

***Please note Part 2 report is now confidential appendix.***

## **London Borough of Enfield**

### **Operational Report**

**Report of: Director of Development – Peter George**

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**Subject: Letting of 4 Anthony Way**

**Executive Director: Place – Sarah Cary**

**Ward: Upper Edmonton**

**Key Decision: 5477**

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### **Purpose of Report**

1. The purpose of the report is to seek authorisation to enter into an Agreement for Lease and Lease with the preferred bidder (Bidder 1) for 4 Anthony Way.
2. The key objective behind the marketing of this property, by the Council's property agents Eddisons and their meanwhile use property consultants AND London was to secure a suitable tenant that would provide a significant income and support the regeneration scheme.
3. The most recent marketing, which was the second time this property has been marketed in the last six months, took place from March 2022 to May 2022. This resulted in several bids being received.
4. A panel of four Council officers, including officers from the Meridian Water and Property Team, assessed the bid submissions and supporting documentation.

### **Proposal(s)**

5. Following the open marketing process, this report recommends that the Council grants a 10 year lease (with a break at Year 7) to Bidder 1 and that the Executive Director of Place delegates authority to the Director of Development to:
6. Approve the final version of the Heads of Terms. The draft terms are attached at Annex 1 to the Confidential Appendix.

7. Enter into an Agreement for Lease with Bidder 1 for 4 Anthony Way, in a form approved by the Director of Law and Governance
8. Enter into a lease with Bidder 1 for 4 Anthony Way based upon the final agreed terms and in a form approved by the Director of Law and Governance.

### **Reason for Proposal(s)**

9. **Regeneration and Employment.** Bidder 1's proposal has a good strategic fit with the Council's Local Plan, and with Meridian Water's emerging policies. With respect to the Edmonton Leaside Area Action Plan (ELAAP), it delivers against Policy EL2 (Economy and Employment in Meridian Water) that stipulates that proposals should demonstrate that they support "opportunities for creative and cultural industries, digital and media, ecommerce, pharmaceuticals and high value engineering sectors...". This policy also states: "Where appropriate, the Council will explore and support meanwhile uses, in existing buildings or temporary structures for the development of new types of employment".
10. Bidder 1's proposal could deliver up to 71 jobs and their bid demonstrated commitment to ensuring these jobs were paying the London Living Wage.
11. The bid also gave a commitment to hiring an inclusive workforce, as well as providing training opportunities via workshops and ensuring that their creative tenants register with the government's Kickstart program (offering jobs to 16 – 24 year olds on Universal Credit).
12. This proposal therefore strongly accords with the **Employment Strategy**, as it will be directly contributing to the objective of delivering 1,000 meanwhile jobs across Meridian Water, and it promotes some of the Strategy's target growth sectors of culture, media and the creative industries.
13. Finally, it squarely delivers against the Meridian Water placemaking pillar: Your Place to Make and Create.
14. **Placemaking.** Bidder 1's proposal will have a positive impact in raising the profile of Enfield and making Londoners aware of Meridian Water as a destination for leisure. The proposal will also provide synergies with some of the other strategic neighbouring tenants, namely Building Bloqs and Troubadour Theatres.
15. **Financial.** The proposed letting will generate a significant rental income and also deliver savings related to building works, security and Business Rates expenditure. ***Further details provided in the Confidential appendix.***

## **Relevance to the Council's Plan**

### **16. Good homes in well-connected neighbourhoods**

This proposal provides a positive boost to the emerging residential neighbourhood of Meridian Water, including Meridian 1a where over 300 homes are due to complete in 2023/4, Meridian 1b where a further 676 received detail planning consent in October 2022 and Phase 2 (on the opposite side of the canal) where over 2,000 homes have outline consent. The outward-looking and placemaking-focus of this proposal will further soften the industrial uses in the area, making the neighbourhood safer and more vibrant for people and families moving into Meridian Water from next year.

