

London Borough of Enfield

CABINET

8 December 2021

Subject: Meridian Water Residential Delivery Programme

Cabinet Member: Cllr Nesil Caliskan

Executive Director: Sarah Cary

Key Decision: KD5252

Purpose of Report

1. To update Cabinet on the progress made to deliver new homes and sustainable neighbourhoods at Meridian Water, including updates on progress to date in respect of Meridian One, Meridian Two, Meridian Three and Meridian Four.
2. Since the Council assumed the role of Master Developer in 2018 it has entered into two Development Agreements which are expected to deliver in excess of 1,200 homes including over 750 affordable homes. Construction of the first 300 homes are now underway with 46 homes expected to be completed by late 2022/early 2023.
3. The Cabinet (16th September 2020, KD 5174) approved the Phase 2 Detailed Delivery Plan and the recommendation within it for the Council's direct delivery of Meridian Four. Since then, the Meridian Four scheme has been refined and advanced to accelerate the delivery of homes on the Meridian Water site. This report recommends increasing the number of homes within Meridian 4 by increasing the size of the Meridian 4 red-line developable area.
4. This report also provides an update on the financial and project metrics of Meridian Four.

Proposal(s)

5. To note the progress to date in delivering Meridian Water, as set out in paragraphs 18 to 49.
6. To note that the expenditure and resource estimates are based on the budgets as approved by Council on 2 March 2021 (KD5210).
7. To note reconfigured capital expenditure from this review of an additional £1.93m and £6.16m in financial years 2021/22 and 2022/23 respectively, to be contained within existing overall approved budgets and reported as part of the Q2 Capital monitoring cycle appearing elsewhere on this agenda.

8. To Note the Council's role as Master Developer on the Meridian Water Site.
9. That Cabinet notes the Meridian Four financial update and approves the revised approach to tenure mix and viability as set out in the Confidential Appendix to accelerate the delivery of homes.
10. To confirm the strategy to progress and accelerate the delivery of circa 846 homes as set out in the Confidential Appendix, noting the positive impact on the Phase 2 financial appraisal and that the delivery cost increase is contained within the Meridian Water approved project capital programme.
11. To delegate to the Programme Director of Meridian Water in consultation with the Executive Director of Resources, the decision to forward fund the Meridian Four RIBA 4 design, as set out in the Confidential Appendix.

Reason for Proposal(s)

12. To update Cabinet on the progress made on the Meridian Water Residential Delivery Programme in respect of Meridian One, Two, Three and Four.
13. Following Cabinet Approval (16th September 2020, KD 5174), soft market testing of the Build to Rent Investor market has been completed by the Council's advisors Gerald Eve. After testing the delivery strategy presented at Cabinet, it was found that there continues to be interest from Investors in the Meridian Water project.
14. Meridian 4 is planned to deliver circa 846 homes to: (a) Accelerate the delivery of homes; (b) Appeal to broadest range of potential investors and partners; (c) Offer the Council a developer's profit; (d) Work within the Outline Planning Permission parameters; and (e) Create critical density and optimal placemaking opportunities early in the scheme's development.
15. The tenure mix and viability of the scheme have changed and been further detailed since last presented to Cabinet (KD 5174) as set out in the Confidential Appendix.
16. The number of homes proposed within the project has necessitated the reconfigured capital expenditure.

Relevance to the Council Plan

17. Meridian Water is a key component in contributing to the vision, aims and priorities of the Council's Corporate Plan.
18. **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. Meridian Four will contribute to this goal through the delivery of circa 846 new homes.

19. **Safe, healthy and confident communities:** Meridian Four will contribute towards the overall strategy for Meridian Water which aims to deliver on the Council's aims to improve public health and people's well-being. Along with new homes Meridian Four will deliver community and social infrastructure; new amenity spaces and open up access to the canal.

20. **An economy that works for everyone:** Meridian Four will deliver new ground floor commercial premises and workspace.

Background

21. 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.

22. 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.

