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# **Merton Council**

## **Merantun Development Limited Sub-Committee Agenda**

### **Membership**

#### **Councillors:**

Stephen Alambritis  
Mark Allison  
Martin Whelton

**Date: Monday 14 October 2019**

**Time: 7.40 pm, or on the rise of the Cabinet meeting scheduled for 7.15pm the same evening.**

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

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# **Merantun Development Limited Sub-Committee Agenda**

## **14 October 2019**

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|---|---|-------|
| 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 - 8 |

### **Note on declarations of interest**

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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

**14 October 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

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### 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 community engagement, design and planning of the four sites.
  - C. To note the year to date expenditure incurred by the Company.
- 

### 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 two 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 towards 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). Many other councils are developing a new homes programme as part of their Housing Revenue Account, including; Islington, Camden, Hounslow, Hackney, Barnet and Newham.
- 2.2 Good progress is being made in the preparation of the development of Merantun's first four sites; concluding work-streams 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 (WW+P) (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 (Planning application stage); taking into account feedback from pre-application input of the Council's Planning service, Merton's Design Review Panel and local community engagement events.
- 2.6 The RIBA Stage 3 plans have incorporated the required specification by Merantun Development Ltd and a number of design improvements and efficiencies in building layout to reduce the overall build-cost of the schemes and have resulted in achieving a greater number of units across the portfolio.
- 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 have commenced the preparatory work for the procurement of the construction contract for the development sites and this will be a main focus of the team's work from November 2019; whilst the planning applications are under consideration.

### **Pre-Planning Engagement**

- 2.9 A series of community information events were held where local residents and interest groups were invited to view the draft proposals and give comments. See section 4 of this report for details of consultation.
- 2.10 The events were held at Vestry Hall, Mitcham on Saturday morning, 3<sup>rd</sup> August 2019 and Wednesday evening, 7<sup>th</sup> August. This was not a formal planning consultation but an early stage community engagement prior to submitting any planning applications.
- 2.11 Merantun's Managing Director and Director for Design also held two meetings with Glebe Court Tennant Management Association (adjacent to the Raleigh Gardens site) prior to the community information days.
- 2.12 Merantun's Director for Design and Architects from WW+P also attended a meeting of Mitcham Cricket Green Community & Heritage on 27<sup>th</sup> August. Relevant feedback from the events has been incorporated into the planning application documents.

### **Planning Applications**

- 2.13 The design team are now finalising the planning application documents and pending completion of the financial viability modelling and sign-off by the



Merantun Development Ltd Board, applications will be submitted to the Council in mid-October.

**Operational:**

- 2.14 The Company has appointed an interim agency post to cover the programme manager role and will be recruiting a fixed term programme manager in early 2020.

**Financial:**

- 2.15 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 options have been assessed.
- 2.16 The Company is now updating the financial business model based on cost estimates for the development of the four sites based on the RIBA stage 3 designs and the income projections from the unit mix. This will conclude by mid-October 2019.

**3. ALTERNATIVE OPTIONS**

- 3.1 None for the purposes of this report.

**4. CONSULTATION UNDERTAKEN OR PROPOSED**

**Community Engagement**

- 4.1 A series of community information events were held where local residents and interest groups were invited to view the draft proposals and give comments.
- 4.2 The events were held at Vestry Hall, Mitcham on Saturday morning, 3<sup>rd</sup> August 2019 and Wednesday evening, 7<sup>th</sup> August. The events attracted over 70 local residents. This was not a formal planning consultation but an early stage community engagement prior to submitting any planning applications.
- 4.3 Merantun's Managing Director and Director for Design also held two meetings with Glebe Court Tennant Management Association (adjacent to the Raleigh Gardens site) prior to the community information days.
- 4.4 Merantun's Director for Design and Architects from WW+P also attended a meeting of Mitcham Cricket Green Community & Heritage on 27<sup>th</sup> August. Relevant feedback from the events has been incorporated into the planning application documents.

**Planning**

- 4.5 Pre-application meetings with the Council's Planning Service have concluded and the draft plans were reviewed by Merton's Design Review Panel on 23 April 2019.
- 4.6 Further community engagement is planned when the planning applications are submitted.
- 4.7 Following submission of the planning applications, it is anticipated that the plans will be reviewed by Merton's Design Review Panel in October, during the statutory public consultation period of the planning applications.

## **5. TIMETABLE**

- 5.1 As summary of the design stage programme is below;
- Submit Planning Application: October 2019 (Delay from August 2019 due to financial viability modelling)
  - Design Review Panel: October 2019
  - Planning Committee target date: January 2020 (delay from November 2019)
  - Preparation of the procurement documentation for the construction contracts: Commenced, with most of the work taking place in November 2019. Letting of Construction Contracts: Spring 2020
  - Site preparation / Construction / site preparation: January 2020 – March 2021. This is in line with the previously reported programme.
- 5.2 The overall planning and design programme has slipped by two months due to additional financial due diligence information requiring greater analysis, which has impacted on the submission of planning applications.

## **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 has been working with the Council via a service level agreement to draw-down the remaining funds for 2019-20 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 has been drawn down in July 2019 to provide sufficient funds to meet the company's operational and development budgets.
- 6.4 A further equity investment will be required for the financial year 2019-20 in order to finance the development spend in the form of design and planning fees. The minimum requirement is expected to be in the range of £500,000 to £1,000,000 depending on the planning application outcome.
- 6.5 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.
- 6.6 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)

<b>MDL Profit and Loss - Aug 19</b>	<b>YTD A, £</b>	<b>YTD B, £</b>	<b>YTD VAR, £</b>
Interest income	(613)	0	613
Staff and associated costs	74,841	68,158	(6,683)
Staff related costs	0	2,600	2,600
Office expenditure	2,043	79,855	77,812
Survey and consultant expenditure	63,190	62,708	(482)
Management expenditure	49,698	38,203	(11,495)
<b>Operating loss</b>	<b>189,159</b>	<b>251,525</b>	<b>62,365</b>

**Note:** Design fees expensed YTD - £479k

## 12. BACKGROUND PAPERS

- None

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