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Merton Council

Merantun Development Limited Sub-Committee Agenda

Membership

Councillors:

Stephen Alambritis
Mark Allison
Martin Whelton

Date: Monday 15 July 2019

Time: 7.40 pm, or on the rise of the Cabinet meeting held at 7.15 pm the same evening

Venue: Committee Rooms C,D,E, 1st floor, Merton Civic Centre

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All Press contacts: communications@merton.gov.uk, 020 8545 3181

Merantun Development Limited Sub-Committee Agenda

15 July 2019

- | | | |
|---|---|-------|
| 1 | Apologies for absence | |
| 2 | Declarations of pecuniary interest | |
| 3 | Minutes of the previous meeting | 1 - 2 |
| 4 | Merantun Development Ltd: Company Progress Report | 3 - 6 |

Note on declarations of interest

Members are advised to declare any Disclosable Pecuniary Interest in any matter to be considered at the meeting. If a pecuniary interest is declared they should withdraw from the meeting room during the whole of the consideration of that matter and must not participate in any vote on that matter. If members consider they should not participate because of a non-pecuniary interest which may give rise to a perception of bias, they should declare this, withdraw and not participate in consideration of the item. For further advice please speak with the Assistant Director of Corporate Governance.

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Agenda Item 3

MERANTUN DEVELOPMENT LIMITED SUB-COMMITTEE
25 MARCH 2019

(7.34 pm - 7.40 pm)

PRESENT Councillors (in the Chair), Stephen Alambritis and Martin Whelton

Ged Curran (Chief Executive), Chris Lee (Director of Environment and Regeneration), Caroline Holland (Director of Corporate Services), Paul Evans (Assistant Director of Corporate Governance), Paul McGarry (FutureMerton Manager), James McGinlay (Assistant Director for Sustainable Communities) Octavia Lamb (Policy and Research Officer, Labour Group) and Mandy Little (Communications Officer) Louise Fleming (Senior Democratic Services Officer)

ALSO PRESENT Councillors Nigel Benbow, Daniel Holden and Nick McLean

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies for absence were received from the Deputy Leader and Cabinet Member for Finance, Councillor Mark Allison.

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of interest made.

3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

The minutes of the meeting held on 14 January 2019 were approved as a correct record.

4 MERANTUN DEVELOPMENT LTD: COMPANY PROGRESS REPORT (Agenda Item 4)

The Director of Environment and Regeneration presented the report which provided an update on progress. The design consultant had been appointed initial designs would be brought to the Design Review Panel for consideration. There had been some minor slippage in the timetable, due to the appointment of the design company taking longer than originally anticipated. It had been the intention to appoint two companies, however it became apparent that the company appointed had the capacity to carry out the whole design brief. The Council was among over 100 local authorities who had either established or were in the process of establishing property companies for the provision of housing in their boroughs.

The Cabinet Member for Regeneration, Housing and Transport thanked the Company for the update and welcomed the progress made to date. In response to questions from the Cabinet Member, officers advised that the design company had experience of working with the London Borough of Southwark on schemes of a

similar scale. Officers were in the process of assessing the risks and constraints and putting mitigating measures in place and detailed the community engagement which had taken place.

RESOLVED

1. That the progress of Merantun Development Limited (MDL) for the delivery of their new build housing programme be noted.
2. That the appointment of the architectural design team for all four sites, led by Weston Williamson + Partners be noted.
3. That the year to date expenditure incurred by the Company be noted.

Merantun Development Limited Sub-Committee

15 July 2019

Wards: Cricket Green, Figges Marsh, Ravensbury

Merantun Development Ltd: Company Progress Report

Lead officer: Chris Lee, Director of Environment and Regeneration
Lead member: Councillor Stephen Alambritis, Leader of the Council
Councillor Martin Whelton, Cabinet Member of Regeneration,
Housing and Transport
Councillor Mark Allison, Cabinet Member for Finance
Contact officer: Chris Lee, Director of Environment and Regeneration

Recommendations:

- A. To note the progress of Merantun Development Limited (MDL) for the delivery of their new build housing programme.
 - B. To note progress on the design and planning of the four sites.
 - C. To note the year to date expenditure incurred by the Company.
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update the Shareholder Sub-Committee on the progress of Merantun Development Limited (the Company) in quarter one of the 2019/20 financial year, including the design and planning work programme for the development of sites at Farm Road, Canons Place, Elm Nursery and Raleigh Gardens.

2. DETAILS

- 2.1 The Company was incorporated to deliver a mix of housing on small sites that would contribute to Merton's housing targets and generate a revenue return to the Council's general fund. Merantun Development Limited is one of a number of emerging Council-owned development companies, set up to accelerate the delivery of much needed homes. In London, many other boroughs have set up similar companies including Lambeth (Homes for Lambeth), Croydon (Brick by Brick), Ealing (Broadway Living), Barking & Dagenham (BeHere) as well as Islington, Camden, Hounslow and Newham.
- 2.2 Good progress is being made in the preparation of the development of these sites focussing on the design, site capacity, sustainability, planning strategy and community engagement process.