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

	Status	Number of Homes (approx.)	Construction Start in current programme	Practical Completion
Meridian One (Phase 1)	Development Agreement Unconditional. Planning permission (RMA) for 300 homes.	960	Q3 2021 (underway)	Q3 2026
Meridian Two (Phase 2)	Partner in Contract	275	Q3 2022	Q3 2025
Meridian Three (Phase 2)	Pre-Contract	215*	Q1 2024	Q3 2026
Meridian Four (Phase 2)	Pre- Contract	846	Q4 2023	Q4 2026 – Q3 2027

**Currently being revaluated for highest and best use after Brexit and the Covid-19 epidemic's impact to the market*

Meridian One

24. Following Cabinet approval in October 2019 and further delegated approvals in December 2019 (KD4845), 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 2300m² of community, leisure, retail and employment space and a new Skills Academy to train and increase opportunities for local residents in construction and the built environment.

Current Status

25. The Development Agreement included a number of conditions precedent which needed to be satisfied prior to construction works commencing. Since entering into the Development Agreement, the Council and Vistry have worked to satisfy the conditions precedent and have successfully negotiated a Deed of Variation to the Development Agreement. The Reserved Matters Application for the first 300 homes at Meridian One (20/03821/RM) was approved by Planning Committee on 4th May 2021 and subsequently granted on 24th May 2021. Vistry commenced piling works in August 2021 for the first construction of new homes at Meridian Water which is a significant milestone.
26. Vistry's current programme forecasts the first 46 of these 300 homes to complete late 2022/early 2023. These will be homes in Block E1 which the Council will retain for London Affordable Rent.
27. Further to approval by the Council as Landowner, Vistry will submit a full planning application for a further approximately 670 homes, non-residential spaces and public open spaces at Meridian One. The submission of this full application is expected in November 2022 and the overall completion of the development remains forecast to be delivered in summer 2026.

Meridian Two

28. In March 2020, Cabinet Authorised the selection of Vistry Partnerships as the Council's development partner for Meridian Two (KD4952) to deliver 100% affordable housing scheme of circa 250 homes and 3,000m² of Council owned commercial space at Meridian Two. Cabinet delegated authority to officers to finalise the terms and enter into the Development Agreement.

Current Status

29. LBE completed and entered into a Development Agreement with Vistry on 20th October 2021.
30. Vistry entered into an agreement with Metropolitan Thames Valley Housing, a Registered Provider, to own and manage the Meridian Two homes on 20th October 2021.
31. Vistry have programmed to submit a Reserved Matters Application pursuant to the Phase 2 Outline Planning Application (19/02718/RE3), by early 2022, following design reviews and approvals by the Council as Landowner and the Design Advisory Group appointed on the scheme. This would enable piling to commence later in 2022, with the completion of the first homes and commercial space during 2024. Due to delays in finalising the terms of the Development Agreement by approximately 12 months, the completion dates have moved accordingly.

Meridian Three

32. The Phase 2 Business Plan (KD4953) of October 2019 authorised the commencement of soft market engagement on three Co-Living and/or Student housing blocks and subsequent marketing with disposal of circa 0.5 acres to a specialist Co-Living provider delegated to the Executive Director of Place in consultation with the Executive Director of Resources.
33. The 16th September 2020 Cabinet Report (KD5174) recommended that the two plots (Z05-03 & 05) be 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 and potentially delivered as part of Meridian Four. Additional flexibility for all or part of the land to be let as a Meanwhile Use on a lease of up to 15 years was also approved.

Current Status

34. The Council's Commercial and Financial advisors Gerald Eve commenced initial soft market testing in 2020. GE conducted targeted soft market testing in July 2021. Of the nineteen companies interviewed, eleven parties responded positively and expressed interest in the scheme. There was a high level of interest in co-living and traditional C3 uses on the site and three established market-leading developers expressed interest in developing Purpose-Built Student Accommodation (PBSA).
35. The level of land receipt projected for the site is being revaluated and compared against the target set out in previous reports to mitigate risk and adopt to evolving market intelligence from the co-living and PBSA sectors following the Covid-19 epidemic and Brexit.
36. As permitted by the September 2020 Cabinet Report, the team strategically reviewed projections against the estimated financial returns from a potential 15-year Meanwhile Use as well as an updated co-living and PBSA option. It was determined that the team will move forward with marketing disposal to co-living and PBSA tenures in order to select the optimal partner for the site. Going forward, future financial analyses will be reported to the Executive Board with a clear path for disposal.

