

## REQUEST FOR DIRECTOR DECISION – DD2426

### Title: Meridian Water Station Intervention

#### Executive Summary:

Mayoral Decision (MD) 2388 approved the submission of a bid on behalf of LB Enfield to Government for £156m of Housing Infrastructure Fund (HIF) forward funding to help deliver infrastructure for the wider Meridian Water scheme. The funding package for the Meridian Water station had to be revised due to the termination of the master developer procurement process and this is detailed in the successful HIF bid, the business case for which, incorporates a funding contribution by the GLA for the station. To avoid undue delay to the wider scheme, LB Enfield therefore proceeded at risk with the station works, pending Government decision on the HIF bid.

This Directors Decision seeks approval for £6m of grant to be funded from the Land Assembly Fund (MD2396 Land Assembly, Small Sites and Accelerated Construction funds) as a contribution towards the costs of delivering the Meridian Water station. This grant will help accelerate the delivery of new homes at Meridian Water and will be linked to the delivery of 1,528 homes.

#### Decision:

That the Executive Director of Housing & Land approves:

The provision of £6m grant funding to the London Borough of Enfield from the Land Assembly Fund (MD2396 Land Assembly, Small Sites and Accelerated Construction Funds) which will contribute to the provision of the new Meridian Water train station, as part of a new transport hub.

#### AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

**Name:** Rickardo Hyatt

**Position:** Interim Deputy Executive  
Director of Housing & Land

**Signature:**



**Date:** 11 February 2020

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 MD2396 Land Assembly, Small Sites and Accelerated Construction Funds (approved on 27 November 2018) agreed receipt of £486m from the Government to help unlock and accelerate housing delivery in London through land assembly, infrastructure investment and provision of gap funding.
- 1.2 MD2396 delegated authority to the Executive Director of Housing and Land in consultation with the Deputy Mayor for Housing and Residential Development to approve, via a Director Decision, the allocation of new funding in accordance with the terms associated with the programme and in pursuit of the Mayor's housing ambitions.
- 1.3 Meridian Water provides an opportunity to deliver a new urban neighbourhood in north-east London. The wider scheme is expected to deliver up to 13,000 homes and over 6,000 jobs on brownfield land, adjacent to the Lee Valley Regional Park. To date, the London Borough of Enfield has invested £223m to prime the site for delivery.
- 1.4 This Decision Form seeks the Director's approval to allocate grant of £6m to LB Enfield from the Land Assembly Fund towards the construction costs of the new station which replaced the underused existing station at Angel Road. Works completed in May 2019 and the new station opened in September 2019. It is located on the West Anglia Mainline between Northumberland Park and Ponders End, 4 minutes to Tottenham Hale and 15 minutes to Stratford. The new Meridian Water station provides a new entrance south of the existing platforms, and a footbridge crossing benefitting from step free access onto Meridian Way, creating an accessible integrated train and public transport hub for the area. This upgrade compliments the fully funded Lee Valley Rail Regeneration scheme, which has increased the frequency of trains stopping at Meridian Water Station to at least four trains per hour. Improving access and frequency of services, has raised the station from a Public Transport Access Level measurement (PTAL) of 2 (poor) to 4 (good). PTAL is the measure of connectivity by public transport which is used as part of the planning process so without increasing it at Meridian Water, the quantum of housing/density proposed could not be delivered.
- 1.5 LB Enfield is leading the regeneration programme having previously explored the potential for a private sector-led solution which was found to be unachievable. Financial modelling shows that the scheme is unviable without public sector funding due to the high up-front infrastructure costs and market risks associated with the long-term regeneration project of this nature. This market failure is driven by the historically fragmented ownership of the site, lack of competition for an opportunity of this scale, and requirement to provide affordable housing.
- 1.6 LB Enfield has worked extensively with partners to consider a range of options for delivering the scheme. They received Cabinet approval on 25 July 2018 for a new approach to developer procurement, following the withdrawal by Pacific Century Premium Development (PCPD) from the initial master developer procurement process. Enfield council will now act as master developer for the scheme, delivering the strategic infrastructure required to unlock the site and securing outline planning consent on a zonal basis. Each phase will be taken to the market on a standalone basis to procure a development partners who will be responsible for securing reserved matters consents, building the scheme and taking the associated market risk.
- 1.7 Following a procurement process, Galliford Try Partnerships (GTP) has been selected as the preferred development partner for the first phase of development - Meridian One. The development agreement was signed in December 2019, with a start-on-site expected in summer

2020, and the first homes being completed in early 2022. The outline planning consent is for 725 units with 25% affordable housing. In October 2019, Enfield council approved a revised offer under its development agreement with Galliford Try, which will deliver c. 800 homes, 50% affordable. The second phase of development- Meridian Two will follow and will and is expected to deliver 728 homes, so in total Meridian One and Meridian Two will deliver the 1,528 homes, which is enabled by this intervention.

