

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

Purpose of Report

1. To present the Meridian Water Estate Management and Place-keeping Framework and seek approval for its implementation. The Framework is needed to ensure the estate is well run and maintained to a good standard, for resident safety and satisfaction. Approval of the Framework will enable an Estate Management Strategy to be developed and brought back to Cabinet later in 2022.

Proposal(s)

2. Approve the Estate Management and Place-keeping Framework at Meridian Water, as set out in this report and appendices.
3. Notes the establishment of the internal Meridian Water Estate Management governance board.
4. Notes that a report will be brought back to Cabinet later in 2022 seeking approval for the Meridian Water Estate Management Strategy as well as providing an update on progress.
5. Approve the formation of an Estate Management Company limited by guarantee for the purposes of mobilising and delivering estate services at Meridian 1 and 2.
6. Delegate to the Meridian Water Programme Director (in consultation with the Director of Law and Governance) to finalise the constitutional documents of the Estate Management Company and other such matters as are necessary to (i) incorporate and register the company and (ii) facilitate the objectives identified in this report.
7. Approve the principle of extending a working capital facility estimated at £355k treated as a loan from the General Fund reflecting the estimated costs to be covered until such time as sufficient service charge income is generated and on the proviso a satisfactory Business Plan is submitted to demonstrate the loan can be repaid with interest, within a reasonable timeframe with no cost to the Council.

Reason for Proposal(s)

8. Meridian Water is a complex regeneration scheme being master planned across ten or more phases, with multiple partners involved. It aims to bring 10,000 new homes, 6,000 jobs, and a high-quality new neighbourhood woven through new green space

and existing waterways. Enfield Council through the Meridian Water team will oversee this mixed-use mixed tenure scheme, with homes and commercial space brought forward by the Council itself as well as by developers, investors and in partnership with Registered Providers.

9. The Estate Management and Place-keeping Framework combines the practical considerations of maintaining a good quality, built environment and public realm, alongside the need to build a coherent new community. This vision and its principles will be shaped and overseen by Enfield in its role as steward of the Meridian Water estate.
10. The Framework sets out the strategic direction for estate management across the entirety of Meridian Water, while making provision for the first phases being developed at Meridian 1 and 2. The principles and proposals set out within this report will subsequently be developed into a more detailed strategy that will be brought back to Cabinet later in 2022.
11. The core principles sitting behind the Estate Management and Place-keeping Framework are:
 - **Consistency of Standards** – must be based on industry leading best practice and focused on outcomes. Ensuring there is a consistent quality of standard across Meridian Water will achieve the Council’s requirement of a ‘tenure blind’ development.
 - **Affordability** – services must seek to deliver affordability to all residents and provide value for money.
 - **Safety** – the Building Safety Bill (due to be in force in 2023) and Fire Safety Act will apply and be incorporated into the estate management approach.
 - **Equality and diversity** – services and facilities will be accessible to all residents regardless of tenure or means and must reflect the diverse requirements of the community.
 - **Community wealth building** – services will seek to ensure local employment, skills and training opportunities either directly or through social value benefits in externally delivered contracts. Service providers must be committed to supporting training and development opportunities, and as far as possible service providers will be sourced locally.
 - **Performance and transparency** – management of Blocks will be monitored by the Estate Management Governance Board and action taken where performance doesn’t meet expectations.
 - **Environmental Sustainability** – services will seek to work towards the Enfield Climate Action Plan and Meridian Water Environmental Sustainability Strategy.
12. The proposed Estate Management and Place-keeping Framework can be summarised as:
 - Enfield Council will act as stewards, working in partnership with residents, development partners, stakeholders, and the voluntary sector.