Meridian Four

37. Meridian Four is the fourth development opportunity within the 85-hectare Meridian Water site, located in the northern half of the Phase 2 Outline Planning Permission (OPP) area. The site is bound by the River Lee Navigation to the East and Pymmes Brook to the west and access will be created to the plots by the delivery of the Strategic Infrastructure Works (SIW) which are being delivered under funding from the Housing Infrastructure Fund (HIF) (see Fig 1).

38. On the 16th September 2020, Cabinet approved (KD5174) the Phase 2 Detailed Delivery Plan and the recommendation within it for the direct delivery of Meridian Four. Meridian Four comprises of five blocks sited to the north of the Phase 2 scheme to be delivered with commercial and community uses at ground floor and upper floors to provide Build to Rent and affordable homes.



Figure 1: Plan of Meridian Four Development Plots

Progress

39. During 2020/21 the procurement of the professional team for Meridian Four has been progressed. The following services have been secured to date:

- | | |
|--|-----------------|
| - Project Managers | Ikon / Cast |
| - Lead Architect | KCA |
| - Quantity Surveyor | Stace |
| - Structural and Civil Engineer | Pell Frischmann |
| - Mechanical, Electrical and Plumbing Engineer | Elementa |
| - Town Planning | (Oct 21) |

40. Work started on the RIBA stages in May 2021. It is currently anticipated that a detailed scheme (RIBA 3) will be finalised in Q2 2022 with a view to submitting an application for Reserved Matters consent to the Council in Q3 2022.

41. Enfield's work establishing a borough-wide Registered Provider Framework has commenced and upon completion may be used to procure a Registered Provider partner to purchase or develop the affordable housing blocks.

42. Through the procurement of the professional services for the Meridian Four project, the team has sought to ensure that the Council's approach to promoting Equality, Diversity and capturing Social Value benefits have been captured. Further detail of the benefits obtained through the procurements to date are set out within the Confidential Appendix 5.
43. This approach to procurement has resulted in the Council being short listed for a 2021 LGC Award as well as a National Housing Award.

Build to Rent Market

44. A Build to Rent (BtR) scheme is a residential development designed and built specifically to let homes 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 homes at the end of the build period.
45. 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, residents, café / restaurant etc which are for the use of the residents (as well as non-residents where they can be directly accessed from the outside).
46. The BtR Investor will take a long-term view of the quality and placemaking as they make their return on investment over many years (typically a 40-50 years) and therefore need to ensure that the scheme remains attractive to renters over this time period and beyond.
47. The BtR sector has become increasingly well-established over the last decade. The growth has been driven by institutions and funds looking for stable inflation linked returns largely to pay pensions after the global financial crisis in 2009. BtR is still a very small part of the private rented sector but forecasted to grow significantly as it gains a reputation for providing high quality, well-managed, secure rental homes.
48. A BtR operator will not seek to recover the properties from tenants who are not at fault, e.g. 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.
49. A BtR scheme that is owned and managed by professional 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.
50. Further to market insight, the Affordable Housing on Meridian 4 aims to deliver a higher proportion of family-sized units while the BtR options target

smaller household to create a range of new housing opportunities for residents within the Borough.

