

MUNICIPAL YEAR 2019/2020 REPORT NO. **104**

MEETING TITLE AND DATE:
Cabinet: 16 October 2019
Council: 20 November 2019
REPORT OF:

Executive Director of Place

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Agenda – Part: 1
Item: 10
Subject: Meridian Water: Financial Model and 10 Year Budget
Wards: Upper Edmonton
Key Decision No: 4469
Cabinet Member consulted: Cllr Nesil Caliskan

1. EXECUTIVE SUMMARY

- 1.1 This report follows the previous Financial Review report (KD4469) approved by Full Council on January 30th 2019.
- 1.2 Significant progress has been made across Meridian Water in recent months, with the announcement of Housing Infrastructure Fund (HIF) funding of £156m for site wide infrastructure works and rail enhancements, submission of two major planning applications for 2,300 homes and site wide infrastructure works, the opening of the new Meridian Water Station, selection of Galliford Try Partnerships as development partner for “Meridian One”, conclusion of a procurement process for “Meridian Two” as well as successful music and cultural events such as Field Day being held on site.
- 1.3 This report seeks Cabinet authorisation for the new Meridian Water 30-year Financial Model which has been produced following the Council assuming the role of Master Developer.
- 1.4 This report recommends a detailed capital budget for the Meridian Water regeneration programme for the remainder of 2019-20, plus the 2020-21 and 2021-22 financial years, and proposes that Cabinet recommends to Full Council, the authorisation for expenditure for these years totalling [£286m].
- 1.5 This report also sets out an indicative budget to cover capital expenditure for the period between April 2022 and April 2029 across the Meridian Water regeneration programme. By the end of this period, an anticipated 5,000 homes, 2,000-3,000 FTE jobs and transformational infrastructure will have been delivered at Meridian Water.

2. RECOMMENDATIONS

That Cabinet;

- 2.1 Notes the Meridian Water 30-year Financial Model which confirms the overall financial viability of delivering Meridian Water
- 2.2 Authorises the baseline Financial Model to be used as the reference point and basis for decision making on Meridian Water
- 2.3 Note the recommended detailed Meridian Water programme budget totalling £286m to cover the remainder of 2019-20, plus the 2020-21 and 2021-22 Financial Years to undertake the projects and activities set out within this report, and recommend authorisation of its expenditure to Full Council.
- 2.4 Notes the indicative Meridian Water programme budget which covers the period 2022-23 through to 2028-29 totalling £245m, which is included within the Financial Model baseline
- 2.5 Recommends to Council the addition of £286M to the approved capital programme
- 2.6 Notes the estimated budget requirements for 2022/23 to 2028/29 of £245M, which would be approved as part of the 10 year capital programme.

3. BACKGROUND

Purpose of report

- 3.1 This report explains the current status of the Meridian Water Financial Model and asks that Cabinet notes the key assumptions and outputs that are included in the Financial Model baseline and authorises the baseline Financial Model to be used as the basis of decision making for Meridian Water.
- 3.2 This report proposes a detailed capital budget for the Meridian Water regeneration programme for the remainder of 2019-20, plus 2020-21 and 2021-22 financial years, and recommends that Cabinet makes a recommendation to Full Council to authorise expenditure of this budget totalling £286m (the full amount contingent on receipt of HIF funding). The approach has been taken to seek authority for expenditure of a detailed budget for a two-and-a-half-year period only as a regeneration programme of such scale and complexity, requires flexibility.
- 3.3 However, this report also sets out an indicative budget to cover capital expenditure for the period between April 2022 and March 2029 across the Meridian Water regeneration programme.

- 3.4 This 10 year period of investment will see the delivery of an anticipated 5,000 homes, 2,000-3,000 FTE jobs and transformational infrastructure which will establish Meridian Water as a successful neighbourhood, as well as providing significant socio-economic benefits to Upper Edmonton, neighbouring wards, and the London Borough of Enfield.
- 3.5 This report should be read in conjunction with the Phase 2 Business Plan (KD 4953) which is also on this Cabinet agenda.