- 1.8 It is intended that most of the phases will be procured through the GLA's LDP2 framework.

## **2. Objectives and expected outcomes**

- 2.1 The overall objective is to provide gap funding for the new station, which LB Enfield has forward funded, to allow housing development at sufficient densities to come forward at Meridian Water. The new station unlocks the housing potential, maximises the level of affordable housing delivered overall and contributes to the ongoing regeneration of the Angel Road area. The station acts as a catalyst for development. As the council controls over two thirds of the land, it can streamline and regulate supply of development land in its ownership as required.
- 2.2 This intervention will enable sites in the vicinity to become more viable due to an increase in house prices/general demand and saleability increases because of the improvement in the rail service. The new Meridian Water station is essential for the entire Meridian Water regeneration project that is expected to deliver between 10,000 and 13,000 homes over 20-25 years. The new station and higher PTAL rating are cited as being necessary to achieve the development densities as per the draft London plan.
- 2.3 This intervention therefore directly enables and accelerates the delivery of new homes. To reflect this and the aims of the Land Assembly Fund, the grant funding agreement between the GLA and LB Enfield will be linked to delivery of 1,528 new homes (for Meridian One and Two) and the GLA may recover funding if the full quantum of homes are not delivered.

## **3 Equality comments**

- 3.1 Under section 149 of the Equality Act 2010, as public authorities, the Mayor and the GLA are subject to a public-sector equality duty and must have 'due regard' to the need to (i) eliminate unlawful discrimination, harassment and victimisation; (ii) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and (iii) foster good relations between people who share a relevant protected characteristic and those who do not. Protected characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.2 When considering the needs of the existing community and those that will be affected by the proposed development (both currently and in the future development scheme), any development activity will look to minimise disadvantages to all protected characteristic groups within society. This decision is therefore not expected to have any negative impact on persons with a protected characteristic under the Equality Act.
- 3.3 Throughout the decision-making process, as approvals have been sought to facilitate significant housing development, due regard has been had to the 'three needs' outlined above. The housing shortage in London disproportionately negatively affects people with certain protected characteristics. For example, young, disabled and BAME Londoners are over-represented in the growing private rented sector. As stated in the Mayor's London Housing Strategy Impact Assessment, older and disabled people are more likely to struggle with accommodation that is neither accessible nor adapted to particular issues. Overcrowding is severe in London, disproportionately affecting those on low incomes – specifically those with certain protected

characteristics. Increasing the supply of housing, and in particular affordable housing will help to achieve positive impacts in line with the 'three needs'.

#### 4. Other Considerations

##### Keys risks and issues

- 4.1 The Meridian Water project represents regeneration on a scale not previously delivered by LB Enfield, acting as master developer. However, the council has established a delivery team, led by the Meridian Water Programme Director, reporting to the Meridian Water Programme Board, which reports to an Executive Management Team and ultimately to the council's Cabinet. Alongside the internal Enfield team, a professional consultant team has been appointed to lead on the technical elements of the scheme. The overall programme is divided into four key elements which currently include; HIF, Strategic Planning and Design, Phased Delivery and Employment.
- 4.2 LBE have also set up a new Programme Delivery Board for Meridian Water which includes senior members of the GLA's Housing and Land Directorate. The Board will intervene, as necessary, providing appropriate leadership and support to manage and mitigate project risks and ensure successful delivery. Progress will be reported to a weekly Programme Board and monthly management meetings to report on project progress, spend, delivery against milestones and budget and oversight of risks. Effective planning and coordination with key stakeholders will be vital to managing and overcoming potential issues.
- 4.3 As with any housing development, there is a risk of not delivering to programme or budget, for example due to cost overruns or a housing market downturn. By leading the delivery of housing, LB Enfield is bearing more of this risk than it may have done had a private master developer been appointed for the scheme. The council has appointed Lambert Smith Hampton to provide advice on delivery of the housing scheme. Their work will include a comprehensive development appraisal for the scheme. LB Enfield is taking forward earlier phases now, to maintain momentum and generate early receipts, without negatively impacting the attractiveness of the wider scheme.
- 4.4 A full risk register is maintained by LB Enfield (and shared with the GLA) and is reviewed monthly at the Meridian Water Risk & Contracts Register meeting. Urgent or escalated risks are reviewed weekly at the Meridian Water Programme Board, which considers the risk and proposed mitigations. The consultant team has been specifically tasked with contributing to the identification and management of project delivery risks.

