



London Borough of Enfield

Title:	Meridian Water One – Appropriation of homes from the General Fund to the Housing Revenue Account
Report to:	Leader of the Council
Date of Report	24 July 2023
Cabinet Member:	Leader of the Council, Cllr Nesil Caliskan
Directors:	Sarah Cary, Executive Director of Housing, Regeneration and Development Joanne Drew, Director of Housing and Regeneration
Report Author:	Abdul Qadir Qureshi (Development Surveyor)
Ward(s) affected:	Upper Edmonton
Key Decision Number	KD 5534
Implementation date, if not called in:	15 August 2023
Classification:	Part 1 & 2 (Para 3)
Reason for exemption	Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Purpose of Report

1. Cabinet approved commencement of the construction project in partnership with a Developer on 16th October 2019, KD 4864, which at the time included 230 new build homes, with the appropriation of the homes from the general fund to the housing revenue account left to a future report (i.e., this Report).
2. Following that approval, additional affordable homes are anticipated to be constructed by the Developer subject to planning. Cabinet approved (KD 4864) the acquisition of 25% of the total homes delivered set at London Affordable Rents (LAR) under the Development Agreement. The recommendation is therefore to note the acquisition of the additional 12 London Affordable Rented homes acquired by the Council (into the General Fund). This makes the total 242 homes. The additional costs of this purchase over the Cabinet 2019 approval of 230 homes is budgeted for and is covered in the confidential Appendix A.
3. The homes are no longer required by the General Fund (GF) for the purpose for which they were held immediately before the appropriation. They were built with the intention of transferring them to the Housing Revenue Account (HRA) as affordable housing and to be let as London Affordable Rent homes.
4. This report seeks approval to appropriate the first 20 homes on a leasehold (freehold held by the Council in the GF) due to be practically completed in August 2023 in block E1.1 edged red on the plan in Appendix 4, which are currently held for planning purposes within the GF to housing purposes.
5. This report seeks approval to appropriate the subsequent 99 homes that are expected to be handed over by end of 2024 following practical completion for blocks E1.2, A1.2, E2.1, E2.3 and E2 in Appendix 1, which are currently held for planning purposes within the GF to housing purposes HRA.
6. The report also seeks approval to delegate to the Director of Housing and Regeneration, in consultation with the Director of Finance (Capital), to appropriate the 99 homes including the balance of the 123 homes in blocks B2 and C2 and to agree the redline plans, their final certified value and timing of when the appropriation is to take place. These blocks are in Phase 1b which is being redesigned to accommodate requirement for second staircase in the proposed towers. Appropriation at this time would be pre-emptive as this phase does not have planning consent and will not be built out until 2025 and 2027.

Recommendations

- I. Note a further 12 London Affordable Rented homes have been acquired by the Council (General Fund).
- II. Approve appropriation of the first 20 leasehold property due to be practically completed in August 2023 in Blocks E1.1 and edged red on the plan in Appendix 4 which are currently held for planning purposes within the General Fund (GF) to Housing Revenue Account (HRA) for housing purposes for a value no greater than £6.5m.
- III. Approve the delegation of authority to the Director of Housing and Regeneration, in consultation with the Director of Finance (Capital), to agree the redline plans and timing of when the appropriation is to take place of the subsequent 99 units that are expected to be handed over by end of 2024 following practical completion Blocks E1.2, A1.2, E2.1, E2.3 and E2 (Drop in) which are currently held for planning purposes within the General Fund (GF) to housing purposes Housing Revenue Account (HRA).
- IV. Approve the delegation of authority to the Executive Director of Housing, Regeneration and Development, in consultation with the Director of Finance (Capital), to appropriate the homes including the balance of the 123 homes in B2 and C2 and to agree the redline plans and timing of when the appropriation is to take place.

