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Merton Council

Merantun Development Limited Sub-Committee Agenda

Membership

Councillors:

Stephen Alambritis
Mark Allison
Martin Whelton

Date: Monday 27 January 2020

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

Merantun Development Limited Sub-Committee Agenda

27 January 2020

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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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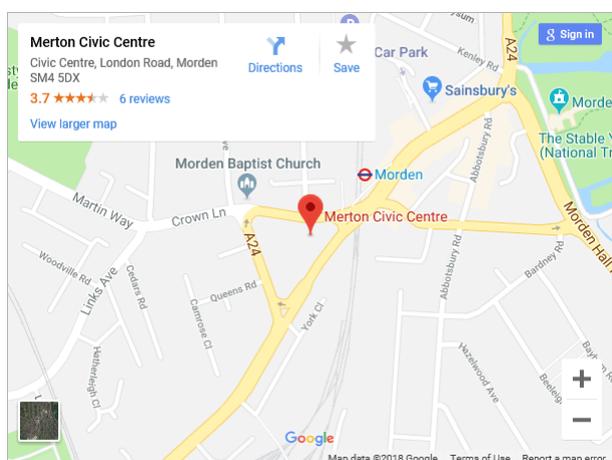
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Agenda Item 3

MERANTUN DEVELOPMENT LIMITED SUB-COMMITTEE
14 OCTOBER 2019

(7.58 pm - 8.05 pm)

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

Ged Curran (Chief Executive), Caroline Holland (Director of Corporate Services), Chris Lee (Director of Environment and Regeneration), Fiona Thomsen (Head of shared legal services), James McGinlay (Assistant Director for Sustainable Communities) and Paul McGarry (FutureMerton Manager)
Louise Fleming (Senior Democratic Services Officer)

ALSO PRESENT Councillors Nick McLean and Peter Southgate

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

There were no apologies for absence received.

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 25 March 2019 were approved as a correct record.

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

The Director of Environment and Regeneration updated the meeting on progress to date. A meeting of the company and shareholders would be taking place to discuss further financial modelling as the architects had identified changes to the design which would increase provision, but this would also increase build costs and therefore the company needed to ensure that it was getting a satisfactory return for those increase costs in the form of increased rental income. Subject to this financial modelling taking place and appropriate sign off, the planning applications would be submitted in October.

The Deputy Leader and Cabinet Member for Finance thanked the officers for their work and welcomed the amount of engagement which had taken place and recognised the concern in the community around the amount of affordable housing available. The Council was committed to further community engagement.

The Assistant Director of Sustainable Communities advised that officers would continue to work with residents on the proposed design and meet with them to

discuss any concerns. All the developments would be subject to the usual planning controls.

The Chair welcomed the report and noted that the company was operating within its budget.

RESOLVED:

1. That the progress of Merantun Development Limited (MDL) for the delivery of their new build housing programme be noted.
2. That the progress on the community engagement, design and planning of the four sites be noted.
3. That the year to date expenditure incurred by the Company be noted.

Merantun Development Limited Sub-Committee

27 January 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 three 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 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 design, planning, and sustainability strategies and preparation of the procurement and construction programmes.

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, detailed design work for all four sites. The design, planning, structural engineering, quantity surveying, cost consultancy, sustainability strategy and viability assessments have been undertaken by a multi-disciplinary team led by Weston Williamson + Partners.
- 2.4 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.
- 2.5 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.
- 2.6 The Company have commenced the preparatory work for the procurement of the construction contracts for the development sites and this is the main focus of the team's work whilst the planning applications are being determined.

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 Place, Mitcham
(Development Site North of 11-17 Madeira Road)
- 2.9 The four planning applications were reviewed in public session of Merton's Design Review Panel on 29 October 2019. The schemes achieved the following verdicts;
 - Farm Road: Green
 - Elm Nursery: Green
 - Raleigh Gardens: Amber
 - Canons Place: Amber
- 2.10 Notes of the panel meeting are available to view online at www.merton.gov.uk/designreviewpanel and are attached as Appendix 1 of this report.
- 2.11 The statutory consultation on all planning applications closed on 16th January 2020. Merantun's planning and design advisors will be meeting with the Council's planning service to consider the feedback received. The programme is currently on track for the applications to be determined at the 13th February 2020 Planning Applications Committee.

Operational:

- 2.12 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 after the consideration of planning applications

Financial:

- 2.13 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.

3. 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.

4. ALTERNATIVE OPTIONS

- 3.1 None for the purposes of this report.

5. 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 For details of current consultations, please see paragraphs 2.8 – 2.11 of this report.