Council as Master Developer

- 3.6 In July 2018, Cabinet authorised the recommendations of three significant reports to kickstart the delivery of Meridian Water, with the Council taking on the master developer role;
 - 3.6.1 **Meridian Water Programme Update (KD4033):** this report sought approval for the Council to assume the role of master developer and commence procurement processes to appoint development partners for Site 1, now known as 'Meridian One' (Willoughby Lane) and Site 2 or 'Meridian Two' (Leeside Road former Gasholder), deliver an Employment Hub, and also commence an options appraisal for the future delivery model for the rest of Meridian Water.
 - 3.6.2 **Meridian Water - Housing Infrastructure Fund (KD4711):** this report sought approval to submit a business case to Ministry for Housing Communities and Local Government for Housing Infrastructure funding, as well as the strategy for delivering these works; through preparation of a detailed planning application and procurement of a contractor.
 - 3.6.3 **Meridian Water Employment Approach (KD4717):** this report sought a budget to deliver a number of employment led projects including Meridian Works with Building BloQs, and leasing various sites to 'meanwhile' operators to generate income and establish a sense of place at Meridian Water. This included leasing the Orbital Business Park Sheds to the Vibration Group to curate an ambitious programme of music and cultural events including Field Day Festival.

Meridian Water: Delivery Progress

- 3.7 Since Cabinet authorised the recommendations of these three reports in July 2018, progress has been made across numerous workstreams and projects within the overall Meridian Water programme.
 - **Housing Infrastructure Fund (HIF) & Strategic Infrastructure Works:** after the business case was submitted by the GLA to MHCLG, the Council received notification on 16th August 2019 that it will receive the full £156m of grant funding from central government

which is a significant boost for Meridian Water. Receipt of this funding will be subject to satisfaction of several pre-contract conditions. A detailed planning application for the Strategic Infrastructure Works was also submitted in July 2019 to the Council's Planning Authority, and the competitive dialogue procurement process to appoint a framework of contractors to deliver the works is set to commence in October 2019. A report is on the 16th October Cabinet agenda recommending that the Council makes a Compulsory Purchase Order (KD 4832) to acquire third party land necessary to deliver the infrastructure works across Meridian Water.

- **Meridian Water Station (and Station Public Realm):** the brand-new Meridian Water Rail Station opened in June 2019, providing Upper Edmonton with a significantly improved transport connection and a catalyst for the Meridian Water project. Services increased to 3-4 trains per hour in September 2019. Public Realm works completed prior to the opening of the station which includes hard and soft landscaping to the front of the new station and pedestrian and cycle access across the Willoughby Lane site to Edmonton.
- **Meridian One:** after a competitive procurement process and Cabinet authorisation in April 2019 ("*Meridian Water – Meridian One Developer Procurement*" KD4864), Galliford Try Partnerships were selected as the Council's development partner for the delivery of at least 725 homes as well as circa 2,250m² of commercial, leisure and community space at the Willoughby Lane site. Having negotiated final terms, a separate report "*Meridian Water - Meridian One Developer Appointment*" (KD5004) is being brought to Cabinet on 16th October, recommending that the Council enters into the Development Agreement for a scheme which will provide 50% affordable housing, an uplift beyond the original outline planning permission and Council's invitation to tender (ITT) requirements, including over 200 Council homes for affordable rent. It is anticipated that a new planning application to provide additional homes may be submitted within the next 12 months. Meridian One will also provide meanwhile events and uses to activate the site, a construction skills academy to encourage local upskilling and labour, and opportunities for local artists as part of a hoarding project.
- **Phase 2 Outline Planning Application:** an outline planning application, the largest ever to be submitted to Enfield Council, was submitted in July 2019 for 2300+ homes, commercial employment and retail space, hotel, student accommodation a primary school and other social infrastructure. The application is in the centre of Meridian Water covering the land between Pymmes Brook to the west, the River Lea Navigation to the east, the North Circular Road to the north and Tottenham Marshes to the south. The Phase 2 Business Plan report KD 4953 is on the same Cabinet agenda this evening, which recommends the delivery strategy for over 1500 homes and other uses within this outline planning application.