Background and Options

7. In 2019, Cabinet approved the Council (General Fund) to enter into contract for 230 affordable homes with Vistry Partnerships as part of Meridian Water scheme, KD 4864. It is intended these, and any additional affordable homes that are built for the Council, are transferred from the General Fund to the Housing Revenue Account (HRA) by appropriation.
8. Following that approval, additional affordable homes (which are part of the 41 homes in Block A1.2) have been constructed. Cabinet approved (KD 4864) the acquisition of 25% units set at London Affordable Rents (LAR) under the Development Agreement. The recommendation in this report is therefore to note the acquisition of the additional 12 London Affordable Rented homes acquired by the Council (into the General Fund). This makes the total 242 homes. The additional costs of this purchase over the Cabinet 2019 approval of 230 homes is budgeted for and is covered in the confidential Appendix A.
9. The transfer is expected to take place once the decision to appropriate from the General Fund to the HRA has been made by the Director of Housing and Regeneration in consultation with the Director of Finance (Capital) following approval of this report.
10. Countryside Partnerships (Vistry Partnerships) were appointed as the developer on Meridian One and Meridian Two at Meridian Water. They are currently on site and building homes.

11. A plan showing the site and the location of the blocks and land is attached in Appendix 1, which includes the redline boundary of Estate/area of Head Lease to the Developer.
12. Appendix 2 shows the original Tenure Plan for the Estate.
13. Appendix 3 shows the Meridian One: Process for Council Housing Assets (flowchart).
14. Appendix 4 shows a Plan of the initial blocks and land to be appropriated.
15. The accommodation mix (Table 1) and the anticipated dates for practical completion of the affordable homes (Table 2) to be appropriated to the Council is outlined in the table below:

Table 1 – Affordable Accommodation Mix of Homes to be Appropriated to the HRA:

Phase 1a			Phase 1b			Total Phases 1a & 1b		
	LAR	%		LAR	%		LAR	%
Studio	0	0	Studio	0	0	Studio	0	0%
1b	45	38%	1b	0	0%	1b	45	19%
2b	21	18%	2b	55	45%	2b	76	31%
3b	28	24%	3b	67	54%	3b	95	39%
4b	25	21%	4b	1	1%	4b	26	11%
Total	119	100%	Total	123		Total	242	Units
Total %	40% of total unit mix		Total %	18.20% of total unit mix		Total %	24.77% of total unit mix	

Table 2 – Blocks to be Appropriated by Phase, Completion and Handover Timescales:

NB: The target dates are indicative only.

Phase and Block		Target completion dates	Targeted handover dates	No of homes	Underlease status
Phase 1A					
E1	E1.1	August 2023	August 2023	20	Underlease granted to LBE on 22.12.21
Total homes to be appropriated by August 2023				20	
E1	E1.2	December 2023	December 2023	26	Underlease granted to LBE on 22.12.21
A1.2		January 2024	January 2024	41	Underlease granted to LBE on 30.6.22. This includes the 12 additional homes

					acquired by the General Fund.
E2	E2.1	March 2024	March 2024	26	Underlease granted to LBE on 30.6.22
	E2.3	March 2024	March 2024	5	Underlease granted to LBE on 30.6.22
	E2 (drop in)	March 2024	March 2024	1	Underlease granted to LBE
Appropriation by end of 2024				99	
Total Phase 1A appropriation via this decision				119	
Indicative Accommodation Schedule – Phase 1B (Subject to planning)					
B2		May 2025	May 2025	62	Underlease yet to be granted by VSL. Target date: 2024. Land to be appropriated.
C2		May 2027	May 2027	61	Underlease yet to be granted by VSL. Target date: 2026. Land to be appropriated
Total homes to be appropriated in future delegated decision				123	
TOTAL				242	

Reason for Proposals

16. Cabinet approved commencement of the construction project on 16th October 2019, KD 4864, with the appropriation left to a future report (i.e., this Report). The proposals in this report are in accordance with the Council's Meridian Water residential delivery programme is set out in the Cabinet Report of 8th December 2021, KD 5252.
17. The homes cannot remain in the General Fund as they were built with the intention of transferring them to the Housing Revenue Account (HRA) as affordable council housing and to be let as London Affordable Rent homes.
18. A full planning application for Phase 1b received determination to grant on the 20 September 2022 (ref: 21/04742/FUL) (the Phase 1b Permission). In the process of Stage 2 GLA referral to grant permission for the scheme, the government issued a consultation document on 23 December 2022 and the GLA subsequently issued a statement on 10 February 2022, that all planning applications which involve residential buildings over 30 metres in height will need to be designed to provide two staircases before they are referred for the Mayor's decision.
19. Vistry Partnerships (Countryside Partnerships) have reviewed the Phase 1b scheme and have incorporated a secondary means of escape following the Department of Levelling Up Homes and Communities consultation guidance.

