TWS, extending this requirement to support services within their supply chain associated with the site. By extension, it will also require TWS to seek accreditation as a London Living Wage employer through the Living Wage Foundation within the first 24 months from the commencement of the lease.

If MWS does not meet the requirements of delivering an Academy within 4 years , or delivery of performance arts use by Year 8 of occupation, the Council will have an option (but not an obligation) to break the relevant lease.

Valuations

Two demountable structures, Stages 2 & 3 that have been relocated from White City will come into Council ownership through the delivery of the construction contract with Troubadour Theatres. Proof of current ownership has been received (please see Confidential Appendix for details). The JCT with Troubadour Theatres will contractually ensure the transfer of ownership of the structures to the Council.

Hickman-Shearer have produced an ex-situ market value of the assets. The valuation of these large modular temporary steel-framed building structures takes

into account depreciation and obsolescence. The valuation of the structures as a complete asset is the amount for which they are being acquired. If the enterprise were to prove unsuccessful the money spent by the Council on buying these studios would be expected to be recovered through the sale of the two structures,(subject to market conditions at the time) provided they were sold as complete packages (capable of being re-erected) and not broken up as resold purely for their material value (see Confidential Briefing for more details).

A property valuation has been undertaken by Lambert Smith Hampton (LSH). The Red Book valuation is done to satisfy the requirements of Section 123 of the Local Government Act 1972 and Best Consideration in respect of a proposed disposal. In this case LSH in their valuation dated 11th November 2020, have stated that the proposed transaction with TMWS for Stonehill Business Park does not represent an Undervalue and shows Best Consideration. Further details are in the Confidential Appendix

6. Main Considerations for the Council

The main consideration driving this decision is a requirement to catalyse economic activity in order to assist the borough recover from what is likely to be a severe recession. It will also secure the future of Enfield as the leading borough in London for film and TV production contributing to a cluster of businesses, talent and expertise that will attract more investment.

The overarching financial consideration is to ensure that the Council can recover its investment and generate further income. Asset security is achieved through ownership of two studios in the first phase of Meridian Water Studios. Contractual security is achieved through the construction contract and the Lease. Council will retain ownership of asset, which if it had to step in due to non-payment of rent or other breach of lease, it could appoint another operator to run the studios, run them directly or even sell the structures outright.

7. Safeguarding Implications

n/a

8. Public Health Implications

n/a

9. Equalities Impact of the Proposal

There are no direct Equalities Impacts from the proposal. However, the Council is committed to ensuring that all meanwhile projects positively benefit protected groups and prioritise the participation of the local community.

Accordingly, the Heads of Terms contain a provision that the theatre must provide access to the local community users and visitors at affordable

rates of admission and in co-ordination and discussion with Enfield Council.

10. Environmental and Climate Change Considerations

This is a sustainable proposal that will reuse pre-existing structures. The carbon footprint of the construction will be relatively low due to the reuse of existing material.

Environmentally there will be benefits of bringing into productive use a brownfield site that is currently sitting derelict and regularly at risk of fly-tipping and other contaminating activity.

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

Main Risks

1. Troubadour could locate elsewhere to another borough, losing that opportunity
2. Stonehill will be vacated. As it will be extremely difficult to re-let the site for the available window before the HIF contractor occupies the state, that could potentially increase security costs or leave it at risk of traveller incursion and flytipping. If this risk was to materialise this would severely jeopardize the cost and delivery programme for HIF works.

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

Risk	Likelihood	Impact	Risk Score	Existing Controls
<i>Identify and list the relevant risks and the potential impact / consequence of each.</i>	1=Remote 2=unlikely 3=possible 4=probable 5=highly probable	1=Insignificant 2=minor 3=moderate 4=major 5=catastrophic, systemic failure	Likelihood x Impact (Red, Amber, Green)	<i>What existing processes / mitigations are in place to manage the risk? Actual controls</i>
Troubadour do not secure Planning Consent for use as a film studio. Risk as to whether proposed <i>sui generis</i> uses will be deemed fully compliant with SIL uses. Due to size of application it may also need to be approved by the GLA	3	5	15(RED)	TMWS submitted their planning application for use as a film studio on 03.08.2020 It was Validated on the 23 rd October with a Planning Committee date proposed for December 2020. Sui Generis use for film studios should be permissible in SIL. The proposal includes storage and other B8 uses which are compliant. If planning consent is not secured TMWS will not progress with the deal / lease as the commercial opportunity will be missed, meaning the Lease is not entered into and the agreement falls away. Then