- The Council will retain overall control of estate management through an internal senior officer Estate Management governance board that will report into the Meridian Water Executive Board. An estate management stakeholder group will be established to give residents and landlords a voice, this will report into the aforementioned Estate Management governance board.
- The expectation will be that the entirety of the Meridian Water public realm: roads, parks, bridges, squares etc will be adopted by the Council and managed by council officers except where it is not possible to do so (e.g. on Meridian 1 and 2).
- Active citizenship will be encouraged in order to achieve higher standards of management and maintenance whilst balancing affordability to the Council e.g. the establishment of a Meridian Water 'friends of parks' group.
- The Estate Management board will continue to review and refine adoption standards to balance quality standards with long-term affordability to the Council. This work could influence the approach for other new build developments.
- The Council will seek to work with strategic and local third sector and voluntary organisations to manage the Meridian Water public realm
- That all affordable housing blocks will be managed by either the Council, housing associations or a resident led appointment, and quality standards will be achieved whilst balancing affordability to residents.
- Private block managers will be encouraged to appoint local companies / council services.
- A Council established company will be established to run Meridian 1 and 2 in order to comply with contractual requirements, the performance of the company will be monitored by the Council.
- Any additional council roles that need to be created as Meridian Water grows will aim to be recruited locally

Relevance to the Council's Plan

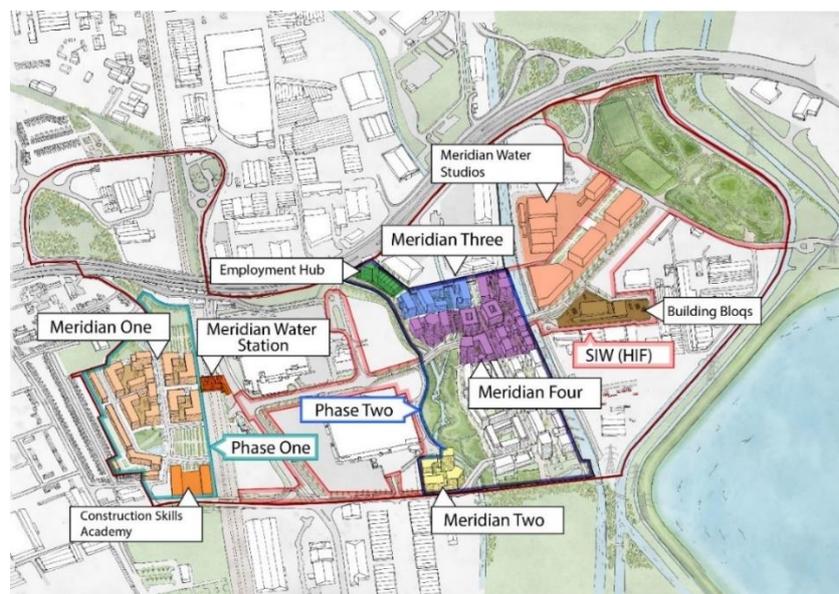
13. The Meridian Water Estate Management and Place-keeping Framework supports the delivery of the following Council Plan priorities:
 - Enfield Council Plan 2020-2022
 - Enfield Council Commercial Framework 2018
 - Enfield Council Economic Development Framework 2021
 - Enfield Council Green & Blue Framework 2021
 - Meridian Water Employment Framework 2020
 - Meridian Water Environmental Sustainability Strategy 2020
 - Meridian Water Reserved Matters Application for Phase 1a and Outline Planning Permissions for Phase 1 and Phase 2
14. The Estate Management and Placekeeping Framework supports the Meridian Water Employment Strategy, generating the need for employment on site, as well as offering the opportunity to deliver on wider objectives within the Meridian Water

Environmental Sustainability Strategy such as increasing resident recycling rates, promoting the circular economy, and reducing operational carbon emissions.