Development delivery:

- 2.3 Site surveys and due diligence investigations have taken place on the four sites and have been completed. These have informed the site capacity and detailed design work for the schemes.
- 2.4 The design, planning, structural engineering, quantity surveying, cost consultancy and viability assessments have been undertaken by a multi-disciplinary team comprising of:
 - Weston Williamson + Partners (architect team)
 - Supported by planning consultants, structural engineering consultants, quantity surveying, cost consultants and viability consultants.
- 2.5 The appointed design team has progressed the proposals for all sites to RIBA stage 3; taking into account feedback from pre-application input of the Council and Merton's Design Review Panel.
- 2.6 The designed proposals will now be the basis for community engagement during late July 2019, prior to the submission of planning applications.
- 2.7 Merantun's delivery programme is summarised in Section 5 of this report and the Committee are asked to note the timetable changes in the development programme.
- 2.8 The Company will now commence the preparatory work for the procurement of the construction contract for the development sites in August 2019; after the submission of planning applications.

Operational:

- 2.9 The Company has appointed an interim agency post to cover the programme manager role and will be recruiting a fixed term programme manager in August 2019.

Financial:

- 2.10 As the four sites are now at a design-freeze, the cost estimates have been firmed up and the income projections based on the unit mix have been assessed.
- 2.11 The Company is now in a position to update the financial model based on cost estimates for the development of the four sites based on the design-freeze and the income projections from the unit mix. This will take place by the end of July 2019.

3. ALTERNATIVE OPTIONS

- 3.1 None for the purposes of this report.

4. CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 Officers from MDL have attended a community meeting of Mitcham Cricket Green Community & Heritage Group and the Tenant Management Association of Glebe Court (adjacent to Raleigh Gardens) as part of early, pre-planning engagement.
- 4.2 Initial (pre-app) development proposals were presented to and reviewed by Merton Council's Design Review Panel on 23 April 2019. A further review will take place once planning applications are submitted to the Council.

- 4.3 A full programme of community engagement for all four sites is being developed and will take place late July 2019, prior to the submission of planning applications.
- 4.4 Further public consultation on the proposals will be undertaken as part of the statutory consultation in the planning application process.

5. TIMETABLE

- 5.1 As summary of the design stage programme is below;
- Design procurement completed: Jan 2019
 - Planning process: Jan – August 2019
 - Pre-Application meetings with the Council's Planning service held on 8th March 2019
 - Community Engagement (see section 4) with further pre-app engagement planned for late July 2019
 - Design Review Panel: (complete) 23 April 2019
 - Submit Planning Application: August 2019 (delay from May-June 2019)
 - Planning Committee target date): November 2019 (delay from Aug/Sept 2019)
 - Preparation of the procurement documentation for the construction contracts: August – November 2019; delay in commencement date but end-date remains Nov 2019.
 - Construction / site preparation: January 2020 – February 2021.
- 5.2 The overall planning and design programme has slipped by two months due to additional site surveys and due diligence information requiring greater analysis, which has impacted on the initial design programme and site capacity work. This work has resulted in design amendments which have delayed the design-freeze stage.

6. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 Merantun business operations are to be funded by equity investment from the London Borough of Merton. The sub-committee, at its 16th October 2017 meeting, agreed to an equity subscription for £160,560. This was enacted and shares to that value have been issued by the Company to the Council.
- 6.2 The Company is working with the Council via a service level agreement to draw-down the remaining funds for 2018-19 and submit the issue of share certificates to the value of c£1.2m.
- 6.3 £500,000 from the Council and share certificates to this value have been issued. A further £700,000 will be drawn down by Q2 2019/20 to provide sufficient funds to meet the company's operational and development budgets.
- 6.4 The Company's operational budget for the period from April 2019 to March 2020 have been approved and details are included in appendix A to this report. Approval for the development budget will be sought when the Company's financial model is updated and final costs are clarified.
- 6.5 The Company is operating within the agreed budget.

7. LEGAL AND STATUTORY IMPLICATIONS

7.1 None for the purpose of this report.

8. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1 None for the purposes of this report.

9. CRIME AND DISORDER IMPLICATIONS

9.1 None for the purposes of this report.

10. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1 None for the purposes of this report.

11. APPENDICES

- **Appendix A** (Below)

**Merantun Development Ltd
Operations Budget FY 2019/20**

Expenditure Category	Total, £000
Staff and associated costs	163.58
Staff related costs	3.44
Office expenditure	184.65
Survey and consultant expenditure	103.00
Management expenditure	100.94
Total budget	555.61

12. BACKGROUND PAPERS

- None