				either the second-place bidder could be approached to ascertain if there is still interest or the site could be remarketed following completion of SIW.
Troubadour don't get planning permission for additional uses, in which case phase 2 lease not entered into.	3	4	12(Amber)	The Mitigation is that we retain the structures (unless TMWS have already exercised the pre-emption clause and paid back the investment) and re let the northern area with structures, The Council can also let the Lease B area. Alternatively the Council could re-market the whole site.
Troubadour deliver a Film Studio complex but do not deliver the Skills Academy and Performing Arts space which are important for placemaking. Initial plans do not include provision for a theatre. Part of the ancillary building space has already been allocated to Skills academy use.	3	3	9(Amber)	The terms of the lease require Troubadour to deliver an academy within 4 years of lease commencement, and if not the Council has the option (but not the obligation to) exercise a break, terminating TMS's occupation of the site. The Phase 2 lease will state that the site is to also be used as a theatre by Year 8 of occupation at the latest, and earlier subject to completion of SIW and other criteria. If Troubadour do not deliver the intended uses, the Council will have the further option (but not an obligation) to break the lease. A close working relationship with Troubadour can ensure that its plans are aligned with the regeneration objectives of Meridian Water and the Council.
Related to the risk above "Skills Academy and Performing Arts space" The Phase 2 lease will state that the site is to also be used as a theatre by Year 6 of occupation at the latest, and earlier subject to completion of SIW and other criteria. These criteria are: 1. Completion of the wider Site Infrastructure Works (SIW) proposals for the Meridian Water by the Landlord. 2. The establishment and operation of improved public transport service bus, train and pedestrian routes to the	3	3	9(Amber)	The Council have selected a SIW contractor and are close to appointing them and have finalised the arrangement with Government regarding the HIF money although availability of funds remains contingent on satisfaction of conditions to funding. The SIW work includes plans for improved transport. Progress has been made with delivery partners for Meridian 1 and a Meridian 2 partner will be announced soon that collectively deliver 1000 homes.

<p>property with a minimum 4 trains per hour plus improvements to the bus network to meet the definition set out in the Phase 2 planning conditions</p> <p>3. The completion and occupation of 1000 residential units within the wider MW scheme.</p> <p>There is therefore risk that these are not achieved by the Council and therefore no obligation on Troubadour.</p>				
<p>In the absence of a satisfactory survey the Phase 2 lease will not be entered into.</p>	3	4	12(Amber)	<p>The Mitigation is that we retain the structures (unless TMWS have already exercised the pre-emption clause and paid back the investment) and re let the northern area with structures, The Council can also let the Lease B area. Alternatively the Council could re-market the whole site.</p>
<p>TMWS fails as a company, is unable to pay rent and goes into administration</p>	2	4	8 (Amber)	<p>Troubadour Theatre's business model is to set up separate businesses for each venture undertaken on different sites. Hence TMWS has no financial track record or accounts. As each project is undertaken as a ring-fenced venture, no parent company guarantee is being made available.</p> <p>By mitigation it is possible to assess the financial standing and success of previous similar enterprises undertaken by Troubadour, which shows that these ventures have been financially sound.</p> <p>A rent deposit of £75,000 is being collected at the start of the lease and will be held for the term. Rent is also paid in advance. Should Troubadour default in paying rent, this is a ground for determining the lease under which no compensation is payable. The deposit held in account would then be used to cover any outstanding rental arrears and the cost of regaining vacant possession.</p>

				Under this circumstance, the structures would be retained by the Council as let to a third party. The valuation undertaken by LSH demonstrates that in an absolute worst case scenario where TMW had not repaid any of the £3.3m Total investment at this site, the Council would recover its investment within 3 years by rent out the structures as built at market value.
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13. Financial Implications

See Confidential Briefing

14. Legal Implications

MD 11th November 2020 (based on draft report circulated at 15:28 on 11th November 2020)

The Council has a general power of competence under section 1(1) of the Localism Act 2011 to do anything that individuals may do, provided it is not prohibited by legislation and subject to Public Law principles. Section 123 of the Local Government Act 1972 gives local authorities the power to dispose land in any manner they wish provided that they achieve best consideration. The recommendations detailed in this report are in accordance with these powers.

The Council has a fiduciary duty to look after the funds entrusted to it and to ensure that its local taxpayers' money is spent appropriately. The Council must carefully consider any project it embarks upon and conduct its affairs in a business-like manner with reasonable care, skill and caution, and with due regard to tax/ratepayers' interests. In embarking on any project the Council must consider whether the project will be a prudent use of the Council's resources both in the short and long term and must seek to strike a fair balance between the interests of tax/ratepayers on the one hand, and the wider community's interest on the other hand. While the proposed project has the potential to deliver substantial benefits for the local community in accordance with the Council's Corporate Plan and the Meridian Water placemaking objectives, the project is not without risk. In particular, Troubadour at Meridian Water Limited is a newly incorporated special purpose vehicle without a track record of delivery or credit history and, although a £75,000 rent deposit will be taken, this may not be sufficient to cover the potential loss to the Council in the event of a default. Furthermore the Council will not have the benefit of parent, group company or director guarantees as security for performance of obligations (including payment of rent) under the lease. Such risks will need to be weighed

against the potential benefits of pursuing the proposals highlighted in this Report.