### **17. Sustain strong and healthy communities**

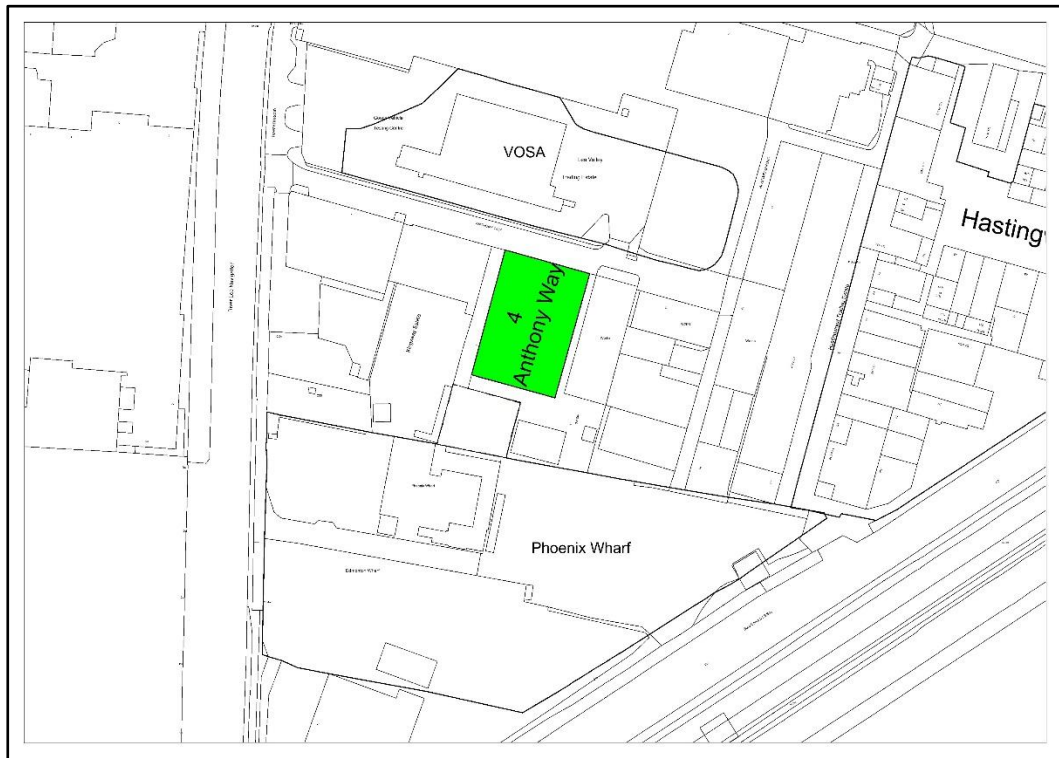
The proposed tenant would return a now vacant building to productive use and build on the economic improvement of this part of Meridian Water. This proposal to create a business hub accommodating several small businesses and fostering positive economic activity which help lift the overall environment of Anthony Way and the east bank (which suffers from crime, fly tipping and antisocial behaviour). Bidder 1 will deliver on its proposal, as demonstrated by its track record elsewhere to promote social inclusion, improve mental health and deliver community outreach.

### **18. Build our local economy to create a thriving place**

Bidder 1's proposal would positively impact the local economy at a time when economic activity is declining. It would allow the Council to realise a variety of benefits, including providing well paid jobs and training opportunities. Further details on the Regeneration, Employment, Placemaking and Financial benefits are provided in Section 3 above. The proposal delivers on one of Meridian Water's placemaking pillars: Your Place to Make and Create.

## **Background**

19. Meridian Water is the Council's flagship regeneration programme, with plans for 10,000 new homes and thousands of new jobs delivered over the next 20 – 25 years.
20. The Council acquired this property from Viewhill Ltd in November 2018 for £2m, with a tenant in situ (Building Bloqs).
21. Building Bloqs have operated their creative maker workspace from this location up until they moved this across the road to the VOSA site, after which this property was used for film set production.
22. The lease to Building Bloqs has recently expired and the property is currently vacant.



23. The property was originally marketed in October 2021 for a period of 8 weeks. The bids received were either below expected market value or lacked compliance with planning policy.
24. Therefore, it was deemed necessary to re-market the property. It was marketed for a further 8 weeks and following this, five bids were received.

