

London Borough of Enfield

Cabinet

Meeting Date: 8 December 2021

Subject: Meridian Water Estate Management & Place-keeping Framework

Cabinet Member: Cllr Nesil Caliskan

Executive Director: Sarah Cary

Key Decision: KD5309

Appendix 1: Meridian 1 & 2 Estate Management Company and Adoption overview

Establishing an Estate Management Company for Meridian 1 and 2

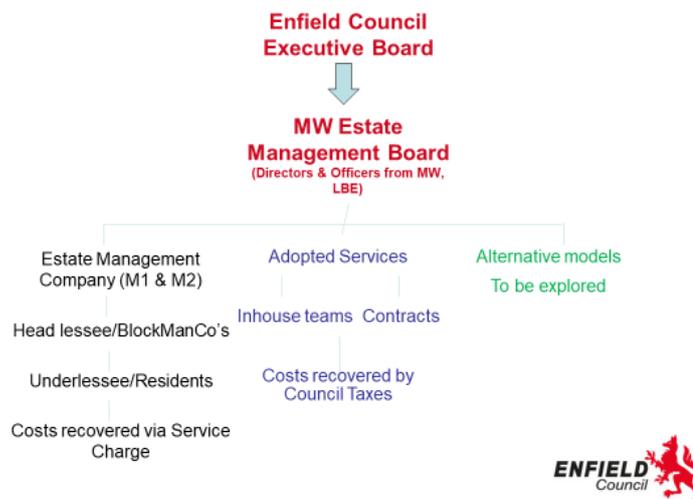
1. The 'Estate Management Company' (EMC) is contractually required under the Council's agreement with Vistry, and will also be required as a party to head leases, and to enter into energy agreements with Energetik.
2. The Council will have a minimum of two seats on a board of Directors, "the Golden Vote" during the development period and "Reserved Matter Control" (Cabinet should note the explanations of these terms in the commentary below), in order to have the ability to retain control and ensure a quality environment for residents. There may eventually be up to 11 Directors on the board, representing all tenures and interests, commercial and residential, head leaseholders and their occupiers.
3. The Council will have the right to appoint a majority of the directors and so control the board. Discussion is ongoing as to how that will function bearing in mind the overall development of the estate will proceed in a number of phases over more than 10 years. ("**the Golden Vote**").
4. The Council will maintain the ability to veto any changes to the constitution of the Estate Management Company. It is also intended that the Council will retain negative control in relation to a number of 'reserved matters'. These have yet to be negotiated, but the intention is that it will allow the Council to prevent the Estate Management Company doing certain things into the future. So, for instance a reserved matter could be the appointment of a contractor over a certain value, any changes to the business plan, etc. ("**Reserved Matter Control**").
5. Once the board of the Estate Management Company is set up then the Council's influence over it will be diluted increasingly as more memberships are allocated. However, the Council will always retain the right to appoint certain members of the board, and also its Reserved Matter Control as detailed above.
6. The Estate Management Company itself will have the benefit of 'step in' rights after completion under the head leases, in order to have the ability to retain a degree of control and ensure a quality environment for residents whose blocks will be run by the Block Management Companies owned by the residents of the particular block ("**the EMC Step-in Right**").

7. The Estate Management Company is expected to use the corporate form of a company limited by guarantee. This form of company is often used for management companies, and also where the company is intended to operate on a not for profit basis. Companies limited by guarantee have members rather than shareholders, but the rights of the members are similar to those of shareholders, and in particular allow the appointment of the board of the company.