Background

15. Enfield Council has taken control of the vision for Meridian Water and is acting as master developer, in order to deliver 10,000 homes and 6,000 jobs across under-utilised brownfield and big box retail sites. This proactive approach to regeneration will see the Council partner with a mix of developers, investors and housing associations to deliver a high-quality mixed tenure, mixed use development, while ensuring maximum benefit for rate payers and residents.
16. Meridian Water lies in proximity to the North Circular and M11 roads, while also sitting next to Tottenham and Edmonton Marshes, and is bisected by two brooks, a canal and a flood relief channel for the River Lea. This mix of geographies needs to be planned for from an operational and management perspective, using available outline planning documents and approved plans for guidance. Partnership working with the Environment Agency, Canals and Rivers Trust, Thames Water and other statutory bodies will also be required, to collaboratively deliver consistent place management.
17. To date, Meridian Water has delivered a new rail station, a new Primary School, film studios, a music venue, affordable workspace and development partner Vistry are now on-site building homes at Meridian One. The team were successful in winning £170m funding from the Government's 'Housing Infrastructure Fund', to commence Strategic Infrastructure Works which will further unlock the site and deliver new roads and parks.
18. Whilst the report sets out proposals for the estate management of Meridian 1 and 2, with the Council making good progress to bring forward Meridian 3 & 4 this framework will be used to guide how those developments will be managed.

Figure 1: Illustrative plan of Meridian Water



Main Considerations for the Council

19. Meridian Water is a complex, multi-phased scheme which will evolve over the next 20+ years. Development begins in earnest in 2021, with planning for subsequent phases and sub-phases. As the programme gains momentum, it will be increasingly important that decisions relating to ongoing management of the site can be taken in good time.
20. The Estate Management and Place-keeping Framework will guide the preparation of the Meridian Water estate management strategy which will be brought back to Cabinet later in 2022. The Estate Management Governance Board will oversee the development of the strategy.
21. The Estate Management Governance Board will be chaired by the Director of Meridian Water and will include Director/HOS level representation from the following areas: Housing, Environment and Operational Services, Property and Economy, Legal and Finance.
22. This report seeks agreement for the principles of building flexibility and continual learning into the management of Meridian Water. As schemes go live and are actively managed, a feedback loop will be created in order to monitor and improve over new phases.
23. The first land at Meridian Water to be adopted and managed by the Council will be the strategic and infrastructure works. The cost of managing these new areas will fall to the Council but will be met by the increased council tax and business rate receipts, generated by the new homes and businesses. The management of these adopted areas will inform the management of future sites that will get adopted.

Meridian 1 and 2

24. Enfield has legal obligation to set up an Estate Management Company (EMC) as set out the Meridian 1 and 2 Development Agreements with Vistry (approved in Key Decision 4864 and Key Decision 4952). Under the Development Agreement the EMC must be in place by February 2022.
25. An Estate Management Company (EMC) is an entity set up to manage an estate beyond the apartment blocks. In the case of Meridian Water 1 and 2 it would maintain, repair, sweep and clean the carriageways and footways, green spaces, parks and play areas, ensure the estate lighting is working, manage bin collections etc. The estate has been designed at a higher specification than that which might usually be adopted, which is why it is necessary that the areas around Meridian 1 and 2 are not adopted.
26. The management of the public realm and green spaces around the new homes at Meridian 1 and 2 will act as the showroom for the entire project and Meridian 1 will be the gateway to the railway station. These developments will therefore set the quality standard for future developments at Meridian Water.
27. It is recognised that in the early days after completion of Meridian One and Meridian Two, the entirety of these developments may not be occupied, as sales and lettings start to build. The void properties will still generate a service charge and rate liability, both from a block and an estate perspective. Homes within the head lease of the

developer (and their housing association partners) will be their responsibility to fund. Homes (or commercial space) owned or managed by Enfield Council will mean the Council are the service charge and rate payers.

28. This report acknowledges the need for funds to cover these void charges until such time as the Enfield properties are occupied, along with the cost of employing an estate manager and setting up the EMC.
29. The performance of the EMC will be monitored by the Estate Management Governance Board and changes made if necessary.

Safeguarding Implications

30. There are no identified Safeguarding implications arising immediately from this report. Estate management functions will build safeguarding processes into their operations.