Market Testing

51. Further to the 2020 Cabinet decision officers have undertaken additional soft market testing led by the Council's advisors Gerald Eve.
52. A second round of soft market testing was conducted during the first two weeks in August 2021. Six investors who expressed interest in the scheme and programme were interviewed and asked to provide feedback on the most recent project plans, including potential deal structures, programming, tenure mixes, and interest in participating in a future workshop on sustainability and building design post-Covid.
53. The responses from the SMT confirmed that the market continues to prefer delaying capital receipt payment until the completion of HIF works and detailed design to de-risk the investment. However, several investors interviewed were eager to engage in the design earlier in order to guide the development and ensure key features were included or designed to customer expectations.
54. The detailed feedback from the soft market testing is set out in a Gerald Eve Report in the Confidential Appendix.

Further Marketing Strategy

55. As a result of the feedback gained from the market it is proposed that:
- A further round of Soft Market Testing be undertaken in Q1 2022 by which time RIBA 2 Concept Design proposals will have been developed and be tested to ensure that the Build to Rent design proposals are market facing.
 - Selection of preferred investor partner takes place in Q1 2022 (with RIBA 3 design progressed) with a view to having selected a preferred investor partner before or during RIBA 4 design which commences Q3 2022.
 - Once the preferred investment partner is selected, the council will progress any remaining RIBA 4 design and legal agreements in parallel with that preferred investor partner.
 - Work to secure the main contractor will progress in parallel with securing the Build to Rent Investor and Registered Provider.
56. This strategy optimises the Council's ability to accelerate delivery of new homes on site upon completion of the HIF works in Q3 2023.

Project Viability – Previous Cabinet Report

57. In the previous cabinet report, Council elected to pursue Option 2b of the potential Meridian 4 delivery strategies evaluated at that time.

58. As financially modelled, Option 2b consisted of:

- A 533 scheme of 65% private tenure BtR homes (approx. 347 homes) and 35% affordable homes (approx. 186 homes) across three blocks
- The affordable portion of the scheme would consist of 70% London Affordable Rent (LAR) and 30% intermediate affordable tenure of London Living Rent (LLR) capped for Upper Edmonton Ward levels

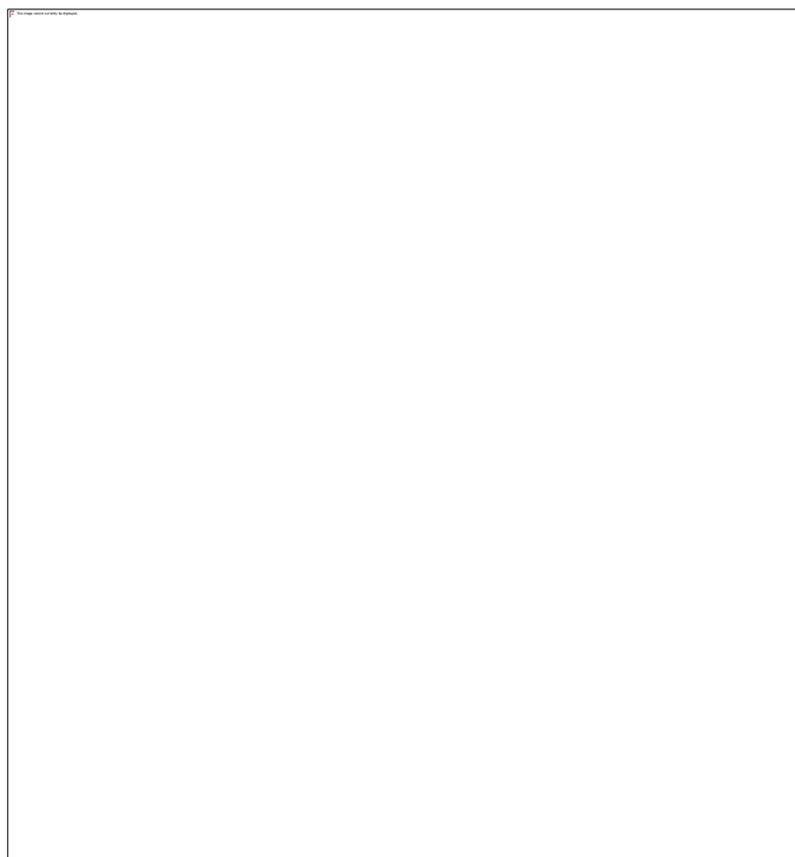


Figure 2 – Three blocks making up the 533-home scheme

59. As shown above in Figure 2 533 homes can be accommodated in Plots Z05-04; Z05-06; and Z05-07 of the Phase 2 outline scheme.