The Estate Management Company's relationship with Block Management Companies

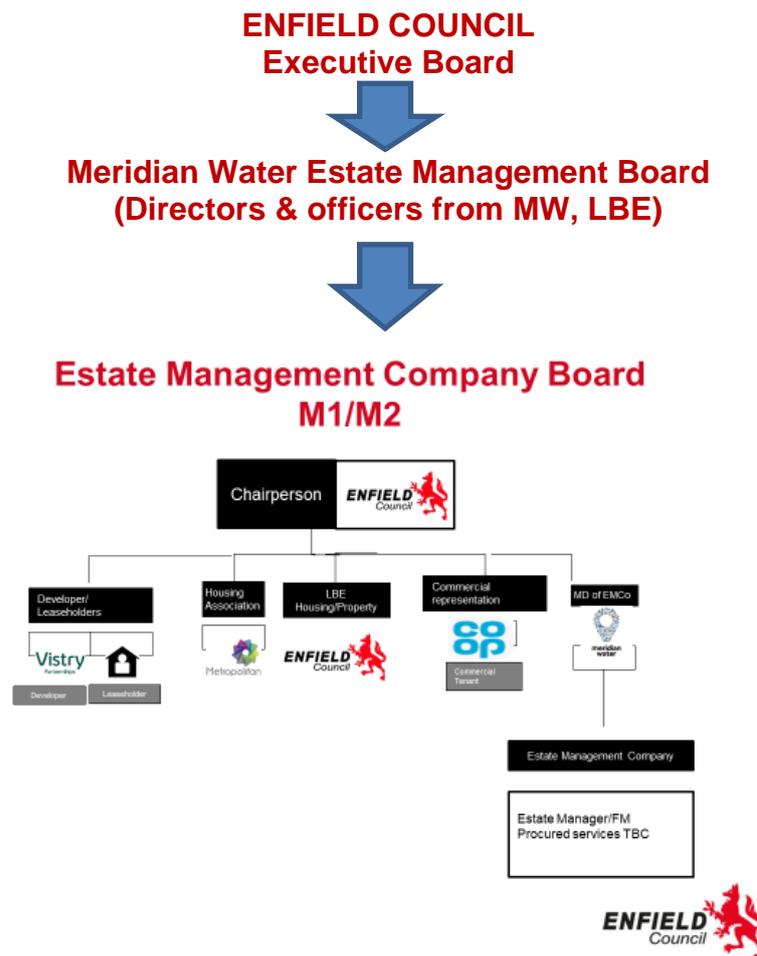
8. When first set up the Estate Management Company will be wholly owned by the Council. We anticipate that shortly after set up Vistry will become a member as well. Further memberships of the Estate Management Company will be allocated once blocks reach practical completion. Members will, by way of example, include purchasers of homes, Registered Providers who buy affordable, Build to Rent Providers that buy blocks, future developers, etc. Those different types of purchaser will have the ability to appoint representatives to the board of the Estate Management Company. It is anticipated that there will be a total of up to 11 directors on the board of the Estate Management Company in due course. This is to ensure representation across all tenures (head leaseholders and residents), as well as commercial and residential interests.
9. Plot developers will treat their long leasehold in much the same way as they would a freehold, in terms of the consideration of investment value. Long leaseholders will retain the right within their head lease to the management of their buildings, which enables them to set and monitor standards. It is normal for the long leaseholders to set up Block Management Companies to manage individual blocks, recharging the residents for the costs, (along with the wider Estate Service Charges), as part of a multi-schedule Service Charge statement. Once a critical mass of residents is in occupation, and if they consider the blocks are not suitably managed, they are able to take on the management themselves, as part of their statutory 'Right to Manage'.
10. Should the Estate Management Company become dissatisfied with the quality of service provision by the Block Management Company, it can request they remedy the situation. If they do not to the required standard, the Estate Management Company can draw upon its EMC 'Step in Rights' in order to resolve and be reimbursed for so doing. As an ongoing board member of the Estate Management Company the Council can always propose to the board of the Estate Management Company that such action be taken. However, the decision to exercise the right is ultimately that of the Estate Management Company.
11. The remainder of the estate outside the plots and blocks will fall upon the Council (if adopted) or the Estate Management Company (if not) to manage and maintain. The Council also intends to remain the freehold owner of the estate. The proposed Meridian Water Estate Management Governing Board will explore other avenues of delivery (see Fig. 2 Organogram).

