

London Borough of Enfield

Regeneration and Economic Development Scrutiny Panel

Meeting Date: 2 February 2022

Subject: Meridian Water – Strategic Infrastructure Works (HIF)

Cabinet Member: Leader of the Council – Nesil Caliskan

Executive Director: Executive Director Place – Sarah Cary

Purpose of Report

1. The purpose of this report is to provide an update to the Regeneration and Economic Development Scrutiny Panel on the progress made to deliver the Strategic Infrastructure Works.

Relevance to the Council Plan

2. The Strategic Infrastructure Works are a key element to unlock the development of Meridian Water and contributes to the priorities of the Council's Corporate Plan:
3. *Good homes in well-connected neighbourhoods*
The delivery of the Strategic Infrastructure Works will unlock new housing development in Meridian Water and ensure that the key pieces of strategic infrastructure are in place to provide access to the development zones and connect them to the new Station, as well as improve east-west connectivity across the site.
4. *Safe, healthy and confident communities*
The Strategic Infrastructure Works include the delivery of green spaces and connections to existing green spaces in the Meridian Water area, thereby enhancing the value of the local green infrastructure for existing and future communities in the area.
5. *An economy that works for everyone*
The delivery of Strategic Infrastructure Works will unlock the Meridian Water area and significantly increase accessibility of the site. It is expected that increased accessibility will support local businesses, as well as attract new jobs and business growth in the area, supporting Enfield residents and the local economy.

Background

6. In December 2018 the Council submitted a bid to the Department for Levelling Up, Housing and Communities (DLUHC, former MHCLG) for the

Housing Infrastructure Fund (HIF) to deliver the first phase of strategic infrastructure works in Meridian Water. The Strategic Infrastructure Works comprise of rail enhancement works amounting to a value of circa £54m (HIF Rail Works) and strategic road and flood alleviation works for a value amounting to circa £116m (HIF Street Works).

7. Following the announcement that the Council successfully secured HIF funding in August 2019, the Council negotiated the terms of the Grant Determination Agreement (GDA) and on 30 October 2020 the Council entered into the GDA with DLUHC for an increased total amount of £170mil.
8. Key Milestone dates in the GDA are set out in the table below. Extension are currently being negotiated with DLUHC for the dates highlighted. These extensions do not impact the practical completion date.

Key Milestone	Date	Forecast / Actual
Date of Planning Approval Street Works	22/07/2020	22/07/2020
Contractor Appointment Street Works (PCSA)	16/03/2021	16/03/2021
CPO Confirmation	30/09/2021	22/07/2021
Start on Site Street Works	31/01/2022	30/06/2022
Contractor Appointment Rail Works	31/01/2022	30/06/2022
FBC approval Rail Works	31/03/2022	31/03/2022
Start on Site Rail Works	31/01/2023	31/01/2023
Practical Completion Rail Works	31/03/2024	31/03/2024
Practical Completion Street Works	31/03/2024	31/03/2024
Rail Works operational*	31/09/2024	31/09/2024

*The operation of the rail works is subject to a timetable change which the rail operator will be managing.

9. The HIF funding is subject to an Availability Period, which ends on 31 March 2024. This means that all costs funded by HIF money must be incurred before 31st March 2024. If the works run beyond 31st March 2024 and cost are incurred after this date, the Council will not be able to recover the cost of these works.
10. Therefore, a proactive strategy was adopted to initiate work that was on the critical path for completion by March 2024 prior to entry into the GDA, such as land assembly and main contractor procurement.
11. In line with this approach, Cabinet authorised (KD4832) a Compulsory Purchase Order (CPO) in January 2020 for the acquisition of land and rights required to deliver the HIF Street Works at Meridian Water.

12. In September 2020 Cabinet authorised (KD5181) the entry by Council into a contractor framework agreement and the entry into a Pre-Construction Services Agreement (PCSA) in relation to the delivery of the HIF Street Works.

Main Considerations for the Panel

Compulsory Purchase Order (CPO)

13. On 22 July 2021, the Planning Inspectorate wrote to the Council with the Inspector's decision that the Compulsory Purchase Order had been confirmed, without modification. Notice of confirmation in respect of this decision was served and published on 1 September 2021, with notices also erected on site, in respect of plots with unknown interests.
14. The Council is currently in process of implementing its Compulsory Purchase Powers through a general vesting declaration, which automatically vests title in the land with the Council on a certain date. The Council will obtain ownership off all land required to deliver the HIF Street Works ahead of the Construction start on site.

Main Contractor Appointment – HIF Street Works

15. Following Cabinet authorisation (KD5181) the Council procured a Framework Agreement with the value of £135mil to deliver the HIF Street Works and the Council appointed three contractors onto the framework. The Framework Contractors are:
- VINCI Construction UK Limited;
 - VolkerFitzpatrick Limited;
 - BAM Nuttall Limited.
16. The framework agreement allows the Council to call-off services and works under pre-construction services agreement (PCSA) and then NEC works contracts as and when required. Procurement and contract approach were approved under delegation of Cabinet (KD 5085 / KD 4782).
17. The Council negotiated a single Pre-Construction Service Agreement (PCSA) with the first ranked framework contractor (Vinci Taylor Woodrow) for pre-construction services required for the delivery of HIF Street Works and the agreement was entered in March 2021.
18. PCSA period was envisaged to last 12 months, however due to delays in the design development by the contractor, it is expected that the PCSA end date will be pushed out by three months until June 2022. To mitigate risk of this delay on the completion of the works, the Contractor is seeking to progress enabling works during the final months of the PCSA period. A decision to instruct the enabling works will be taken under delegated authority in February / March 2022.