60. The scheme was approved for up to circa 800 homes (notionally split 520 market homes and 280 affordable homes) by adding two additional plots (Z04-01 and Z04-05) to the M4 parcel (as shown overleaf in Figure 3), rather than increasing the number of units included in the Z05-04; Z05-06; and Z05-07 plots by adding height.

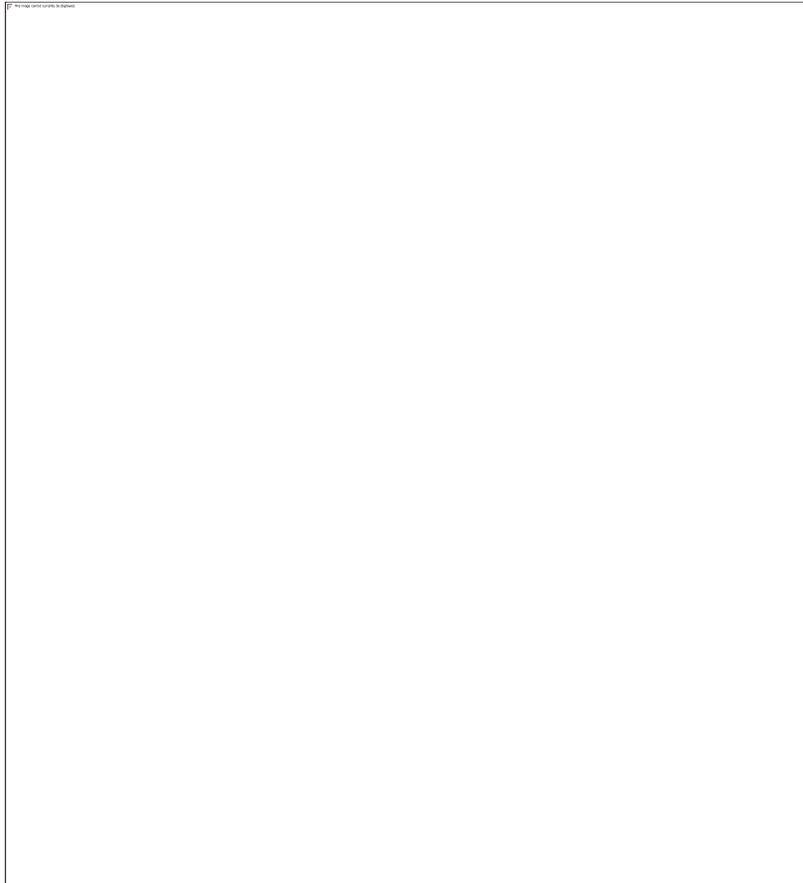


Figure 3 - Five blocks making up the 846-home scheme

61. The Scheme was anticipated to begin construction in September 2022 when it was believed that the Homes Infrastructure Fund (HIF) works would be completed. The programme has been adjusted to factor in the current expected completion of the HIF works.
62. The construction of Meridian Four is planned to start on site upon the completion of the HIF in Q4 2023. To ensure the accelerated delivery of new homes on Meridian Four the proposed programme key dates are as follows:

Milestones	Programme Dates
Selection of Preferred RP	Q3 2022
Reserved Matters Planning Submission	Q3 2022
Completion of HIF Works	Q3 2023
Completion of Contract with BtR Investor	Q4 2023
Main Contractor approved	Q4 2023
Start on Site	Q4 2023
Completion of First homes	Q4 2026

Main Considerations for the Council

Proposed Scheme (circa 846 units)