Figure 1: Organogram of links between Enfield Council and possible models of delivering estate management



12. In order to be able to respond to the evolving nature of the activities of the Estate Management Company, and the ongoing planning for future phases of the estate, decisions relating to expansion of the EMC, further adoption, and associated financial expenditure will be delegated to Directors working closely to the operational detail.
13. This Strategy sets out the vision for managing and maintaining this flagship regeneration project, having considered the impact on the public purse. Analysis has been undertaken to understand how Council adoption or private management of all elements of the estate (as currently known) affects land values and return on investment, likely service charges to residents, impact on the Enfield Council tax base, and requirement for gap funding from Enfield.
14. Crucially, it is important that the arms-length Estate Management Company sits independently of the Council and is seen to be apolitical and consistent in its aims to deliver quality services at best value to residents. The structure of the company in relation to the Council can be seen in the organogram below:

Figure 2: Organogram of relationship between Enfield Council and Meridian Water EMC

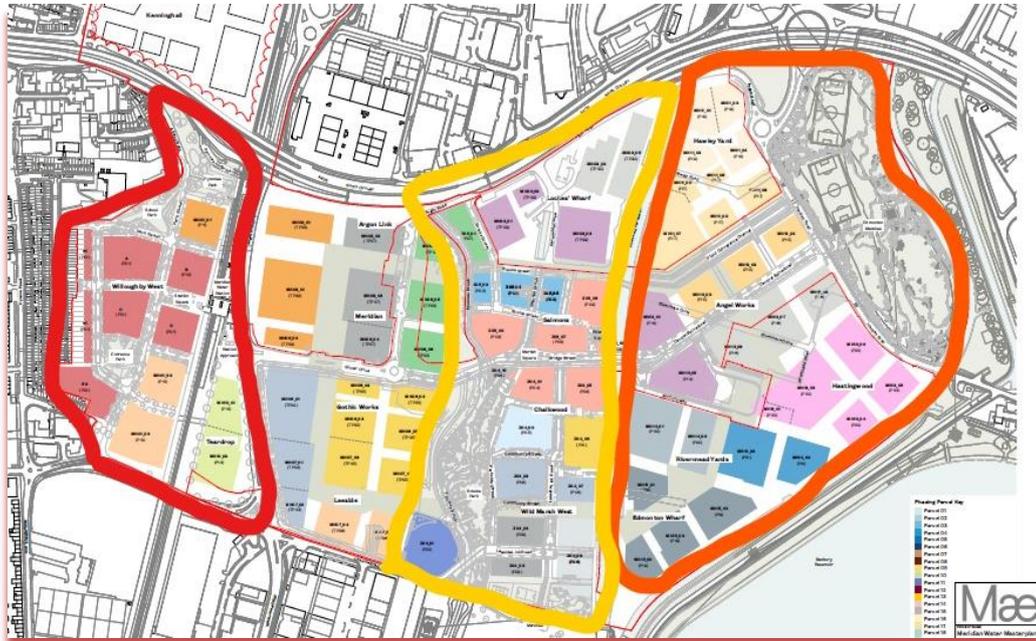


Adoption of the rest of the Meridian Water estate

15. Meridian Water is creating an entirely new neighbourhood of homes on underused brownfield land, producing a new Council Tax and Business Rates pipeline. At completion of the entire 10,000 home estate this could equate to circa £18million per annum in council tax income and £23million per annum in business rates (figures estimated by the Revenues Team). It is important to note that although there is a need for an interim internal loan, this loan can be offset by the Council through the increasing council tax and business rate receipts of the overall scheme.
16. Residents of Enfield would expect the management of the adopted areas of the Meridian Water estate to be comparable to other areas of the borough and will be challenged if not. Meridian Water has been master-planned to an environmental standard not typically found in Council delivered developments and will require more frequent and more specialised management and maintenance, regardless of whether adopted or privately held. There is an opportunity through the management of Meridian Water to build capacity and upskill existing Council service teams (e.g. Parks, Highways, Waste), which could pilot an approach to potentially roll out across the borough.
17. The Meridian Water team has worked closely with colleagues in Environment and Operations to explore practical implications in adoption of the estate. A joint

proposal has emerged from detailed Officer review of capacity and costs, to request that Meridian Water be split into three development areas which will ring fence service charge responsibility to plots and buildings within the area. The area left out is owned by Ikea and Tesco and will come forward separately, so cannot be assumed within the management approach at this early stage. Efforts will be made to work in partnership with these two landowners to ensure a consistent, collegiate approach is taken as their sites are built out.