Public Health Implications

31. All estate management Employees, Contractors and Service Providers will be required to abide by relevant Health & Safety Regulations and government led Covid-19 advice.
32. The Estate Management Operational Plan will provide risk assessments for estate common areas situated close to waterways, in order to mitigate any risk.
33. Meridian Water will promote health and well-being, and enhance the natural environment. It will do this by creating 8.5 hectares of new parks for Edmonton, along with 1.2 hectares of growing space and 6.9 hectares of play space. This will be supplemented by new health and fitness provision, meaning Meridian Water will provide ample new opportunity for exercise, social interaction, and social prescribing within the community.
34. The delivery of the Meridian Water as a well-run estate will increase opportunity for safe active travel and use of public transport. By discouraging vehicular use throughout the development it will reduce emissions and improve air quality.

Equalities Impact of the Proposal

35. The Public Sector Equality Duty 2011 requires public authorities, in the performance of their functions, to have due regard of the need to:
 - Eliminate unlawful discrimination, harassment and victimisation and any other unlawful conduct in the Equality Act 2010
 - Advance equality of opportunity
 - Foster good relations
36. These aims will be embedded in the actions of the Estate Management Operational Plan.
37. Furthermore, Equality Impact Assessments are being undertaken prior to the set-up of the EMC to ensure all potential employees, contractors, residents and visitors are considered in relation to the delivery of equitable estate management. EqIA's will be reviewed and updated periodically.

Environmental and Climate Change Considerations

38. Through the Meridian Water Estate Management and Placekeeping Framework and the yet to be detailed Estate Management Strategy, climate change mitigation and environmental sustainability will be addressed through supporting the Meridian Water Environmental Sustainability Strategy including the following:
- Monitoring systems set up across blocks and the wider estate
 - Increasing biodiversity and reducing pollution levels which are key ambitions of the scheme both in design and operation
 - Supporting how sustainable lifestyle choices and low carbon behaviours are easy, affordable and attractive, eg. Active and Public transport, EV charging, incentives for energy efficiency and increasing recycling rates
- Investigation into renewable power contracts, 'Green' leases and water use reduction
39. Estate Management and Place-keeping activities at Meridian Water will generate opportunities for resident engagement and stewardship of the built and natural environment, working alongside procured services. This is expected to take place at the allotments and growing spaces, on residents clean up days, and in partnership with local 'Friends Of' groups, Waterways groups, and The Conservation Volunteers.

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

40. Legal risk - Inability to implement the Estate Management Company as outlined in the Development Agreement with Meridian One and Two developer Vistry, creating the potential for legal challenge for damages and potential financial penalties.
41. Reputational risk – if Meridian 1 & 2 are not managed to high standards it could deter partners on future sites and/or reduce land values.
42. Health & Safety risk – there needs to be specialist providers in place to conduct risk assessments and provide management plans, failure to do so presents a risk to residents, contractors, employees and visitors to the estate.

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

43. Risks remain but with the Council responsible for long-term stewardship there is the control to take corrective action.
44. Reputational risk – If the EMC does not manage the estate properly the Council may be blamed for things that the Council are not responsible for. The Reserved Matters Control and presence of Enfield Officers on the board will help manage this.
45. Financial risk – that council tax and business rates income is not sufficient in the early days to cover the cost of newly adopted areas.

Financial Implications

Summary – key impacts

46. The table below shows the key financial impacts known as at the date of this report on the Council and EMC cross referenced to supporting paragraphs. Further information around the proposed arrangement and financial implications are provided further below.

Item	Council impacts	EMC impacts	Para ref
Revenue account	<p>£488k expenditure over 5 years to 2025/26 for infrastructure costs for adopted element and company administration.</p> <p>Based on initial estimates only – possibility of further expenditure</p> <p>Potential for further costs if EMC unable to repay loan.</p>	<p>£623k expenditure over five years to 2025/26 for estate maintenance and admin</p> <p>Funded by loan from Council £355k</p> <p>Service charge income required to ensure loan from Council can be repaid and all costs can be covered</p>	55 - 57
Capital account	No impact	No impact	N/A
Debt	Council to loan EMC £355k with interest at 3½% p.a. to comply with State Aid rules	<p>EMC takes loan to cover working capital requirements of three years.</p> <p>Repayments + interest to be funded from service charges.</p>	61 - 63
Taxation	Advice required from VAT advisors to ensure relationships between entities set up correctly so VAT can be recovered.		64 - 66
All amounts are based on initial estimates which are subject to refinement as EMC is set up and relationships with Council and residents established together with lease conditions.			