Planning permission for Meridian 1b is expected imminently following GLA approval for the scheme was secured on the 22 May 2023.

Main Considerations for the Council

20. The Council has secured the delivery of much needed social housing for people on the housing register.
21. The homes offer a range of bedroom sizes and wheelchair adapted homes which will help to address specific needs for those who are on the waiting list. Homes will be practically complete from August 2023 onwards.
22. The 242 units are secured in the Planning Agreement (S.106) with the Developer as London Affordable Rent (LAR) Units. Meridian One will deliver 50% affordable (25% LAR, 25% Shared ownership) under that agreement.
23. The Council negotiated the affordable housing grant to support the purchase of the homes. The grant is paid by the GLA to Enfield's HRA.
24. The payments made by the Council to the Developer are as per the Development Agreement with Vistry Partnerships (Countryside Partnerships) summarised in the Confidential Appendix.
25. The price paid by the Council's General Fund under the Development Agreement, and the transfer of the units to the HRA are set out in the financial implications in the Confidential Appendix. These appropriations comply with the legal and financial advice.

Estate Management Arrangements

26. The Meridian Water Estate Management Company (MWEMC) have appointed Rendall and Rittner as Managing Agents to undertake the general grounds maintenance and caretaking to the estate. The appointment is on a rolling 12-month contract and will be monitored by the MWEMC to ensure that the quality of the services are in line with the agreed service schedules.

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

27. The potential risk if the decision is not taken is that the Council will not be able let the affordable housing as social housing and this will negatively impact ability to deliver the much-needed social housing to those in need in the borough.

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

28. There are risks associated with the appropriation of the assets from the General Fund to the HRA which are set out in the financial and legal implications.

Preferred Option and Reasons for Preferred Option

29. Not to appropriate the homes from the General Fund to the HRA. This will mean that the Council cannot let and manage these homes for social housing.

Relevance to Council Plans and Strategies

30. The decision will enable the Council to steward the residential placemaking, support delivery of much needed affordable homes and create a new neighbourhood.

Financial Implications

31. Financial implications are set out in Appendix A – Confidential Appendix

Legal Implications

32. The Freehold reversion of this property is held by the Council for planning purposes pursuant to development. Vistry have had a long lease granted to them by the Council out of this freehold and therefore once the properties are built/completed they will be transferred back to the Council's general fund by means of a grant of a further leasehold. The property to be appropriated in the recommendations will then be transferred from the general fund to the HRA by appropriation with the relevant accounting adjustments as required by the guidance and relevant legislation.

33. The Council has power under section 122 Local Government Act 1972 to appropriate land or property belonging to the Council that is no longer required for the purpose for which it was held immediately before the appropriation (section 122(1)), provided that the new purpose is one for which the Council would be authorised to acquire land by agreement. In this instance the Council can acquire land or property for housing purposes under section 17 Housing Act 1985.

34. Appropriation to housing purposes (HRA) is specifically dealt with in section 19(1) Housing Act 1985:

“A local Housing Authority may appropriate for the purposes of this Part [2-dealing with the provision of housing accommodation] any land for the time being vested in them or their disposal and the authority have the same powers in relation to land so appropriated as they have in relation to land acquired for the purpose of this part.”

35. As the HRA is a ring-fenced account under section 74 Local Government and Housing Act 1989, a transfer from the general fund to the HRA will essentially result in an accounting adjustment in accordance with the Code of Practice on Local Authority Accounting in the UK, subject to a certified value for the property transfer being agreed.

Equalities Implications

36. The Public Sector Equality Duty requires all public bodies to have due regard to the need to

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.

- Foster good relations between people who share a protected characteristic and those who do not.
37. The broad aim of the duty is to integrate equality considerations into general policy and decision making and we do this using the process of equality impact assessment.
38. It should be noted that an equalities impact assessment (EqIA) of the development proposals was carried out at the time of the original Cabinet acquisition decision in 2019 and the time of the planning decision to provide these affordable homes. Those EqIA did not identify negative impacts on any equalities group. The Council recognises that providing good quality, affordable housing within the Borough helps those most in need of a home and least able to afford property on the open market.
39. There is no need for an EqIA in respect of the appropriation decision as this is an internal accounting matter for the Council and there are no equalities issues in making the proposed decision.