- **Meridian Two:** a procurement process is in the final stages (through the GLA LDP2 framework) to select a development partner to deliver a 100% affordable housing led scheme of circa 250 homes, and 3,000m² of workspace. A report will be taken to Cabinet recommending the preferred partner in December. Construction is expected to start in 2021 with completion in 2023.
- **Vibration Group/Orbital Business Park Sheds “The Drumsheds”:** The Council entered into a lease with The Vibration Group to curate a programme of music and cultural events inside the iconic blue sheds and on adjacent Council owned land. Field Day, one of London’s most established music festivals was held at the site in June 2019, bringing in excess of 25,000 people to the site over two days. There is a programme of further music and cultural events over the coming two years at the “Drumsheds”.
- **Meridian Works One (Building BloQs):** An Agreement for Lease, and revised Grant Funding Agreement was signed earlier this year with Building BloQs to provide 3000m² of ‘maker space’. A planning application for the refurbishment of the former VOSA depot and construction of a new extension, was submitted in [August] 2019. Works on site are expected to commence later in 2019 and the space is expected to be occupied in mid-2020.
- **“Teardrop Site” Meanwhile Use (Meridian Way):** The Council is actively seeking an operator to provide a ‘meanwhile’ use on this prominent site adjacent to the Meridian Water Rail Station and Meridian Way, which can have a positive impact on place making, activating the site and providing important employment space.
- **Stonehill Site:** The site has been marketed and the 3 acre (1.2 hectare) Hawley road site is being taken by North London Waste Authority for their compound to enable the rebuilding of the Ecoplant. Through a marketing process, other meanwhile proposals within the Stonehill site that generate income and contribute to employment and placemaking objectives are being explored.

MERIDIAN WATER FINANCIAL MODEL

- 3.8 Following the decision by Cabinet for the Council to take on the role of master developer at Meridian Water (KD4033), Lambert Smith Hampton were commissioned to produce a bespoke Financial Model and LBE Finance and the Meridian Water Team have been reviewing on-going progress.
- 3.9 The Meridian Water Financial Model covers a 30-year period, currently at year 6, and is used to monitor the performance of the Meridian Water programme against financial objectives. The Financial Model can also be

used to test different scenarios and sensitivities as the programme will always need to adapt and respond to different factors including macro-economic events/cycles, market conditions, changing regulation and Council specific policies, objectives and models of delivery.

- 3.10 The Meridian Water Financial Model will remain a live document and its role up until this point has been that of a traditional financial model for understanding the financial viability of a large regeneration programme. However, whilst this approach is needed, the Council has a greater remit than that of a developer and should take into account socio-economic outputs and other impacts that Meridian Water can have on the whole borough. For example, this may include the value of building new Council homes, providing social infrastructure and investing in new transport infrastructure. Therefore, Cabinet should note that further work will be undertaken to develop a Social Value Model which will be reported to Cabinet in 2020.
- 3.11 The objective of the Meridian Water Financial Model to date has been to forecast a reasonable return on investment for the Council after a number of essential qualitative objectives have been included;
- Provision of 40% affordable housing in accordance with the Enfield Leaside Area Action Plan (ELAAP) and existing Local Plan to meet local housing need for the London Borough of Enfield and meet the objectives of the Corporate Plan.
 - High quality of architecture, public realm and landscaping, in line with the Meridian Water Place Vision and three pillars of place making; 'Parklife on Your Doorstep', 'Your Place to Make and Create' and 'Mixing Uses Animating Streets'. Establishing a sense of place and character are essential components of a successful legacy.
 - Council ownership of non-residential ground floor uses; whether commercial (retail or employment), community, or leisure spaces so that the Council has control over the strategy to provide leisure, amenity and community activities, provide employment opportunities to local residents, and generate an income stream. This income stream in the future will be of significant value to the Council and contribute to funding Council services.
- 3.12 The financial return to the Council is a contingency to cover for unforeseen eventualities to protect the Council from making a loss.
- 3.13 The Financial Model makes a number of assumptions which are included in the Part 2 report because they are commercially sensitive.
- 3.14 The outputs of the Financial Model are also commercially sensitive and are therefore included in the Part 2 report. These outputs demonstrate that the Meridian Water regeneration programme is financially viable and that the recommended capital budget in this report should be authorised by Cabinet.