Overview

47. Phases 1 and 2, consisting of 1,214 residential units, will be **unadopted**. EMC will be responsible for maintenance and upkeep of estate in return for service charge income from residents.
48. All remaining phases and units, residential and non-residential, would be the responsibility of the Council therefore **adopted**.
49. Early estimates indicate the cost of adopting all phases will be some £690k per annum (at current process) compared to an average of £110k for M1 and M2 over the first four years. As these are only provisional, these estimates are subject to potentially significant change.
50. Block Management Companies would have responsibility for invoicing and collecting service charges from residents and would assume the risk of uncollectable debts with the exception of HRA tenants in which case the Council's HRA collects these service charges then pays over to EMC, as currently done for managing agents at Electric Quarter. Service charges to HRA tenants appear within their total rent charged, and are typically considerably lower than charges to leaseholders.

51. For non HRA tenants EMC will invoice the small number of Block Management Companies and receive 100% of invoiced service charges thereby avoiding all risk of unrecoverable service charges; this income would offset the costs of estate maintenance, fund repayment of working capital support and other obligations with surpluses allowed to accumulate.
52. Council tax and NDR generated by residential and non-residential units have been estimated as these will have an impact on the Council's MTFP which will be submitted to Cabinet 9th February 2022.
53. It is not clear at this early stage if this income would be a net surplus or deficit for the Council as the magnitude and spectrum of Council services required for the scheme (Childrens' services, Adults Social Care, Maintenance etc) cannot be determined with sufficient accuracy.
54. Service charges cannot be accurately quantified until full cost information is available and charges are modelled through the service charge modelling process. The aspiration, however, is the service charges will be comparable to other estates within the Borough and comparatives are provided later in this section. Leases must expressly allow for service charges to be levied in respect of specific costs and the requirements of applicable legislation must be adhered to including consultation processes for major works in respect of which charges are to be recovered.

Revenue impact for General Fund

55. Estimated expenditure £441k (cumulative) over 5 years to 2025/26 made up of:
 - **Infrastructure and company administration £441k** – estimated from environmental services and judgemental estimates
 - **Loan not repaid in full** – the Council will provide temporary funding in the form of a loan (further details below) to the EMC until such time sufficient service charge income is being generated to fund expenditure and repay this loan to the Council with interest. The estimate of this loan is currently £355k based on 36 months cost exposure and interest is estimated at £47k over five years assuming an average borrowing rate of 3½% totalling some £400k. In the event the EMC cannot fully repay this the Council will incur a revenue cost equal to the outstanding amount therefore appropriate mitigations will be required to prevent this.
 - **Provision £nil** – a charge to General Fund is normally required under *International Financial Reporting Standard 9 Financial Instruments* where the Council Guarantees the liabilities of a subsidiary. In this case the guarantee is £1 as it has been assumed EMC will become self-sufficient after initial Council support. The core assumptions are
 - EMC will receive 100% of service charges with no risk of non-payment and
 - these will be more than sufficient to cover all operating costs and repayments to Council and any other entities for working capital support
 - Block Management Companies, which will carry out the invoicing and administration of service charges, will carry the risk of non-payment from residents and return 100% of service charges to the EMC
 - external contractors are satisfied that EMC has a viable and sustainable business plan which does not require further guarantees beyond the £1 already provided by the Council

- **Additional expenditure unquantified** – although initial expenditure has been identified, introduction of additional units and residents will result in additional costs for the Council which will be included once quantified.