63. The 2020 Cabinet Report considered various options from 533 to 1,500 homes in the Meridian Four delivery strategy.
64. Market testing has confirmed that a scheme of circa 846 units with all five plots as set out in Figure 1 of this report for Build to Rent and affordable homes for Meridian Four.
- a Appraisal Update*
65. Since September 2020, additional work has been undertaken to update and refine the financial appraisals from the notional targets used to recommend Option 2b to reflect the evolved scheme's focus, accelerated delivery, real world conditions and changes in the market.
66. An updated financial model for Meridian Four has been prepared using the increased number of homes and a revised unit and tenure mix. It includes details on infrastructure expenditure, updated build costs, professional fees, and market and affordable rental values.
67. The revision includes an indicative tenure mix of 70% market-rate and 30% affordable which has been calculated in order to work towards achieving 40% affordable homes across all of Phase 2 supported by GLA grant funding.

PLANNED PHASE 2 HOMES	Market Rate Homes (approx.)	Affordable Homes (approx.)
Parcel		
M2	0	275
M3	135	80
M4	580	260
Parcel 5 – Parcel 10	685	335
Total Units	1400	950

68. The updated financial

modelling for Meridian Four includes grant funding allocated by the GLA (subject to final agreement). The forthcoming allocation will support the delivery of the target number of Social Rent and Shared Ownership affordable homes across the Phase 2 site.

69. A series of sensitivity analysis were produced to further measure the scheme's current financial position.
70. The current position of the viability of Meridian Four is set out in Confidential Appendix of this report and includes a comparison of assumptions reflecting changes between the appraisals developed for the September 2020 Cabinet Report and those updated to reflect the current market and inputted into Gerald Eve's Meridian Four financial model.
71. It is therefore recommended that the Meridian Four scheme proceeds as detailed above to accelerate the delivery of much needed housing and affordable housing to the Enfield and Edmonton areas, to reduce the impact of time on cost any further, and to secure grant funds that have been

committed by the GLA to deliver Social Rent and Shared Ownership affordable homes.

Safeguarding Implications

72. It is not considered that the proposals in this report, have any direct safeguarding implications however future decisions may have safeguarding implications.

Public Health Implications

73. As part of the Meridian Water development, Meridian Four is a significant development that will substantially affect people's health through urban layout, build quality, the attention paid to community cohesion, energy sources, the food and leisure offerings and proximity to public transportation.

74. In the development of the Meridian Four proposals attention is being given to each of the above considerations including access to sustainable travel options; urban design that facilitates 'incidental social interaction' and leisure activities to encourage people to come together. Within this will be green energy so mitigating future climate change effects.

Equalities Impact of the Proposal

75. The Council has a duty to promote equality, diversity and inclusion, and it recognises the issue of diversity specifically within the construction sector.

76. An EQIA was also prepared by the Council's Strategic Planning Team to support the ELAAP submission. The planning application for Phase 2 was also subject to an EQIA. The Phase 2 application was accompanied by a socio-economic analysis as part of the Environmental Statement. No substantive negative impacts to persons or groups with protected characteristics were identified.

77. It is considered that the proposal as set out in this report to progress with an estimated 846-unit scheme for Meridian Four will result in a positive impact in respect of the Council's Equality objectives. The Council are taking action to overcome the structural causes of inequality by implementing the Council Plan 2020-2022. It is considered that the proposal to deliver circa 846 units will not only contribute to the Council's objectives on housing delivery but also local employment objectives.

78. The proposed delivery of the scheme, as set out within the Confidential Appendix will facilitate the early delivery of Meridian Four homes and jobs, and positively address structural causes of inequality.

Environmental and Climate Change Considerations

79. Enfield Council declared a Climate Emergency in July 2019, and the Council has developed an Environmental Sustainability Strategy (ESS) for Meridian Water that was approved by Cabinet in 2020 (KD5089). The strategy sets out

ambitions for all projects and the financial assessment and implementation mechanism for achieving them.