A planning application (ref: 20/02475/FUL) has been submitted but is yet to be determined in respect of the use of the site as a film studio. A further application will be required to be submitted and approved to permit the additional usage of the site as theatre and training academy space. There is therefore a planning risk that may impact on the proposals set out in this report.

It is proposed that a contractor is procured and appointed under a JCT construction contract to install the Meridian Water Studios on the Stonehill site. The estimated contract value is below the Public Contract Regulations 2015 threshold (currently £4,733,252 for works), however the procurement must be carried out in compliance with the Council's constitution, including the Contract Procedure Rules. It is proposed that the contract for works is directly awarded to Troubadour without any competitive exercise undertaken. A waiver of the requirement to carry out a competitive tendering exercise has been granted by the Executive Director Resources. Throughout the engagement of the building contractor, the Council must comply with its obligations of obtaining best value, under the Local Government Act 1999.

The Council must act in accordance with its Property Procedure Rules in relation to the grant of lease to Troubadour at Meridian Water Limited. This report describes the marketing and evaluation process used. The evaluation included a "quality" criteria as well as a financial assessment and as a consequence it is proposed that an offer other than the highest financial offer is accepted. A valuation has been prepared on behalf of the Council has been prepared which confirms that the disposal by way of 4year lease and then 12 years represents best consideration.

Any legal agreements arising out of the recommendations of this report must be approved in advance of completion by Legal Services on behalf of the Director of Law and Governance.

As the anticipated value of the proposals set out in this report exceeds £500,000, this is a Key Decision. Officers must comply with the Key Decision procedure

See also confidential appendix.

15. Workforce Implications

None

16. Property Implications

Strategic Property Services support the decision to lease an area of the former Stonehill Business Park to Troubadour as they constitute a key

delivery partner for the Meridian Water Meanwhile Strategy providing a place to create, work and training. The proposal provides options under meanwhile and long-term permanent employment.

There are no specific property imps as these are all contained within the body of the report.

The Council must however at all times comply with its Property Procedure Rules (“PPR”) including, but not limited to:

As a general rule, leased-out property must be advertised in the open market (paragraph 19.2 PPR) However, it is recognised that there may be instances where letting a property on the open market would not be in the best interest of the Council. In such cases officers must act with due probity, good governance and transparency. This property was advertised and the offer from Troubadour scored highest in the assessment of offers as set out in the report.

In the event that the lease is terminated by either party, then the opportunity arises to re-let the property at Market Value and if repayment of the loan is not complete then the structures will revert to the Council to enhance reletting value.

A red book valuation has been obtained that shows a value better than OMV and in view of this and that the disposal will help to secure the improvement of the economic, social and environmental well-being of the area the letting should progress.

17. Other Implications

None

18. Options Considered

Enter into negotiations with second place bidder

The second-place bidder did not offer any of the place-making benefits that MWS offered. Furthermore, the need to only let half the site initially to facilitate SIW would complicate negotiations and it is not known whether that would be acceptable to the bidder. Significant work has been done to find a way to back the sequencing of MWS activity and SIW work, while retaining the placemaking and income benefits of their bid. It is therefore not proposed to enter into negotiations with the second-place bidder, unless the TMWS should not be successful (for example if planning consent cannot be secured).

Await completion of SIW before negotiating lease agreement.

The benefit of this option is that it would give absolute certainty about the timing and delivery of the strategic infrastructure affecting the site (especially the Flood Relief Channel and Road). However, it would also

been foregoing the opportunity to enter into an agreement with a high-profile tenant that could make a significant contribution to placemaking objectives and meanwhile activity in the early years of the scheme. It would also mean foregoing some rental income for the period before and during SIW. It would also mean leaving the site vacant and increase the risk of occupation by Travellers, an event that could potentially derail the timetable for the delivery of SIW. Finally it would almost certainly mean losing the opportunity currently on the table, with TMWS likely to relocate the film studios/theatre elsewhere.

Re-market the Site

The key milestone of reaching provisional agreement on the heads of terms with Troubadour is the result of months of negotiation and planning. It has also necessitated two rounds of extensive marketing of the Stonehill site in order to attract and secure a strong submission from Troubadour. It is therefore deemed highly unlikely that an offer stronger (in both income and quality terms) can be found, especially given the current economic climate.

19. Conclusions

The proposal to deliver Film Studios is the boldest and most exciting project in Meridian Water that has been proposed to date. It will make Enfield a leading London Borough for TV and Film production, capitalising on a growing industry. This game-changing opportunity would help transform Meridian Water into a destination through the delivery of a major public theatre venue and help stimulate the economic regeneration of the borough through the training academy and a new media and arts hub.

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Appendices

Appendix 1. Draft Specification of MW Studios
Appendix 2. Confidential Appendix.
Appendix 3. Lease Plan