- 3.15 In addition to the Social Value Model, the Council will be commissioning a number of strategies for Meridian Water, including a Sustainability Strategy which will include detailed initiatives on environmental sustainability to mitigate the effects of climate change and reduce the impact of development on the environment. The development of these strategies will include scenario testing in the Financial Model and Social Value model so that decisions on any proposed initiatives are appropriately informed.

Meridian Water 2.5-year budget: summary of activities and milestones

- 3.16 Between 2019 and March 2022 within the detailed 2.5 year budget period the following activities are expected to be underway, or milestones completed;

Meridian Water 2019-20 to 2021-2022: Key Activities and Milestones
<p>Strategy and Programme Governance:</p> <ul style="list-style-type: none"> • Preparation and approval of strategies to govern the Meridian Water programme including Estate Management, Asset Management, Employment, Sustainability • Estate Management company for Meridian Water becoming operational in 2021.
<p>Planning & Design:</p> <ul style="list-style-type: none"> • Preparation of a Design Code and Masterplan Supplementary Planning Document to promote and ensure design quality across third party land within the Meridian Water masterplan. • On-going monitoring and approval of design information to ensure compliance with the Meridian Water Place Vision and contractual documents
<p>Land Acquisition and Compulsory Purchase Order:</p> <ul style="list-style-type: none"> • Acquisition of all land interests required to deliver the Strategic Infrastructure Works. All efforts will be made to secure the land via private treaty but if this cannot be achieved within the timeframe, a CPO will be made. • Compulsory Purchase Order to assemble all land required to deliver the SIW and to acquire any rights required to deliver those works. It is anticipated that a CPO could be made in winter 2019/20, following a possible public inquiry in summer 2020, vacant possession of land would be required in early 2021. • Relocation of the Cadent pressure reducing station site on Zone 1, enabling the delivery of infrastructure works for the Meridian One development and completing the acquisition of all developable land within the Zone 1 area of Meridian Water. • Acquisition of other ad hoc land parcels on the East Bank, as they are available in order to tidy up Council land holdings and facilitate future Meanwhile and Development projects.
<p>Phase Delivery:</p>

- Meridian One – construction underway for Phase 1a from 2020 with the first affordable Council homes (acquired by LBE) close to completing in early 2022.
- Meridian Two – construction underway from 2021 for circa 250 all affordable homes and commercial workspace.
- Outline planning permission secured for 2,300 homes across Phase 2 in 2020.
- Detailed Delivery Plan workstream undertaken including obtaining Reserved Matters Planning Approvals for Phase 2a to deliver circa 500 homes. This will include detailed design, preparation of specification and a recommended procurement strategy for further Cabinet approval.

Infrastructure Delivery:

- Completion of remediation and utilities diversions at Willoughby Lane to enable the development of Meridian One.
- Draw down of HIF funding.
- Strategic Infrastructure Works planning permission to be secured in 2019-20.
- Strategic Infrastructure Works competitive dialogue process undertaken between 2019 and 2020 to appoint a framework of contractors to deliver the works.
- Pre-Construction Services Agreement expected to be entered into with main contractor for Infrastructure Works in 2020 to develop detailed design.
- Construction underway across the site from 2021.

Meanwhile Uses, Employment & Socio Economic:

- Production of the Meanwhile Masterplan, as a strategy to inform project decision making and for future developers.
- Drumsheds (Orbital Business Park) events expected to continue drawing large crowds, establishing Meridian Water as a music and cultural destination.
- Building BloQs workshop at former VOSA site occupied and operational in 2020 providing 3,000m² of employment space and circa 970 FTE jobs.
- Meanwhile uses in place across Stonehill and Teardrop sites.
- Activation of the canal and reuse of Antony Way properties to expand the activity hub and create more of a destination on the East Bank.