80. Although the construction of new homes will create an increase of emissions compared to not building homes, the 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.
81. The ESS, targets are to reduce the operational energy from 105kWh/m²/yr to under 30kWh/m²/yr, to reduce the embodied carbon from 600kg CO₂e/m² to under 300KgCO₂e/m² and to increase the local renewable energy offsets from 25% to 100% of the residual carbon emissions.
82. 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. This will achieve a 92% reduction in the residents' carbon footprint for heating compared to an individual gas boiler.
83. The design of Meridian Four is being designed to align with the ESS 2020 metrics, subject to maintaining the viability of the scheme. Soft market testing is being used to identify the current sustainability standards being applied by the Build to Rent investor market, which is a sector which is placing more weight on environmental credentials to meet customer expectation.
84. For Meridian Four, the design for adaption and resilience, including resilience to flooding and overheating, will be reviewed during the development of the Reserved Matters design.

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

85. Advancing the progress of the Meridian Four design and development via reconfigured capital expenditure – if this proposal is not moved forward then the Council risks limiting market interest which will in turn reduce the capital receipt from Meridian Four, increase ongoing project viability risk, and very likely delay the delivery of homes.
86. The soft market testing has identified that investors will commit funds at the point where a technical design is in place. If the Council does not reconfigure the capital expenditure to fund RIBA 4 technical design then there will be a more limited pool of investors with interest in the scheme.
87. The proposed delivery strategy enables the Council to achieve a start on site further to the completion of the HIF works. Grant funding for affordable homes is based on the ability to demonstrate deliverability. There is a risk that funding will be prejudiced if the decision is not taken.
88. The mix and tenure proposed has been developed to be market facing and with due regard to the ability to secure grant. If the decision is not taken to

proceed with the mix and tenure as set out in Part 2 of this report the viability of the proposals will be impacted.

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

89. The proposed risks associated with the proposals as set out in this report are set out in the table below.

Risk	Mitigation
Direct delivery – Council exposure to financial risk due to change in project viability	As part of the project due diligence the Council will be continually monitoring project viability and will be reporting at each RIBA stage by report to Programme Director
Build to Rent Investor not secured, Council's Forward Spend not returned	<p>Council has undertaken soft market testing which has positively supported approach to delivery and interest in the scheme.</p> <p>On-going engagement with the market will be undertaken to ensure that the scheme design remains market focused.</p> <p>Position will be reviewed before committing RIBA 4 spend.</p>
Proposed design does not meet Build to Rent Investor requirements	<p>Specialist professional team have been procured who are conversant in the requirements of the market.</p> <p>Engagement will be sought from market to inform design work during RIBA 2-4 stages.</p> <p>Build to Rent identified that there is interest in early engagement to inform design.</p>

Financial Implications

Budget impact - Capital

91. The Q1 Capital monitoring report submitted to Cabinet 15th September 2021 (KD5335) sets out the revised 10 year capital programme for all schemes including Meridian Water. The table below summarises the latest position and shows a total approved budget of £835.179m to financial year 2030/31 of which Meridian 4 comprises £325.089m.

10 yr capital budget £000's	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31	Total
Meridian Water	85,815	158,212	26,672	25,826	28,942	127,024	452,491
Meridian One	13,591	39,751	0	0	0	0	53,342
Meridian Two	3,788	0	0	0	0	0	3,788
Meridian Three	324	0	0	0	0	0	324
Meridian Three/Four	145	0	0	0	0	0	145
Meridian Four	6,077	16,210	83,011	73,725	73,725	72,341	325,089
Total Meridian Water	109,740	214,173	109,683	99,551	102,667	199,365	835,179

92. The forecast expenditure (Meridian Four) for 2021/22 and 2022/23 is £2.994m and £20.396m respectively and include additional costs of £1.930m and £6.160m.
93. Compared to the latest budgets, approved by Cabinet as part of the Quarter 1 monitoring cycle, this results in a pressure in of £1.103m across 2021/22 and 2022/23 which will be contained by the re-profiling of expenditure for Meridian Four from future years budgets, which are sufficient to cover this, as set out in the table below.