Environmental and Climate Change Implications

40. It is our understanding that this report, and the appropriation of these homes from the General Fund to the Housing Revenue Account, is an internal council accounting change only and does not affect the design, performance, operation, carbon emissions or any environmental and sustainability issue in any way. On this basis the Environmental and Climate Change Considerations are as follows:
41. The carbon reporting of these homes may change, as any assets retained by the council will fall into the housing asset management portfolio of which the environmental footprint will be annually reported in the Council's scope 3 emissions both from construction and in-use carbon, these will be publicly published in the annual carbon emissions report.
42. The 242 homes in this report have a total estimated residual operational carbon of 59 tCO₂ per year of which a contribution to the NDCCF will be made to invest in local carbon reduction projects, and an embodied carbon of construction of 20,400 tCO₂ that is currently reported in the year the homes are finished.
43. It is recommended to undertake Post Occupancy Evaluation on a sample of the assets retained by the council, to they are meeting their design quality particularly regarding predicted energy consumption and therefore carbon performance.

Property Implications

44. The proposed appropriation is in line with the Council's Property Procedure Rules. External legal, finance and property advice have been obtained. All other relevant property matters are covered in the report.

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Date of report: 25.07.23

Appendices

Appendix 1 – Estate Plan (showing area redline boundary of Estate/area of Head Lease to Vistry). Freehold of Estate remaining with the Council (General Fund|). Plan shows location of blocks on the Estate.

Appendix 2 – Tenure Plan (showing tenure of blocks)

Appendix 3 – Meridian One: Process for Council Housing Assets (flowchart)