Property Management & Security:

- Procurement of a new site-wide Security company.
- Procurement of a Property Management Agent to oversee Property Management for the next three years.
- Ongoing letting of meanwhile sites as they become available to maximise revenue income and ensure best use of land ahead of development or infrastructure works.

Meridian Water 10-year budget: summary of outcomes

3.17 The future 10-year budget consists of £286M 2.5 year budget and the indicative budget of £245M. The investment of approximately £531m from the Council in Meridian Water over a 10 year period will have a transformational impact with the following future goals by 2029;

- Development of approximately 5000 new homes across the Masterplan.
- The 'Meridian One' site at Willoughby Lane will be a successful and established neighbourhood stitched into surrounding Angel Edmonton, with over 900-1000 homes including hundreds of Council homes, public spaces, employment, retail, health and leisure uses. Further development to the north and south as part of Phase 4 will see new high-quality mixed tenure development that increases the vibrancy and vitality of the place.
- The transformation of the heart of Meridian Water across the 'Phase 2' site will almost be complete, with a vibrant community residing between Pymmes Brook and the Lee Navigation, with over 1500 homes which have will have completed. Construction will be underway on the last development plots.
- Implementation of further rail infrastructure which will have boosted rail frequencies to 6-8 trains per hour at Meridian Water Station in 2023 which is a catalyst for transformation.
- Implementation of the following infrastructure by 2024; main vehicular routes, streets, pedestrian and cycleways, bridges, utilities capacity provision, plot remediation, flood capacity, to serve the masterplan area for all future phases of development.
- Social infrastructure, including a new primary school and a health centre.
- A successfully established and growing creative industries cluster exists across Meridian Water, providing several hundred skilled jobs for local people while generating activity across Meridian Water. This will include various types of product, fashion and graphic design and associated manufacturing, performing arts and theatre, film, music, TV, media, and many other diverse employment types.
- A gym, retail and employment space, providing an important offer for Meridian Water and Upper Edmonton residents.
- Approximately 9.1 hectares of parkland benefitting the new Meridian Water community and providing amenity for the neighbouring communities.
- Naturalised waterways which will have had significant ecological and amenity benefits for new Meridian Water and Edmonton residents.
- Significant social value captured, through Development Agreements, leases, works and services contracts. These will provide employment and skills opportunities for local residents.

4. ALTERNATIVE OPTIONS CONSIDERED

Not approve the financial model baseline

- 4.1 Not approving a baseline for the Financial Model would not provide a basis and context for future decision making, and reporting against any changes in the key outputs and performance of the Meridian Water programme.

Do not approve full budget but rather approve each workstream separately;

- 4.2 This approach would not provide the strategic overview to budget setting for the Meridian Water programme and decision making. The overall costs borne by the Council for Meridian Water need to be considered against the benefits at a programme level, rather than looking at workstreams in isolation.

Approve shorter budget;

- 4.3 Approval for a budget shorter than 2.5 years would not provide sufficient flexibility to plan comprehensively and it would require additional reporting and governance which would not be the most efficient use of resources.

Seek approval for full 10-year budget;

- 4.4 This was considered however due to the scale and complexity of the Meridian Water programme which needs to respond to the changing economic cycles, market conditions, regulation and other factors, a period of 10 years is considered too long to provide sufficient cost certainty.

5. REASONS FOR RECOMMENDATIONS

- 5.1 Significant progress has been made on Meridian Water since reporting to Cabinet in July 2018 with successful delivery of London's newest Rail station, establishing a successful cultural offer on site, awarding the contract to deliver the first phase of development and circa 900-1000 homes, submitting planning applications to secure a further 2,300 new homes as well as crucial site wide infrastructure including parks, bridges, roads and cycleways. A record level of grant funding totalling £156m as part of the Housing Infrastructure Fund from central government has been announced, to deliver these crucial-site wide infrastructure works.
- 5.2 It is recommended that Cabinet approve the proposed detailed budget of £286m to cover the remainder of 2019-20, 2020-21, and 2021-22 financial years, based on the detailed programme of activities and milestones set out within this report. Within this period, progress is expected to continue with the first new homes completing, many more homes and site wide infrastructure under construction and the ramping up of employment and cultural activity to further establish Meridian Water as a destination.
- 5.3 Cabinet are asked to note the indicative budget over the remaining period up to 2028-2029 by which time it is expected that approximately 5000 new homes and between 2000-3000 FTE jobs will have been delivered.

