

If you are reading this electronically, the Council has saved **£0.28** on printing. For more information on the Mod.gov paperless app, contact Democratic Services

Merton Council

Merantun Development Limited Sub-Committee Agenda

Membership

Councillors:

Stephen Alambritis
Mark Allison
Martin Whelton

Date: Monday 13 July 2020

Time: 7.30 pm or on the rise of the Cabinet meeting, scheduled for 7.15pm the same evening.

Venue: This will be a virtual meeting and therefore will not take place in a physical location, in accordance with s78 of the Coronavirus Act 2020. The meeting will take place on the rise of the Cabinet.

This is a public meeting and can be viewed by following this link
<https://www.youtube.com/user/MertonCouncil>.

Electronic agendas, reports and minutes

Copies of agendas, reports and minutes for council meetings can also be found on our website. To access this, click <https://www.merton.gov.uk/council-and-local-democracy> and search for the relevant committee and meeting date.

Agendas can also be viewed on the Mod.gov paperless app for iPads, Android and Windows devices.

For more information about the agenda please contact
democratic.services@merton.gov.uk or telephone 020 8545 3616.

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

Merantun Development Limited Sub-Committee Agenda

13 July 2020

- | | | |
|---|---|-------|
| 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 Managing Director, South London Legal Partnership.

Agenda Item 3

MERANTUN DEVELOPMENT LIMITED SUB-COMMITTEE 27 JANUARY 2020

(7.47 pm - 7.50 pm)

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

Ged Curran (Chief Executive), Caroline Holland (Director of Corporate Services), Louise Round (Managing Director, South London Legal Partnership and Monitoring Officer) and James McGinlay (Assistant Director for Sustainable Communities)

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

There were no apologies for absence.

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of interest.

3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

The minutes of the meeting held on 14 October 2019 were agreed as a correct record.

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

The Director of Corporate Services presented the company progress report, highlighting that the planning applications were currently going through the Council's planning process and had been considered by the Design Review Panel. and advised that the applications had been to the DRP and we going through the planning process. Subject to the outcome of that process there may be some changes to the business plan due to the change in number of units, which would in turn impact on the return and the money the company would need to borrow from the Council. It was anticipated that due to the delays with the planning process, the transfer of land would not take place in this financial year and would therefore need to be carried forward.

The Head of Sustainable Communities and Company Director advised that officers would continue to work with colleagues across London on delivering best practice for housing companies.

RESOLVED:

1. The progress of Merantun Development Limited (MDL) for the delivery of their new build housing programme be noted.
2. The progress on design and planning of the four sites be noted.

3. The year to date expenditure incurred by the Company be noted.

Merantun Development Limited Sub-Committee

13th July 2020

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 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 one of the 2020/21 financial year, including the design and planning work programme for the development of housing 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 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) and Waltham Forest (SixtyBricks). 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 design, planning, and sustainability strategies and preparation of the procurement and construction programmes.

Development delivery:

- 2.3 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.
- 2.4 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.
- 2.5 The Company have commenced the preparatory work for RIBA stage 4 plans to support the procurement of the construction contracts for the development sites. This has been the main focus of the team's work whilst the planning applications are being determined. It is anticipated that the tender process will start in late July, and will conclude fully in November 2020.
- 2.6 The Company is regularly assessing the effects of Covid-19 on the construction industry. Current indications are that the procurement process should continue as planned.

Planning Applications

- 2.7 Planning applications for all four sites were submitted on 25 October 2019 and validated on the Council's planning explorer on 16 December 2019
- 2.8 The planning applications are available to view online at www.merton.gov.uk/planning. Planning application reference numbers are;
 - **19/ P4046** Farm Road Church, Morden
 - **19 P4047** Elm Nursery Car Park, Mitcham
 - **19 P4048** Car Park Raleigh Gardens, Mitcham
 - **19/PP4050** Canons, Mitcham
(Development Site North of 11-17 Madeira Road)
- 2.9 The statutory consultation on all planning applications closed on 16th January 2020. Merantun's planning and design advisors met with the Council's planning service to consider the feedback received. A number of minor amendments were proposed, in response to the statutory consultation. Updated drawings were submitted for further consultation which closed on 7th June 2020.
- 2.10 The applications are now on the draft agenda for Planning Applications Committee on 16th July 2020.

Financial:

- 2.11 As the four sites are now at a design-freeze, the cost estimates have been further developed and optimised wherever possible, and the income projections based on the unit mix options have been assessed.
- 2.12 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 work is ongoing and will be undated further to reflect the outcome of the planning application decisions.

3. ALTERNATIVE OPTIONS

3.1 None for the purposes of this report.

4. CONSULTATION UNDERTAKEN OR PROPOSED

4.1 Pre planning community engagement activities were summarised in the report to the Merantun Sub Committee on 14 October 2019.

4.2 Statutory planning consultations closed on 7th June 2020.

5. TIMETABLE

5.1 As summary of the design stage programme is below;

- Obtain planning approval at 16 July Planning Committee
- Commence procurement at the end of July, fully completing in November
- Contract award anticipated in December 2020, with an anticipated start date in February 2021, taking in to account Christmas and lead in periods.

5.2 The overall planning and design programme has slipped due to the need to undertake some minor design revisions in response to planning consultation feedback. This required fairly detailed work and a further planning consultation in May 2020.

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 and has drawn down £1.9m of share capital in 2019-20. In 2020-21 the company is raising additional £0.3m share capital to fund its operating budget:

MDL Profit and Loss - May 2020	YTD Actual , £	YTD Budget , £	YTD VAR, £	Full Yr B, £
Staff and associated costs	22,035	22,529	494	156,007
Staff related costs	-	500	500	3,000
Office expenditure	-	3,470	3,470	15,020
Surveys and consultants	14,400	18,000	3,600	25,650
Management expenditure	17,505	14,504	(3,001)	99,023
Operating expenditure	53,929	59,003	5,074	298,700

- 6.3 The transfer of land from the London Borough of Merton to the Company did not take place by 31 March 2020 and is expected to take place this financial year (2020/21) subject to successful planning approvals.
- 6.4 Approval for the development budget will be sought when the Company's financial model is updated and final costs are clarified post planning approval.

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 The company has formed a Covid-19 strategy and operational policy. This document also gives ongoing commentary on the effects of Covid-19 on the business as a whole.

11. APPENDICES

- None

12. BACKGROUND PAPERS

- None