### Evaluation

25. The bids were evaluated using the criteria 55% price and 45% quality. It is important the Council obtains a significant rental income from this site to help meet it's current meanwhile income target.
26. A panel of four Council officers, including officers from the Meridian Water and Property Team, assessed the bid submissions and supporting documentation. The panel were asked to go through each proposal and score element that met the price criteria and required quality criteria. In terms of the price criteria, bids were evaluated against the highest price offer.
27. In respect to quality, the bids were evaluated based against **'The Evaluation Criteria (Confidential Appendix Annex 2)**.
28. The quality elements above reflect the aspirations and vision for the Meridian Water project as set out in the Meridian Water place booklet, the Meridian Water Employment and Sustainability Strategies, as well as the planning

guidance note that was commissioned from Avison Young to assist potential bidders submit planning compliant proposals.

29. The overall bidder scores were as follows:

<b>Bidder</b>	<b>Quality Score (45%)</b>	<b>Price Score (55%)</b>	<b>Total Score</b>
Bidder 1	31%	53.07%	84.07%
Bidder 2	21.5%	55%	76.5%
Bidder 3	32.5%	16.5%	49%
Bidder 4	18.5%	5.58%	24.08%
Bidder 5	9.5%	5.18%	14.68%

30. The evaluators feedback indicated that Bidder 1's bid won overall on quality, with particularly strong responses on Social Value relating to local employment and commitment to hiring an inclusive workforce and paying the London Living Wage.
31. Bidder 2's proposal provided much less commitment on social value, missed some key details and understanding of the area and showed little commitment to environmental sustainability.
32. Bidder 3's proposal provided a strong commitment on social value but demonstrated limited understanding of the surrounding strategic infrastructure works and also provided a relatively weak financial offer.
33. Bidder 4's proposal aligned with the existing use class of the building and some synergy to some of the current tenants at Meridian Water but otherwise provided a relatively weak social value and financial offer.
34. Bidder 5's proposal aligned with the existing use class of the building but demonstrated little commitment to the social value, employment and place making aspirations of the Meridian Water regeneration scheme.

### **Main Considerations for the Council**

35. *Details provided in the Confidential Appendix.*

### **Safeguarding Implications**

36. Not applicable.

### **Public Health Implications**

37. Income from this work will support the Council's financial position and therefore help to safeguard services to residents. The impact of events / activities at the actual venue are difficult to evaluate until it has been determined what they are.

### **Equalities Impact of the Proposal**

38. In line with the Property Procedure Rules letting of Council property does have to be primarily assessed against best value (price). However, there were also quality criteria in this assessment including one relating to equality asking if the prospective tenant could give a commitment to hiring an inclusive workforce that represents the diversity of the area. The preferred tenant provided a strong response including for example committing to a producing and implementing an Equality and Diversity Policy. Even though the scope of this project is limited, we are trying to ensure that it meets equality and diversity requirements, particularly by demonstrating there would be a zero tolerance approach to discrimination and that no group with a protected characteristic would be adversely affected by this letting and therefore best ensuring compliance to the Public Sector Equality Duty. A EqIA screening form has been completed for this report.

### **Environmental and Climate Change Considerations**

39. The tenancy proposals were evaluated partly on the basis of environmental sustainability criteria. Bidder 1 scored the highest of any bidder on this question, citing their sustainability credentials at other sites. With respect to this project, they were particularly strong on the climate positive workstream, by giving specific example of how they will reduce energy consumption by using infrared panel heating. On the Zero Waste & Circular workstream, they were also strong advocating the use of reclaimed and salvaged materials in the fit out of their space and committing to a minimal use of plastic in the operations of one of their subtenants – the distillery. Taken together, this proposal is expected to make a positive contribution towards the Council's target of reaching carbon neutral by 2030.

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

40. These would relate to the risks associated with vacant property and the expenditure incurred to secure this, as well as the expenditure relating to business rates charges.
41. If the property were to remain vacant for more than six months, the Council would be liable for the Business Rates, which based upon this financial year's figures would be £8,299.20 per annum (equating to £691.60 per month).
42. If the property were to remain vacant then there is a risk that it could be targeted by squatters or broken into. Early this year, there were 2 security breaches at the vacant Orbital Business Park and in 2020 there was a security breach on the Teardrop site when that was vacant. Therefore, the Council would need to continue to ensure that suitable security provisions are in place.