6. COMMENTS FROM OTHER DEPARTMENTS

6.1 Financial Implications

The Financial Implications are included in the Part 2 report.

6.2 Legal Implications

27th September 2019 MD

- 6.2.1 The Council has power under section 1 of the Localism Act 2011 to do anything that individuals generally may do provided it is not prohibited by legislation and subject to public law principles. The recommendations detailed in this report are in accordance with the Council's powers. Furthermore, pursuant to section 8 of the Housing Act 1985, the Council is required to consider the housing conditions and needs of their area with respect to the provision of further housing accommodation. The Council has the power under section 9 of that Act to provide housing accommodation. The Local Government Act 2003 gives the Council power to borrow for any purpose related to its functions, and to utilise capital receipts, subject to the limitations set out in that Act.
- 6.2.2 The Council has a statutory duty under section 151 Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The rules relating to the Council's budget setting process are set out in the Part 4 of the Council's Constitution (Chapter 4.7).
- 6.2.3 The Council has a fiduciary duty to look after the funds entrusted to it and to ensure that its Council tax and ratepayers' money is spent appropriately. In embarking on any project, the Council must consider whether the project will be a prudent use of the Council's resources both in the short and long term and must seek to strike a fair balance between the interests tax/ratepayers on the one hand, and the wider community's interest on the other hand.
- 6.2.4 The public sector equality duty under section 149 of the Equality Act 2010 requires the Council to have due regard to; (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; and (ii) the need to advance equality of opportunity between persons who share a protected characteristic and persons who do not share it. Any equality impact assessment prepared in respect of the Meridian Water regeneration project should be revisited as part of changing nature of the Scheme.
- 6.2.5 Although there has been an announcement that the Council/GLA have been successful in their application for £156m HIF funding, receipt of funds will be subject to agreement of detailed terms and conditions and satisfaction by the Council and the GLA of pre-contract conditions yet to be agreed between the parties. In the event

that terms cannot be agreed, or pre-conditions satisfied, this funding is at risk.

- 6.2.6 Any acquisition or disposal of land interests to be funded out of the proposed budget must comply with the Council's Property Procedure Rules and, in the case of disposals of land, section 123 Local Government Act 1972. Any procurement of goods, services and/or works to be funded by the proposed budget must comply with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015.

6.3 Property Implications

- 6.2.1 Further land acquisition costs are included in these budgets which are required to enable construction of the HIF works and land assembly to complete delivery of the wider scheme. For the purposes of the Financial Model this remains on the assumption of the Council as Master Developer. These acquisitions (by CPO and agreement) will be conducted within the general acquisition terms of the Councils Property Procedure Rules and the rules will be followed in this process.
- 6.2.2 The power of acquisition of land within this budget is provided by the Local Government Act 1972. The Council intend to retain ownership of the freehold interest in all land within the scheme with disposals of individual phases being by leasehold sale.
- 6.2.3 The budgets include a range of project management and consultancy costs which are required to undertake work to create 'ready for development sites' This includes design, town planning, site investigation and other specialist activities. The effect of these activities are to minimise developer risk when sites are offered to the market and in this way maximise competition and avoid developers applying a risk premium to these items. In this way the Council will meet its section 123 obligation and optimise the timing and certainty of scheme delivery.
- 6.2.4 The Council will secure best consideration from disposals of these interests in accordance with the Local Government Act 1972. As described development sites will be disposed of with the benefit of outline planning permissions and substantially de-risked environmentally to make them of maximum appeal to the developer market. Disposals will be on the basis of Development Agreements to ensure delivery of the Councils development requirements. Because the model covers the whole 25 year development programme it makes assumptions in connection with value and cost inflation together with a cautious assessment of regeneration premium. The output is a series of land receipts and revenue returns. As the model shows the consideration will be a combination of land receipt and the transfer of revenue producing employment space.