Appendix 4 – Plans showing blocks and land to be appropriated

Appendix A – PART 2 Confidential Appendix

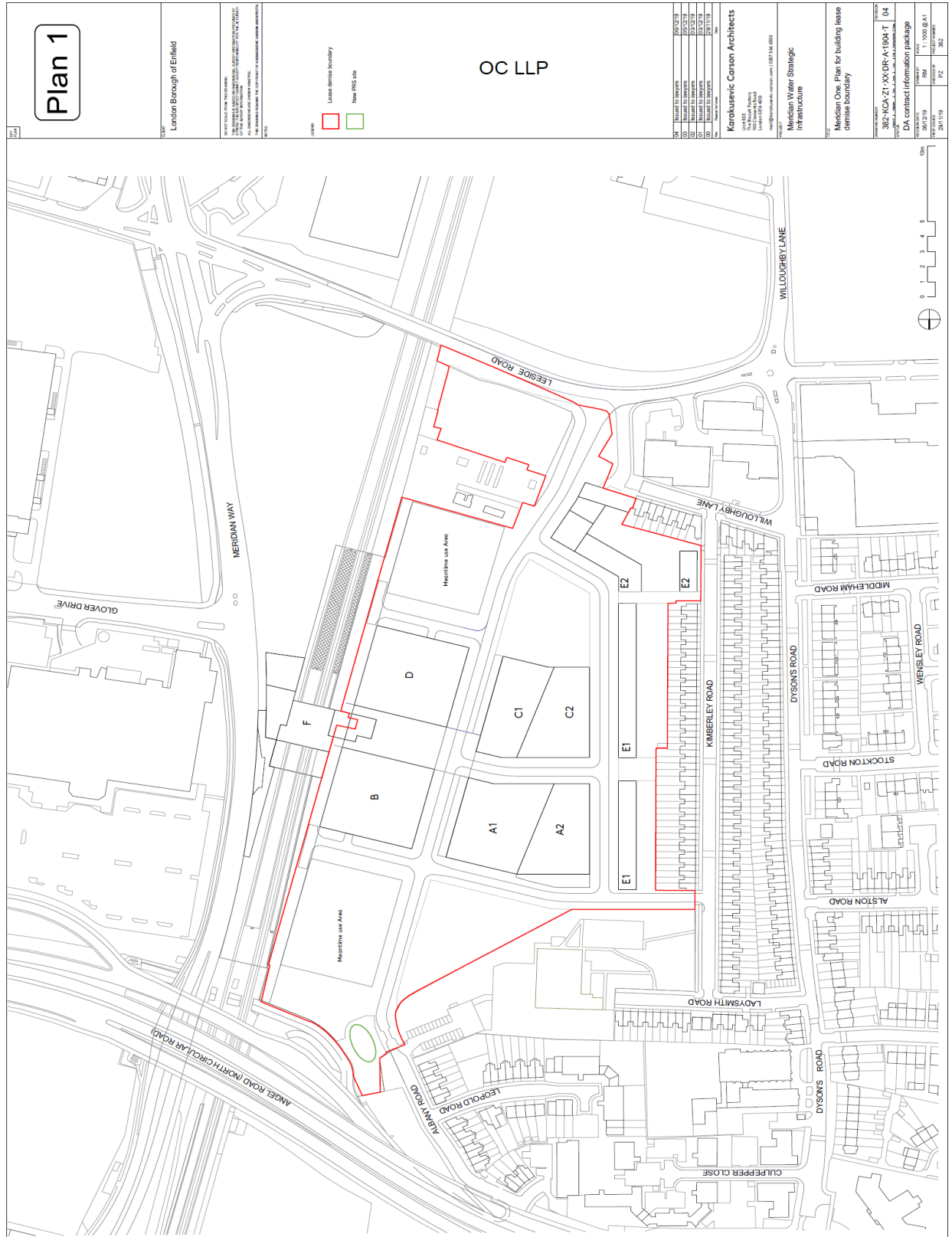
Background Papers

The following documents have been relied on in the preparation of this report: None

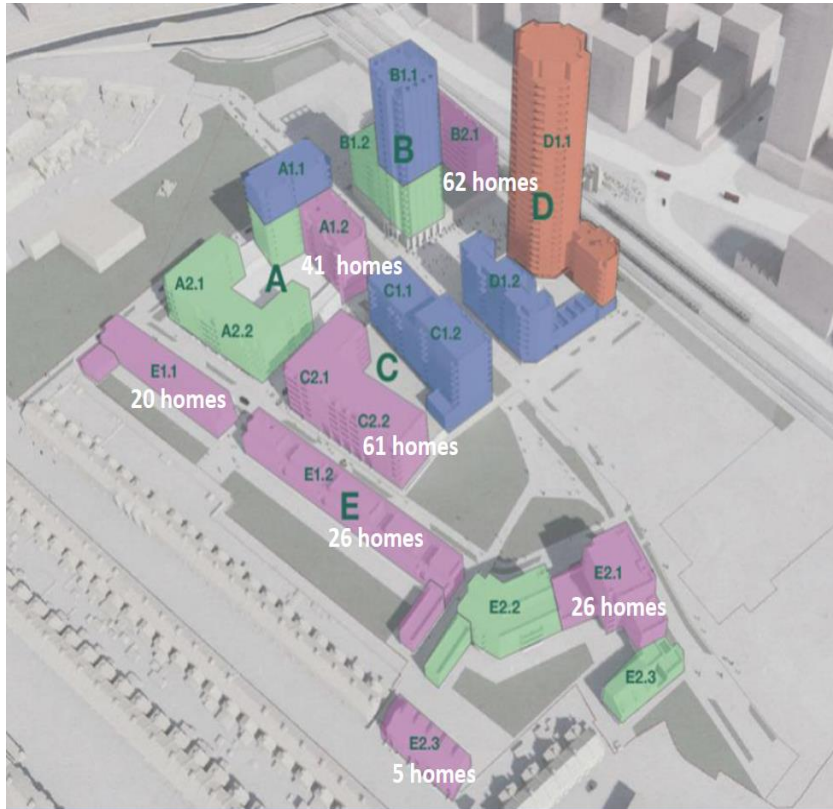
Appendix 1 – Estate Plan

(Showing area redline boundary of Estate/area of Head Lease to Vistry).

Note: Freehold of Estate remains with the Council (General Fund). Plan also shows location of blocks on the Estate.



Appendix 2 – Tenure Plan
(Showing tenure of blocks)



What is LBE retaining?