5. TIMETABLE

- 5.1 As summary of the design stage programme is below;
- Submit Planning Application: 25 October 2019 (Delay from August 2019 due to financial viability modelling)
 - Design Review Panel: 29 October 2019
 - Planning Committee target date: 13th February (delay from January 2020 as reported previously)
 - Preparation of the procurement documentation for the construction contracts: Commenced, with work taking place throughout spring 2020. Letting of Construction Contracts: Summer 2020
 - Site preparation / Construction / site preparation: February 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 prior to the submission of the planning applications; as well as the planning application validation and consultation timescales.

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£1.9m.
- 6.3 In April 2019, £500,000 was drawn down from the Council and share certificates to this value were issued. A further £700,000 was drawn down in July 2019 to provide sufficient funds to meet the company's operational budget and design fees. The remaining £700,000 was drawn down in December 2019 in order to cover operating expenditure, the remaining design fees to the financial year end and to provide liquidity at the beginning of financial year 2020/21.
- 6.4 The Company's operational budget for the period from April 2019 to March 2020 have been approved (£555.6k) and details are included in table below to this report subject to tendering the construction works. Approval for the development budget will be sought when the Company's financial model is updated and final costs are clarified.
- 6.5 Due to the timing on obtaining the planning permission, the transfer of land from the London Borough of Merton to the Company most probably will not take place by 31 March 2020. This implies that the design fees of c£1.1m will have to be expensed rather than capitalised. The effect of this change is presented below:

MDL Profit and Loss - Dec 19	YTD A, £	YTD B, £	YTD VAR, £	Full Yr B, £
Interest income	(1,187)	-	1,187	-
Staff and associated costs	122,684	122,684	-	163,578
Staff related costs	0	3,080	3,080	3,440
Office expenditure	509	31,740	31,231	41,653
Surveys and consultants	1,188,975	192,875	(996,100)	246,000
Management expenditure	78,761	68,766	(9,995)	100,938
Operating expenditure	1,389,742	419,144	(970,597)	555,609

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** Design Review Panel notes

12. BACKGROUND PAPERS

- None

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DESIGN REVIEW PANEL
NOTES OF MEETING 29 October 2019

Agenda and notes (where appropriate) can be viewed at the Council's website at:

<http://www.merton.gov.uk/living/designandconservation/designreviewpanel.htm>

Panel Members Present:

- Najeeb Latif (Chair)
- Marcus Beale
- Clare Murray
- Andre Sutherland
- Cordula Weisser
- Michael Whitwell

Apologies

- Alistair Huggett
- Juliette Scalbert

Council Officers Present:

- Paul Garrett
- Paul McGarry (as client for Merantun Development Ltd)
- James McGinlay (as client for Merantun Development Ltd)

Councillors Present

- Nigel Benbow

Members of the Public Present

- Sarah Sharp (recording)

Declarations of Interest

- None

Notes:

Item 1: Application, 19/P0907, **Farm Road Church**, Farm Road, St. Helier

The Panel felt this was a well-designed and accomplished proposal that generally fitted well with its surroundings, was of an appropriate scale and used good quality

materials. It was felt that tile hanging went well with the proposed timber frame construction. The Panel felt that most of the previous review comments had been taken on board.

A number of comments and suggestions were made by the Panel it felt the applicant should consider further. The typology on Combermere Road was felt to be different. It was suggested that a different brick colour could be used on the town houses on this street, although there were mixed views on this. This point related to the view that there were large expanses of blank brickwork on flank walls. It was suggested that the applicant look into ways of giving relief to these as well as introducing side windows where possible. This could help introduce more light into the accommodation.

The window screens added to address potential overlooking at the rear were felt not to be successful and it was recommended that the windows themselves needed to be angled. The panel also questioned the quality of external space for ground floor flats, given that amenity space of flats would be facing the street. It was suggested that more attention needed to be paid to ensuring this was as useable as possible. Ensuring there was robust boundary treatment such as fencing/walls rather than just hedging, and bringing the gates/threshold to the back of the footway to maximise the space and defensible space, was suggested.

The detail of the bronze coloured metal panels was queried, as the CGI did not show a realistic detail. It was important this worked well in terms of quality and that the reality and CGI were honest in showing the reality of the effect. Overall, the Panel noted that the applicant needed to work to ensure that the quality of the scheme was not eroded as it passed through the planning and construction process. The size and impact of the feature dormers was questioned and whether the scale was reflected internally with a higher ceiling height – which it was.

The Panel queried the individual Air Source Heat Pump (ASHP) approach taken for heating and hot water, and how this would affect likely household bills. The stated u-values for double glazing were also queried. The Panel also queried whether the size of the flats was to standard, as no measurements had been given for areas etc.