##### Costs and outputs

- 4.5 The tables below set out the current projections for housing completions between 2022-2028. The revised Edmonton Leaside Area Action Plan (which covers the whole of the Meridian Water area) has a minimum threshold of 40% affordable housing and is working to an overall target of 50% across Meridian Water. This target is also written into the current revision of the Enfield Local Plan, which is going through its consultation process.

Unit Numbers by Year								Totals
	2022	2023	2024	2025	2026	2027	2028	
Meridian One	100	200	200	200	100			800
Meridian 2	-	-	-	197	198	167	166	728
<b>No. homes</b>	<b>100</b>	<b>200</b>	<b>200</b>	<b>397</b>	<b>298</b>	<b>167</b>	<b>166</b>	<b>1,528</b>

<b>delivered by year</b>								
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- 4.6 It is anticipated that LB Enfield may request further grant from the GLA in due course in respect of delivery of the affordable housing units at Meridian Water (grant in respect of 75 London affordable rent units for Meridian One has already been approved under the Building Council Homes for Londoners programme).
- 4.7 A value for money assessment has been undertaken in accordance with HM Treasury guidelines which, demonstrates that this intervention represents good value for money.
- 4.8 As the station has been completed there is now cost certainty. The council has received the final invoices for the station to be paid in this financial year (2019/2020), which will take the station spend total to £46,624,000. The project currently has £34.6m of debt attached to the station (which would be reduced to £28.6m if the £6m grant through the Land Assembly Fund were to be provided). Currently the £34.6m attracts financing costs of £1.45m per annum that need to be funded from revenue budgets.
- 4.9 Of the total £46,624,000 cost, £40m will be covered through a combination of developer contributions spread across seven phases, Growth Place Funding (from TfL) and council contributions, including CIL. However, having already invested £223m at Meridian Water in land assembly costs, the council cannot sustain the funding gap of £6m from its own reserves, nor can it claim a contribution from the selected LDP2 partner due to the marginal viability of the scheme and high levels of affordable housing that need to be provided. Financial modelling shows that the scheme is unviable without public sector funding due to the high up-front infrastructure costs.
- 4.10 LB Enfield considers the £6m grant funding from the GLA as critical due to the following:
- The station was forward funded by the council, with costs paid several years in advance of developer land payments or infrastructure contributions.
  - The asset is owned by Network Rail and any debt attached to the station will result in additional finance costs to the council. The council does not own the station so has no assets attached to the station debt which it can use to generate income to fund the financing costs.
- 4.11 Therefore, if GLA funding was not available the council's revenue budget and capital programme would be adversely affected. In terms of revenue, as detailed above, the station is now a completed asset and as such the revenue budget will be impacted by the interest payments on the outstanding debt from April 2020 onwards. It is therefore critical that this £6m grant, which the borough originally hoped to receive when the station was commissioned, is provided in a timely manner to reduce its finance costs.
- 4.12 In terms of the capital budget, the council's aspiration is to bring forward one of the first development plots (200-250 homes) at the Meridian Two development as 100% genuinely affordable housing. However, the impact of the 100% affordable housing scheme on the capital land receipt makes this unachievable unless other sources of capital anticipated within the financial model are received.
- 4.13 In addition, without the £6m grant funding Enfield would need to source the money from their housing revenue account which would directly impact their ability to deliver a number of estate regeneration schemes in the pipeline. They have indicated that a detailed analysis will need to be undertaken by their finance department but some schemes in their pipeline could be cancelled or delayed.

- 4.14 The financing costs will come from the council's revenue budgets, therefore a repayment trigger for the £6m grant funding cannot be sustained by the council. However, as the £6m grant is directly linked to the delivery of 1,528 homes, any homes not delivered would incur proportionate repayment to the GLA upon failure to meet agreed start on site and completion milestone dates. LB Enfield have to date invested £250m (£223m for land assembly plus £27m ancillary costs) in the Meridian Water development resulting in significant corporate exposure which means that they cannot afford any delivery delays and loss in funding.