Lease arrangement

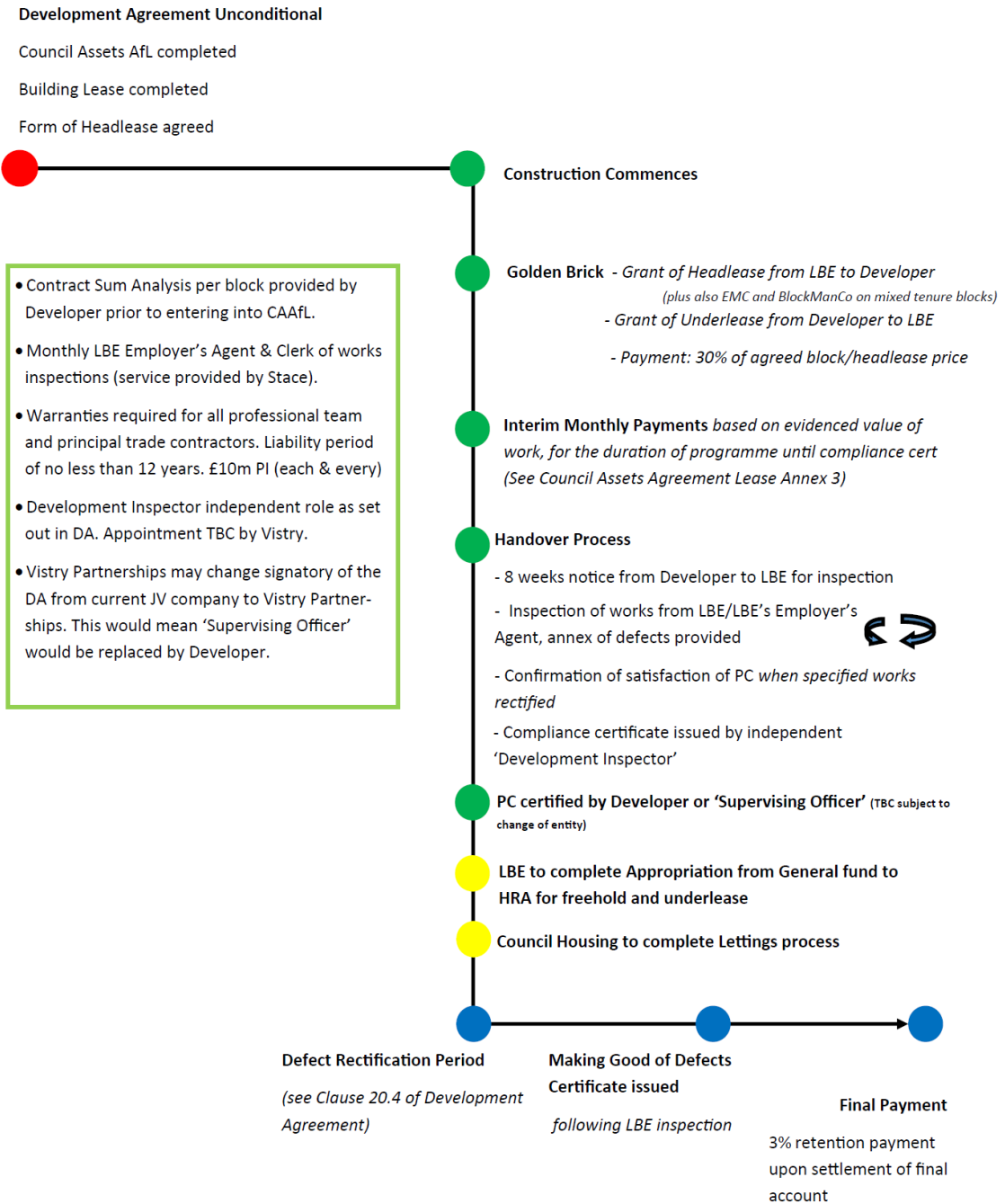
VPL (the Developer) grant underleases of LAR blocks to the Council.

The Council Assets Agreement for Lease and form of Lease are key documents to be familiar with.

- London Affordable Rent
- Shared Ownership
- Open Market Sale
- Build to Rent

Appendix 3 – Meridian One: Process for Council Housing Assets (Flowchart)

Meridian One: Process for Council Housing Assets



Appendix 4 – Plans

(Showing redline of Block E1 to be appropriated from GF to HRA)

Note: The parking area, thatched in blue, within the redline will be accessible to all residents.