Revenue impact for EMC

56. Estimated expenditure £623k (cumulative) over 5 years to 2025/26 fully offset by Council support £355k and minimum service charge income expectation £268k :

- **Operating costs £623k** – comprising estate maintenance and upkeep £243k and staffing / admin costs £380k
- **Short term working capital support £355k** – as above which will be repaid when sufficient service charge income is being generated. Treated as a loan as set out below.
- **Service charges £268k minimum required before loan repayment**– these can only be estimated once the full cost base has been established. Costs would be assigned to units on an acceptable and equitable basis in line with applicable service charge legislation which requires fairness and transparency before charges can be implemented. Under the proposed structure EMC would invoice a small number of Block Management Companies who in turn would be responsible for invoicing and collecting service charges from residents. The Block Management Companies would therefore carry the risk of non-payment, not the EMC, therefore there would no bad debt provision required.
- **Service charges £355k plus interest required** – additional charges to residents will be required equal to the Council loan support provided plus interest estimated at 3½% per annum. Legal advice indicates this can be legitimately charged to residents on proviso lease terms reflect these and it can be demonstrated the charges are fair and reasonable through the applicable consultation process. In the event the loan and interest cannot be repaid as a result of voids and/or residents’ inability to pay, alternative arrangements will have to be made to ensure there is no cost to the Council.

Revenue impact - Summary

57. Table below sets out the additional estimated costs and income where -ve (negative) denotes income and +ve (positive) expenditure. The cumulative impact on Council’s General Fund is given at the foot of the table and although this indicates a surplus, additional costs will materialise as referenced above.

Table 2: Indicative revenue budget impact (EMC and General Fund)

Indicative impacts on budgets £'000s	2021/22	2022/23	2023/24	2024/25	2025/26	Total
UNADOPTED ELEMENT (M1 & M2 1,214 residential units):						
Estate management/running costs*	55	154	146	138	130	623
Council support	-55	-154	-146	0	0	-355
To be met by EMC Serv Charges	0	0	0	-138	-130	-268
ESTATE MANAGEMENT COMPANY	0	0	0	0	0	0

ADOPTED ELEMENT:

Adopted element - Revenue expenditure	0	30	31	188	192	441
GENERAL FUND – GROSS COST	0	30	31	188	192	441

Unquantified costs :	A growing population places additional pressures on Council and adopted elements above represent a sub section of these new costs. These will be brought into the MTFP over a number of financial years.
*Annual estimated cost if <u>all phases</u> adopted £690k at 2021/22 prices	

Details provided in appendix

Affordability of service charges

58. As stated above, service charges will be calculated once full cost information has been received and proposed charges have calculated and consulted on in line with the terms of the leases, established practice and applicable legislation whilst ensuring the full cost of services is recovered.
59. The aspiration is the eventual service charges to tenants and leaseholders will be comparable to those approved by Council 2nd March 2021 (KD 5212) as part of the HRA Business Plan and Rent setting report.

Capital budgets

60. No impact on Capital expenditure for Council or EMC.

Debt

61. The Council will extend working capital support estimated at £355k over three years to the EMC as permitted by under paragraph 5.15 of the Council's Treasury Management Strategy Statement (TMSS) (KD5211) approved by Cabinet 3rd February 2021.
62. This will be reflected in the form of a loan as a debtor and creditor in the accounts of the Council and EMC respectively and carry interest at 3½% in line with the Council's average cost of borrowing.
63. In accordance with the TMSS the EMC will submit a Business Plan demonstrating the viability of the enterprise, ability to repay the loan and interest within prescribed time horizons and that the working capital support will not be used to support capital expenditure.

Taxation

64. Corporation tax – EMC would be liable in so far as its profits are chargeable net of reliefs and offset of tax losses arising elsewhere in Group as applicable.
65. Income tax – to be deducted at source on any interest and dividend payments where relevant.

66. VAT

- Service charges to tenants and leaseholders – these are exempt from VAT under (HM Revenue & Customs regulation ESC 3.18).
- Service charges to freeholders – these are normally standard rated at 20% in which case the Council can recover VAT incurred on associated purchases. EMC may voluntarily exempt these from VAT but this will result in the associated input tax becoming irrecoverable by the EMC.
- Charges to the Council – as the EMC would be providing a service to the Council any charges for these services will be standard rated and the Council
- HM Revenue & Customs state Estate Management Companies are often in breach of VAT regulations due to confusion around the source of taxable supplies and the relationships and structure of group entities. Specialist VAT advice will therefore be sought once the structure has been agreed to ensure compliance with VAT regulations and optimising utilisation of tax losses to minimise or defer Corporation Tax losses.