Meridian Four Professional Fees Estimates £'000:	2021/22	2022/23	Total
Estimated	1,064	14,236	15,300
Increase required	1,930	6,160	8,090
Forecast Qtr2	2,994	20,396	23,390
Budget	6,077	16,210	22,287
Shortfall /(Surplus)	-3,083	4,186	1,103*

**Sufficient budgets for Meridian 4 in later years to contain pressure*

94. Cost estimates for all works in the programme will be reviewed as part of the Quarter 2 capital monitoring cycle, appearing elsewhere on the agenda, and resources re-allocated and re-profiled to ensure sufficient budgets are in place to expedite works without changing the overall budget which was approved by Council 2nd March 2021 (KD 5210).

Budget impact - Revenue

95. Works costs are capital in nature therefore the proposed increase will not have a revenue impact.

Debt

96. Proposed increase in expenditure for this component of the programme will not result in increased costs for the scheme as a whole therefore there is no impact on borrowing from this proposal.

97. Financial modelling for the whole programme is undergoing a review, the results of which will not be known until after final budgets and MTFP are approved by Council 9th February 2022. Revised assessments of borrowing will therefore be reported as appropriate once known.

Taxation

98. Council will recover input VAT in normal manner for additional costs. No implications to report.

Legal Implications

99. MD 1st November 2021 (based on report timed at 14:39 1st November 2021)
100. The Council has the statutory powers to undertake the regeneration of Meridian Water.
101. 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).
102. 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.
103. 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. The Council's Key Decision procedure must be followed for all contract awards for £500,000 and above. Any award of contract will be subject to further authority granted in accordance with the Council's constitution.
104. Any disposal of land must comply with s123 Local Government Act 1972 and the Council's Constitution, including the Property Procedure Rules. Any disposal will be subject to further authority granted in accordance with the Council's constitution.
105. 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.

106. The Council should be mindful of its obligations under the Housing Infrastructure Fund grant agreement which it has entered into with the Department for Levelling Up, Housing and Communities (formerly known as Ministry of Housing, Communities and Local Government) (“MHCLG”). In particular, the grant agreement places an obligation on the Council to perform the role of master developer as described in the Housing Delivery Strategy submitted to MHCLG and to deliver infrastructure and housing in accordance with specified milestones. The grant agreement also places restrictions on the ability of the Council to dispose of its assets located at Meridian Water.
107. The Council must ensure value for money in accordance with the overriding Best Value Principles under the Local Government Act 1999.
108. 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

109. To enable the direct delivery of Meridian Four a ‘thin client’ model has been adopted. A Senior Development Manager was appointed in October 2020 to manage the key development activity and risks of the project along with a Senior Regeneration Manager to oversight securing BtR and RP investment. This team has been responsible for procuring the necessary professional team including project, development and contract management expertise.
110. It is not considered that the proposals in this report, have any further workforce implications.

Property Implications

111. Any general property information is contained within the body of this the report. There are no individual property implications arising directly from this report. It is anticipated there will be future Property Implications as Meridian Four 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 individual deals.

Other Implications

112. No other implications have been provided.

Options Considered

113. As described options for Meridian Four were presented to Cabinet on the 16th September 2020, it is considered optimal that the Council delivers an entirely rented scheme.
114. A number of scenarios with regard to mix and tenure have been considered. The viability of a number of scenarios have been tested these are set out in Part 2 of this report.

115. The option that the RIBA 4 technical design does not start until the forward funding from the BtR Investor has been secured has been considered. Whilst it has the benefit that the Council would not have to fund the design work it will result in a delay in the delivery of new homes by some 12months.
116. Do nothing – this would result in no new market or affordable homes being delivered on Meridian Four, no regeneration of the area and also no income being received to pay down the existing Council debt.

Conclusions

117. This report provides an update to Cabinet on the Council's Meridian Water residential delivery programme and makes a number of proposals to accelerate the delivery of new homes at Meridian Four.

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Appendices

Background Papers

N/A