- 6.2.5 The model includes revenues from other meanwhile use lettings at Stonehill, The Sheds and Teardrop site. These lettings will include break options to enable long term development to come forward but best consideration on this short-term basis will be assured by high profile open market lettings. The break date programme will allow for sites to be released in line with the phasing plan that underpins the model.
- 6.2.6 The Financial Model will be subject to regular review and reporting update to ensure that the results remain in line with market conditions at the time. At all times measures to mitigate any deterioration or maximise improvements will be highlighted as part of these reviews.
- 6.2.7 The Property Implications of the structure upon which the model is based is in line with the Councils Strategic Asset Management Plan overriding themes of good homes, creating places and strong communities and has full regard to other Council policies, in particular Housing, Employment, Regeneration and Social Value.
- 6.2.8 The delivery structure upon which the model is based has implications on the Councils commercial estate owing to the employment uses being transferred to the Council. To meet the financial projections in the model this accommodation will need to be let and managed. This will require management resources to be responsible for interim management, lettings and estate management. The Meridian Water long term estate management strategy is still being formulated and the management of the employment space will be co-ordinated with this procedure. All additional commercial space added to the Councils' portfolio increases the Councils' Corporate Landlord responsibilities and liabilities, which will have an effect on the Council's budgets. The impact of this should be considered in detail at each phase of development or prior to transfer of any commercial asset in to the general fund.
- 6.2.9 The Councils core strategy is to promote housing development at Meridian Water and the land acquisition and development strategy support the strategy of housing development at the earliest time.

7 KEY RISKS

- 7.2 Some of the key risks relating to the Budget and Financial Model are included in the table below. A number of financial model scenarios are also included in the exempt Part 2 report as they contain commercially sensitive information.

Meridian Water Financial Model and Budget Risks	
Risk & Effect	Mitigation
Projected Costs Increase: The projected costs over the 25 year	The Budget within the Financial Model includes a large contingency

<p>period increase significantly above those included in the Financial Model, making Meridian Water unviable.</p>	<p>of 10% which is considered a prudent approach given the scale and complexity of the programme, sensitive assumptions being used, and potential cost inflation due to site specific factors (i.e. abnormal costs, market factors, and any policy changes during the period). Assumptions are regularly reviewed, and sensitives and scenarios will be modelled so that the Financial Model can be used to anticipate the impact on key performance outputs and any mitigating actions taken.</p>
<p>Market Saturation: With Meridian One, regeneration projects such as Joyce & Snells, plus IKEA and Tesco residential led redevelopment schemes, the local market becomes saturated with private sale housing, reducing values and adversely impacting financial viability.</p>	<p>This risk is being closely monitored to ensure that the timing for delivery of particular tenure types by the Council and its partners is considered, and market saturation is avoided. For example the Council is considering 'Build to Rent' tenure on Phase 2 to avoid competition with private sale housing on IKEA and Tesco sites.</p>
<p>HIF Funding: The full extent of HIF funding is not released if the Council is unable to agree terms and satisfy conditions, which would present a significant viability issue for Meridian Water.</p>	<p>If HIF funding is not or only partially secured, the Council will look to secure alternative funding for the HIF Works.</p>
<p>Impact of Brexit on Values: Sales values particularly and rents are negatively impacted following a 'No Deal' or any form of exit by the UK from the European Union, impacting the financial viability and/or levels of affordable housing and level of quality on phase developments at Meridian Water.</p>	<p>The Council has limited control over market factors such as these, other than the ability to an extent to control the timing of development until conditions improve. The Council could explore tenure options which minimise the impact, even for interim periods until values improve.</p>
<p>Impact of Brexit on construction costs: Both labour and materials costs increase as following a 'No</p>	<p>The Council has limited control over market factors such as these, other than the ability to an extent to</p>

Deal' or any form of exit by the UK from the European Union, negatively impacting the financial viability and/or levels of affordable housing, and level of quality on phase developments in Meridian Water.	control the timing of development until conditions improve.
Inflation on land: Inflation on land still to be acquired is higher than projected, increasing the Council's costs.	The Council will continually review assumptions on a periodic basis so that decisions on the timing of acquisition can be made. The Council can also review a number of other development assumptions to mitigate an increase in acquisition costs.
'Meanwhile' income: Meanwhile income doesn't achieve revenue target for the Financial Model.	The Council will continually review 'meanwhile' income targets across Meridian Water to achieve the balance between place making and revenue generation and servicing debt.