Council's Budget process

67. Provisional estimates and timing of expenditure will be required to feed into Council's Medium-Term Financial Plan (MTFP) which will go to Cabinet as indicated below:

Report to Cabinet	Date of meeting
Quarterly Revenue Monitoring Q2	8 th Dec 2021
MTFP Update, Draft 2022/23 Budget	8 th Dec 2021
Council Tax and Business Rates Collection Fund	19 th Jan 2022
Budget Report 2022/23 & MTFP 2022/23 to 26/27	9 th Feb 2022

Legal Implications

68. Enfield Council's legal team alongside Trowers & Hamblins LLP have been consulted throughout the development of this Framework in order to determine best approach and alignment with existing legal agreements such as the Head lease. Advice in drafting the articles of association for the Estate Management Company has been provided by Trowers & Hamblins LLP.

Legal Powers

69. The Council entered into the Meridian One Development Agreement with Vistry on the 12th December 2019 under which it is obliged to set up the Estate Management Company (EMC). There is a similar obligation in the Meridian Two Development Agreement entered into with Vistry on 19th October 2021.
70. Section 1 of the Localism Act 2011 provides local authorities with the power to do anything an individual may do subject to a number of limitations (this is referred to as the General Power). A local authority may exercise the General Power for its own purpose, for a commercial purpose and/or for the benefit of others.
71. The incorporation of EMC and making a loan to it would be an appropriate exercise of the General Power. Section 4 of the Localism Act 2011 requires that where a local authority exercises/uses the general power for a commercial purpose it must do this

through a company. Though the Council seeks not to lose money through these arrangements there is a reasonable argument that it is not acting for a commercial purpose. Its objective in incorporating EMC and lending to it is to further its policy objectives of delivering a new community at Meridian Water.

Fiduciary Duties

72. The Council's fiduciary duties could be briefly summarised as it acting as a trustee of tax and public sector income on behalf of its rate and tax payers. The Council in effect holds money but does not own it, it spends money on behalf of its business rate and council tax payers.
73. In making the decisions concerning the formation of the EMC [and loans to that body (and similar activities)] decision makers should give proper consideration to the risks and rewards of approving the proposals (and subsequently the final terms of the loan).
74. Consideration should also be given to whether the Council's involvement in this arrangement [(particularly the provision of the proposed loan)] is proportionate and the risks and costs are properly balanced against the anticipated benefit in furthering the policy of developing Meridian Water and increasing the housing supply; as well as consideration being given to the wider interests of the Council's local business rate and tax payers.
75. On a practical basis this means consideration should be given as to whether the monies requested for lending to EMC could be better used by the Council for the wider interests of its local tax payers. This should include considering the impact on the Council (and therefore its local tax payers) if EMC became insolvent or otherwise defaulted on any loan it takes from the Council.

Subsidy Control

76. It is envisaged that the Council will make a loan facility available to the EMC. Detailed legal implications will be provided in any subsequent authority report approving the terms of such loan. Subsidy Control replaced state aid in Britain from 11pm on 31 December 2020. The objectives of Subsidy Control and state aid are similar in that they seek to ensure that public funding/subsidies are efficient, further public policies and avoid distortion in competition.
77. The existing Subsidy Control requirements apply through section 29 of the European Union (Future Relationship) Act 2020 which incorporates subsidy provisions from an EU/UK treaty. The government has introduced the Subsidy Control bill which will, when enacted, provide a more detailed Subsidy Control legal framework.
78. A loan made on market terms would not give rise to subsidy. When the final terms of the loan are settled (prior to it being executed) officers should seek advice/evidence that the agreed terms are on market or alternatively on how they could structure any subsidy to be lawful.
79. The proposed EMC must adhere to the general principles and requirements of company law as set out in the Companies Act 2006 and associated legislation. The EMC will be established as a Company limited by guarantee.
80. The proposed EMC is only intended to be wholly owned by the Council for a transition period. The EMC's main task is to manage the estate at Meridian 1 and 2

in the interests of future residential and commercial property owners/investors and existing residents, together with managing costs on their behalf.