#### Links to Mayoral strategies and priorities

- 4.15 The tables below outlines links to Mayoral strategies and priorities in detail as follows:

<b>Policy Document</b>	<b>Strategic Alignment</b>
London Housing Strategy (May 2018)	Meridian Water delivers on these priorities by offering a design-led development which looks to optimise density on largely public land. Meridian Water is also one of the largest underused brownfield site in London.
Affordable Housing and Viability SPG (2017)	The Meridian Water regeneration scheme plans for the delivery of a mix of size, tenure, and affordability across its housing provision. The council is setting a minimum threshold of 40% affordable housing for Meridian Water development plots, with a target of 50%.
London Development Panel 2	LBE is already committed to use the LDP2 for Phase 1 and the Leaside Road element of Phase 2. Subsequent phases are also on public developable land and would therefore be eligible to use the LDP2.  LBE will benefit from the streamlined procurement processes, flexibility, and ensured value for money by employing Panel Members who have been selected by the GLA.
London Plan (2018)	The Meridian Water development strongly aligns with Policy GG1 – Building Strong and Inclusive Communities; Policy GC2 – Making the Best Use of Land, especially brownfield land, surplus public-sector land and sites well connected to planned stations; Policy H1 – Increasing Housing Supply and Policy H5 – Delivering Affordable Housing; and Policy T1 – Strategic transport target of 80% of all trips in London to be made on foot, cycle or public transport by 2041. Delivery of Meridian Water is fundamental to enable LB Enfield to meet its ten-year housing target.

#### Conflicts of interest

- 4.16 There are no known conflicts of interest to note for any of those involved in the drafting or clearance of this decision.

## **5. Financial comments**

- 5.1 This decision requests approval for the payment of grant of £6m to the London Borough of Enfield as a contribution towards the cost of Meridian Water Station. The construction of the station unlocks the potential for the development of higher levels of housing by increasing the public transport access level. It also accelerates delivery of the housing.
- 5.2 The grant will be funded from the MHCLG Land Assembly Fund and will be paid before 31 March 2020.

- 5.3 The grant payment by the GLA was expressly included in the £156m successful HIF bid submitted by the GLA on behalf of the London Borough of Enfield.
- 5.4 Further grant funding may be requested by London Borough of Enfield to fund the level of affordable housing (50%, (400) affordable homes for Phase 1 and 40%, (291) affordable homes for Phase 2: 45%, (691) affordable homes in total).

## **6. Legal comments**

- 6.1 Under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), the GLA has the power to provide the proposed grant funding providing that doing so will further one or more of its principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London.
- 6.2 This intervention is intended to facilitate the delivery of housing and affordable housing, and it is open to the GLA to take the view that funding it will promote both social and economic development, and is therefore within its power, contained in section 30(1) of the GLA Act.
- 6.3 Section 31(1)(a) of the GLA Act prohibits the GLA from using its section 30(1) power to do anything which may be done by Transport for London. Whilst the provision of funding to deliver a station is potentially something that TfL may do, section 31(5B) provides that the prohibition in section 31(1)(a) does not apply where the GLA incurs expenditure in doing anything for the purposes of, or relating to, housing or regeneration. The provision of funding to deliver the Meridian Water station will unlock the delivery of housing and is therefore for the purposes related to housing or regeneration and is not therefore prohibited under section 31(1)(a) of the GLA Act.
- 6.4 In exercising the power contained in section 30(1) of the GLA Act, the GLA must have regard to the matters set out in sections 30(3-5) and 33 of the GLA Act, and also the Public Sector Equality Duty in section 149 of the Equality Act 2010. To this end, the Director should have particular regard to section 3 (above) of this report.
- 6.5 The GLA has engaged with LB Enfield in relation to the funding intervention which is the subject of this Director Decision. GLA officers have confirmed they do not consider it necessary or appropriate for the GLA to consult with any other persons or bodies including those specified in section 32(2) of the GLA Act for the purposes of this Director Decision.
- 6.6 Officers must ensure that all necessary and appropriate steps are taken and a suitable funding agreement entered into with LB to formalise the provision of the grant funding, including requirements regarding state aid compliance, before committing to the same.

## **7. Planned delivery approach and next steps**

- 7.1 The next steps following approval of this decision are summarised below:

<b>No.</b>	<b>Activity</b>	<b>Timeline</b>
1.	Approval by Director	14 February 2020
2.	Contract Completion Date	21 March 2020
3.	Enfield drawdown of funding	31 March 2020

### **Appendices and supporting papers:**

Appendix 1 - Photo of station & red line map of regeneration area.

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

**Part 1 - Deferral**

**Is the publication of Part 1 of this approval to be deferred? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

**Part 2 - Sensitive information**

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form - NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer  
to confirm the  
following (✓)

**Drafting officer:**

Marvin Mileham has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Assistant Director/Head of Service:**

Neil Hook has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Financial and Legal advice:**

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

**Corporate Investment Board**

This decision was agreed by the Corporate Investment Board on 10 February 2020.

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

**Signature**

*M. D. Allen*

**Date** 11.2.20