8 IMPACT ON COUNCIL PRIORITIES – CREATING A LIFETIME OF OPPORTUNITIES IN ENFIELD

8.1 Good homes in well-connected neighbourhoods

Meridian Water will provide high quality and sustainable homes to meet the diverse housing needs of the borough and London. Meridian Water will deliver high quality public spaces in a well-connected neighbourhood through improvements in both street and rail networks improving accessibility and increasing the frequency of services as well as reducing travel times not just for those living at Meridian Water, but for surrounding communities in Edmonton.

8.2 Sustain strong and healthy communities

Meridian Water will provide social infrastructure allowing opportunities for the local community to partake in healthy lifestyle choices with access to leisure centres, a cycle network and access to high quality public open spaces. Meridian Water will encourage walking and cycling and use of sustainable transport modes.

8.3 Build our local economy to create a thriving place

Meridian Water will bring economic growth, support, inward investment, and create new jobs and build a strong and sustainable future for the local community. The development will be aligned with the three pillars of placemaking for Meridian Water, including 'Mixing uses; animating streets. This will ensure that the area is a lively place to complement and strengthen the local economy. The proximity to the station and attractive public realm will encourage people to visit and enjoy the area.

9 EQUALITIES IMPACT IMPLICATIONS

- 9.1** Local authorities have a responsibility to meet the Public Sector Duty of the Equality Act 2010. The Act gives people the right not to be treated less favourably because of any of the protected characteristics. We need to consider the needs of these diverse groups when designing and changing services or budgets So that our decisions it do not unduly or disproportionately affect access by some groups more than others.
- 9.2** Corporate advice has been sought in regard to equalities and an agreement has been reached that an equalities impact assessment is neither relevant nor proportionate for the approval of this report. However it should be noted that the any contracts awarded should include a duty on the successful applicant to assist us with meeting our obligations under the Equalities Act 2010. It should also be noted that projects or work stream deriving from this may be subject to a separate Equalities Impact Assessment. Therefore any projects or work stream will be assessed independently on its need to undertake an EQIA to ensure that the council meets the Public Sector Duty of the Equality Act 2010.

10 PERFORMANCE AND DATA IMPLICATIONS

- 10.1 Not applicable.

11 HEALTH AND SAFETY IMPLICATIONS

- 11.1 Health and Safety implications are considered as part of individual projects within Meridian Water. The Council has included the fees associated with complying fully with Health and Safety legislation such as The Construction (Design & Management) Regulations (CDM 2015).

12 HR IMPLICATIONS

- 12.1 A new Meridian Water team structure is now in place which includes 35 FTE posts. The detailed budget recommended for authorisation in this report includes an additional £508,000 per annum for 6 additional posts. The team structure is to be reviewed on an annual basis to reflect the changing needs of delivering Meridian Water.

13 PUBLIC HEALTH IMPLICATIONS

- 13.1 The Council's investment in Meridian Water will lead to a range of public health benefits, including some that are significant.
- 13.2 Meridian Water will be an environmentally and economically sustainable development with energy efficient homes powered by the Meridian Water heat network.
- 13.3 The use of public transport, walking, cycling and healthy living will be encouraged through the design of the masterplan, with access to the Lee Valley, and new amenity space such as the 1.6 hectare Brooks Park with naturalised brooks.
- 13.4 A wide range of social infrastructure including a gym, health facility, new primary school and a range of employment and retail spaces in close proximity within the masterplan will encourage sustainable living and social cohesion.
- 13.5 The range of public health benefits at Meridian Water will positively impact the lives of new residents and existing residents in surrounding neighbourhoods.

Background Papers

None

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