81. The Company is therefore unlikely to be considered to exist to meet 'needs in the general interest' and other tests set out for a 'body governed by public law' set out in paragraph 2 of the Public Contracts Regulations 2015. On that basis, it would fail to meet all the tests of it being a contracting authority and will fall outside of the Council's Contract Procedure Rules and Property Procedure Rules. Officers should monitor this to ensure this remains the case.
82. It is anticipated EMC will adopt a transparent and robust procurement Framework.
83. Any legal document entered into as a result of the authorities contained in this report (including the constitutional documents of the EMC) must be approved in advance by Legal Services on behalf of the Director of Law and Governance.
84. Any adoption of highways within the Meridian Water development will be subject to the relevant provisions of the Highways Acts and a matter for the Council in its capacity as Highways Authority.

Workforce Implications

85. The Estate Management and Place-keeping Framework has been developed in consultation with Officers from all areas of Meridian Water, along with valuable input from Council colleagues in Highways, Traffic & Transport, Public Realm, Parks, Housing, Property Services, Waste and Community Safety.
86. Senior Officers from Enfield will sit on the Estate Management Project Board, and where ongoing Project Management required this will be facilitated by a Meridian Water Regeneration Manager.
87. As further areas of Meridian Water be adopted (or managed through tendered contracts or Service Level Agreements), there will be additional workforce implications, to be detailed by the relevant teams as appropriate with an emphasis on local employment where new roles are created.

Property Implications

88. This is a Framework report which sets out the most appropriate way to manage the Meridian Water estate via an arms-length company. It will manage the estate for the benefit of all, in accordance with the Articles of Association which will enshrine Enfield's goals relating to environment, sustainability, and a place to live and grow.
89. Further documents and contracts will flow from this Framework which will have detailed property implications, and each will require comment by Strategic Property Services in due course. This will ensure alignment with the Council's Property Procedure Rules, Strategic Asset Management Plan, other relevant property policies, and best practice in estate management.

Other Implications

None to note.

Alternative Options Considered

90. Option 1: Do nothing.
91. This is not an option as Meridian Water will require multiple levels of management to ensure a safe and pleasant environment for residents and visitors. A management plan is a contractual obligation with the developer, and the management of the estate as it currently stands sits within the Meridian Water team, therefore a precedent is set.
92. Option 2: Run all estate management for Meridian Water directly from Enfield, without an EMC in place. As Meridian One and Meridian Two are to be private estates this would require consent from the developer and internal agreements within the Council to deliver services. It is unlikely that Vistry would provide consent for a number of commercial reasons, including the risk to sales.
93. This is not an option as it runs contrary to the commercial position presented when developers were invited to bid for the opportunity. The establishment of an Estate Management Company was written into the Development Agreement and Head leases.

Conclusions

94. This Framework sets out a strong set of principles that will guide the management of Meridian Water for years to come. The Council will act as long-term stewards of the Meridian Water estate working in partnership with stakeholders, residents, the voluntary sector and private sector partners.
95. The preparation of the ensuing Meridian Water Estate Management Strategy will enable the principles within this report to be developed into a more detailed set of proposals, that can be considered by Cabinet later in 2022.

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Date of report: 2nd November 2021

Appendices

- Appendix 1: Meridian 1 and 2 EMC & Adoption overview
- Appendix 2: Legislative Context
- Appendix 3: Confidential Appendix Financial Impacts
- Appendix 4: Confidential Appendix Service Charge benchmarking
- Appendix 5: Confidential Appendix DRAFT Estate Management Operational Strategy
- Appendix 6: Confidential Appendix DRAFT EMC Articles of Association

Background Papers

The following documents have been relied on in the preparation of this report:

- Key Decisions 4864 & 4952 for Meridian 1 and 2/Subsequent Development Agreements
- Meridian One/Meridian Two Draft Head lease
- Phase 2 Design Code
- Phase 1a Landscape specification