Figure 3: Proposed zoned areas of Meridian Water for management



Red (western area) – Meridian One/Teardrop site
 Yellow (middle area) – Phase 2 including Meridian Two
 Orange (eastern area) – East Bank area currently designated as Strategic Industrial Land

Figure 4: Proposed Plan of Adopted Strategic Infrastructure Works



Unadopted areas

19. It is proposed that Meridian One in its entirety (Phase 1a and 1b) will not be adopted. This had been assumed from the outset of the design work with Vistry and as such, their proposed plans do not meet adoptable standards. Were adoption the preferred approach from the outset, they would already be engaged with the Highway Authority in order to monitor progress throughout detailed design and delivery.
Although Meridian One is proposed to be managed via the EMC, the estate will remain publicly accessible, with public right of way through its public realm, streets and into its three parks.

Adopted areas

20. It is proposed that the roads brought forward through the Strategic Infrastructure Works, along with Brooks Park (straddling the brooks), Edmonton Marshes (to the east) and the bridges over waterways are adopted. These major assets would then fall under the Council tax base and oversight of in-house design and operational teams of the Council.

To Be Determined

20. At the time of writing it is acknowledged that Phase 2 in its entirety (excluding Strategic Infrastructure Works) needs to be assessed in more detail for viability of adoption. Of this, Brooks Street, being strategic access into Meridian Three and Meridian Four has been proposed for adoption by Officers. This new street will provide a link into the northern edge of the estate from the North Circular Road. This report asks Cabinet to delegate these decisions to the Executive Director of Place.

Monitoring and evaluation

21. Minimum Service Levels and/or KPI's will be developed in partnership with the Meridian Water and Housing & Regeneration team to monitor delivery of Estate and Block services, in order to ensure quality standards are promoted and upheld.
22. KPI's will be embedded within all external procurements and subsequent contract management, to monitor progress and quality. Progress will be reported to internal stakeholders such as the Estate Management Board, Programme Board, Executive and Regeneration Board.
23. Where KPI's and monitoring systems have yet to be defined they will be developed through the Operational Plan implementation process by the Estate Manager and Council officers.

Appendix 2: Legislative context

There are several legislative issues to consider in relation to the management of estates and leasehold buildings, listed below:

24. RICS code – best practice framework for Service Charging as set out by the Royal Institute for Chartered Surveyors
<https://www.rics.org/globalassets/rics-website/media/upholding-professional-standards/sector-standards/real-estate/service-charge-residential-management-code-3rd-edition-rics.pdf>
25. Right to Manage – enacted in the Commonhold and Leasehold Act 2002, giving a statutory right for residents to be able to take on management of their blocks should a majority vote in favour. Enables the residents to remove the incumbent managing agents and procure their own.
<https://www.gov.uk/right-to-manage-a-guide-for-landlords>
26. Right to Enfranchise – Leasehold enfranchisement (often referred to as ‘freehold purchase’ or ‘collective enfranchisement’) refers to a group of leaseholders, who own flats in the same building, collectively purchasing the freehold interest from the landlord. It is a legal entitlement under the Leasehold Reform Act 1993.
27. Leasehold and Ground rent reforms – legislation is expected to change within the near future which will grant long leaseholders 999 year leases, giving them greater investment in their homes. Ground rents for new, qualifying properties are also expected to be abolished.
<https://www.gov.uk/guidance/leasehold-reform-ground-rent-bill>
28. Highways Act 1980 in relation to adoptable areas – this statutory procedure requires monitoring by the Highway Authority throughout the construction phase and 12 month defects period, whereby only after this passes satisfactorily can areas can be handed over to the Highway Authority.
<https://www.legislation.gov.uk/ukpga/1980/66/section/38>