19. As part of the Pre-Construction Services Agreement, the Contractor is in the process of procuring all work packages with specialist subcontractors. Following the completion of this procurement exercise by the Contractor, negotiation will take place between the Council and the Contractor to agree final prices for the delivery of the main works.
20. If prices can be agreed with the Contractor it is envisaged that the Council will enter into an NEC 4 Construction Contract with first ranked framework contractor (Vinci Taylor Woodrow) in May 2022, aiming for a start on site in June 2022 and completion in March 2024.

Progress Rail Works

21. The HIF Rail Works progress in line with the Network Rail developed GRIP (Governance for Railway Investment Project) process. The Council has successfully completed GRIP 2 design (feasibility) and is awaiting Network Rail (NR) approval of the GRIP 3 design (option selection) expected in February 2022.
22. In parallel to the GRIP design process, the project team is progressing the approval process with the Department for Transport (DfT). On 14th of July 2020, the DfT's Rail Infrastructure Board approved the Outline Business Case for the HIF Rail Works.
23. Full Business Case is nearly complete and is due to be submitted to the Department of Transport in January 2022, aiming for approval by the DfT's Rail Infrastructure Board in March 2022. DfT approval will clear the way for delivery of the works, subject to NR sign off subsequent GRIP stages and successful procurement of a rail contractor.
24. The Council started the procurement of a rail contractor in summer of 2021 through a restricted OJEU procurement process. Early January, the tender responses were received, and the Council is currently in the process of evaluating the tenders, with the aim to appoint the successful contractor in June 2022. The works are envisaged to start on site early 2023.

Discharge of Conditions Precedent

25. Under the GDA the Council is required to fulfil a set of conditions precedent. The first set of conditions (pre-commencement conditions) have been satisfied prior to entry into the GDA. Discharge of these conditions enabled the Council to claim all historic expenditure incurred in the period between submission of the Expression of Interest (September 2017) and entry into the GDA (October 2020), as well as preliminary expenditure, covering all cost up to the start on site.
26. To date the Council has successfully claimed all expenditure in the period between September 2017 and September 2021 amounting to about £15m and continues to claim expenditure in arrears on a quarterly basis.

27. In addition, there is a set conditions precedent to claims for the actual works (pre-draw down conditions) which constitute of more than 80% of the total HIF funding amount. In summary, these conditions require the Council to evidence that necessary approvals and consents (planning, CPO, statutory stakeholder approvals) are in place to commence the construction of actual works.

28. In November 2021 the Council submitted the evidence to DLUHC to satisfy the pre-draw down conditions. DLUHC is reviewing all evidence submitted and is expected to confirm discharge of pre-draw down conditions in February 2022, ahead of start on site of the main construction works.

Programme

29. A high-level programme is attached to this report.

30. In summary the timescales for delivery by March 2024 remain very challenging. The team have an excellent working relationship with DLUHC and there is regular discussion on budget and programme challenges. Although theoretically possible the LBE project team are of the view that it is unlikely the project can be delivered within the existing timescales and so have commenced planning for alternatives and commenced discussions with DLUHC on the mechanics of how this might work.

Budget

31. The HIF award of £170m comprises of:

HIF work	Sum	Budget position
Rail works	£54m	Forecasting within budget
Street works	£116m	Abnormal inflation conditions and other usual pressures have created pressure on the budget. Mitigation involves value engineering and rescoping of works which are expected to bring the works back within budget
Total	£170m	

Key Risks

32. The top 4 risks and mitigating actions across the HIF programme are listed below.

33. **Risk:** Programme slips outside the HIF Availability Period (31/03/2024), resulting in the Council not being able to recover the cost.

Mitigation: Progress early works for both HIF Rail and Street Works to keep both projects on the critical path.

HIF Street Works Contractor implemented a two-phased procurement process to optimise the programme and obtain early prices back from the market.

HIF Rail Works Design Development programme optimised and extensive liaison ongoing with rail stakeholders to smoothen the approval process.

Start early conversation with DLUHC to explore extension of the availability period past March 2024.

34. **Risk:** Unable to deliver the HIF Street Works within the funding envelope (£116m).

Mitigation: Work with the Contractor delivering the works to seek cost savings and efficiencies.

Identify de-scoping items and potential alteration to the specifications that could be instructed to bring the project back in budget

Start early conversation with DLUHC to explore increase of the funding envelope.

Exploring options to share inflation risk with contractor or DLUHC

35. **Risk:** The contractor's HIF Street Works design is complex and involves several external partners and regulatory bodies including the Environment Agency and LB Haringey. The design is not sufficiently mature and coordinated, resulting in programme delays and budget pressures

Mitigation: Working through design solutions in coordination with Contractor and Retained Design Team to confirm the preferred design solution ahead of agreement of final price for the works.

Realigned procurement process to allow design development to progress in parallel with procurement.

36. **Risk:** Failure to obtain approval for HIF Rail Final Business Case (FBC)

Mitigation: Intensive key stakeholder management by LBE with stakeholders. Ongoing discussions with DLUHC to understand how any delay to the FBC approval can be mitigated and strategies put in place. Utilising government's relationship with the relevant partners and regulatory bodies.

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Date of report: 24 January 2022

Appendices

- HIF Programme

Background Papers

n/a

Appendix 1: HIF Programme