43. If the property was to remain vacant there is also the risk that it falls into disrepair. Some repairs are currently being undertaken as part of a package of essential landlord works, however further works are likely to be needed and Bidder 1's proposal includes a package of tenant works that they would undertake.
44. If the property were to remain vacant for a prolonged period, there is a risk that the Meanwhile Income targets that have been set would not be met and this could impact the wider Meridian Water property portfolio and council revenue budgets.

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

These include the following:

45. **Risk:** Tenant is unable to pay their contractual rent
46. **Mitigation:** The Council's Property Managing Agent (Eddisons) have undertaken financial due diligence on this prospective tenant and have recommended that a suitable deposit, equivalent to six months rent is obtained initially.
47. **Risk:** The tenant does not secure planning consent
48. **Mitigation:** We understand that Bidder 1 is advanced in the preparation of a planning application, has employed the services of a planning consultant and we know that they have had positive conversations with the local planning authority at pre-application stage. In terms of mitigation should this risk occur, the Agreement for Lease will contain a long stop date by which time planning needs to have been secured in order to meet the condition to enter into the lease. If by this time planning has not been obtained Bidder 1 can either enter into a lease on the basis of consented existing planning use, or will have to forfeit occupation. Should the tenancy fall through, the Council can approach the reserve bidder(s) to progress discussion to enter into a lease. Ongoing market intelligence from the Property Managing Agent suggests that demand is still high for the property.

***Further details provided in the Confidential appendix.***

**Financial Implications**

49. ***Please see details provided in the Confidential appendix***

**Legal Implications**

50. Section 123 of the Local Government Act 1972 gives a power of sale or leasing to Councils. Pursuant to this section, the Council has a statutory duty to achieve best consideration (save for tenancies of less than seven years).

Flexibility is afforded by virtue of the General Disposal Consent 2003, which permits the Council to dispose of land at less than its market value, without the need to seek specific permission from the Secretary of State, provided that (i) the purpose for which the land is to be transferred is likely to contribute to the 'promotion or improvement' of the economic, social, or environmental well-being of the area; and (2) the difference between the market value of the land and the actual price paid for the disposal (if any), is not more than £2,000,000.

51. Any disposal of property must also comply with the Council's Constitution, including its Property Procedure Rules which set out mandatory procedures regarding (amongst other things) the acquisition, management and disposal of property assets.
52. The Council also has a general power of competence under section 1(1) of the Localism Act 2011 to do anything that individuals may do, provided it is not prohibited by legislation. A local authority may exercise the general power of competence for its own purpose, for a commercial purpose and/or for the benefit of others. This power encompasses the power for the Council to enter into contracts.
53. Public law principles will apply to the decisions made by the Council, including the Council's duty to take account of its fiduciary duty and to act prudently. The Council is also under a general duty to act reasonably and show that its decisions are made after having given due and proper consideration to all relevant factors.
54. Any legal agreements arising from the matters described in this report must be approved by Legal Services on behalf of the Director of Law and Governance
55. The Council is required to act in accordance with the Public Sector Equality Duty under section 149 of the Equality Act 2010 and have due regard to this when carrying out its functions.
56. The proposals contained within this report are within the Council's powers and duties.

### **Workforce Implications**

57. There are no direct workforce implications from letting this property.

### **Property Implications**

58. The Strategic Property Services Team have reviewed the report and confirm that the property implications are found throughout the report.

### **Other Implications**

59. The Risk Management Team and Procurement Team have also been shown this report but had no comments.



## Options Considered

60. **Not letting the property.** This is not recommended as the Council would have a property asset that is not currently required for development that is not generating rental income, whilst still incurring expenditure related to security and business rates.

*Further details are provided in the Confidential Appendix (Part 2 report).*

## Conclusions

61. It is recommended that the Council enter into an Agreement for Lease with Bidder 1, allowing them to occupy the premises, undertake an agreed schedule of works and proceed with making a full planning application for any sui generis uses, which if successful will allow them to enter into the longer term (10 year) lease.
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## Appendices:

**Confidential Appendix (Part 2 report).**

## Background Papers

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

N/A