VERDICT: **GREEN**

Item 2: Application, 19/P0901, **Elm Nursery Car Park**, London Road, Mitcham

The Panel felt this was a really successful scheme in a harsh environment. The architecture was commended and the building addressed each side positively. It was felt the applicant had successfully addressed comments from the previous review. The design exhibited elements of past eras of public housing and built on them positively. The darker brick and bronze glazed tile were felt appropriate for the harsh and likely polluted environment.

The faceted upper floor was well liked though slightly disappointing that this was not evident internally. It was felt that careful attention to detail was required in order to ensure quality was maintained throughout the planning and construction process.

The join between the two types of brick needed to be carefully executed, as did the balcony detail.

The roof was the only disappointment for the Panel. This was seen as a missed opportunity as it was a simple plain roof that has no roof garden, green/brown roof design or photovoltaic/solar panels. Therefore the high parapet was seen as an unnecessary extension in height. However, the Panel's preference was to retain the parapet and put the roof space to good environmental use.

On the ground floor it was suggested that the flats would benefit from triple glazing the windows and the panel sought clarification on separation distances at the rear, which it had no issue with. Overall the Panel were very positive about the proposal.

VERDICT: **GREEN**

Item 3: Application, 19/P0904, **Raleigh Gardens Car Park**, Mitcham Town Centre

The Panel felt that this design had improved since the last review, with a number of previously raised issues being taken on board, mostly successfully. Again, the Panel commended the architectural quality with the caveat that this needed to be seen through the planning and construction process to completion.

The design consisted of large volumes and expanses of brick in the same colour. It was therefore very important that a high quality brick was used. There was some suggestion that this needed some relief. The Panel liked the form of the elevations, the two-building elements the window forms and the keeping of as many trees as possible – particularly to the rear

The clear division between the two parts of the building was more successful but it was felt that the appearance and materiality needed further refinement. The through access here and the rear layout had been improved with respect to security and overlooking and the re-siting of the cycle store was liked, though this did lead to new issues of dead frontage around the main entrance.

Internally the Panel felt that the ground floor layout was not working as well as it should. The wheelchair accessible unit had its bedroom facing the street and this was felt to be poor layout. The communal storage area seemed to be inhibiting a better layout. Where bathrooms faced external walls, opportunity should be taken to insert windows.

The Panel discussed the rear of the building and its proximity to Glebe Court. There was a general feeling that this was a constrained space with little communal value and a somewhat canyon feel. This led to the suggestion of having a lower boundary wall or no wall at all – implying sharing the existing communal space of Glebe Court, although in separate ownership.

This led the Panel to air its main concern regarding this scheme. This was that they felt that the site was over developed. This was reflected in the reiteration of the suggestion of exploring a U or L shaped building form to maximise the amount of

communal space to the rear. It was also expressed in the feeling by the Panel that the building was either slightly too tall or, at the very least, the pitched roof was unnecessary. This, the Panel felt, was anomalous and there was little precedent for it in the immediate vicinity. Removing the pitched roof and recessing the top floor was seen as a possible way of addressing this.

The Panel were concerned there were no sectional drawings provided to show the proximity of the building to existing buildings – notably Glebe Court. It was felt that the roof form did not future-proof for PV panels as they were facing the wrong way. Although there had been some positive developments, a few more fundamental issues still needed to be resolved.

VERDICT: **AMBER**

Item 4: Application, 19/P0906, **Land Adjacent to 15 Madeira Road**, Mitcham

The Panel saw the proposal as being of good architecture with good detailing, particularly the fronts of the mews houses. The level of private and communal open space was good and it was felt the communal square with buildings grouped around it would work really well. It was a good composition. There had been a number of improvements since the previous review.

It was felt there were a few issues that required further work. Although a heritage statement had been submitted as part of the application, the Panel had not seen this. It was therefore important that the proper procedure and assessment had taken place to conclude the level of harm and what the mitigation and public benefits were, that would outweigh this. There was some scepticism from the Panel regarding the rather emphatic conclusion reported in the review material.

In general, although the design was commended, the overall feel was that the development felt too harsh and clunky. This was most notable at the rear of the mews houses. This elevation seemed to have too much going on in terms of its volumetrics, with an array of different forms and planes. This made it seem too busy, intense and slightly military in feel. The Panel's advice on this was that the solution was an architectural one, which did not require a fundamental rethink, but which needed to be cuter, quieter and more rural in feel, to better relate to its historic surroundings. In contrast, the front of the mews was considered quite successful.

The flats block was considered to have similar issues – they needed to relax and breathe more - but not to the same degree as the mews houses. The access road felt like a road and needed softening to feel like a space. Again, the Panel felt that the roof was being under-used, lacking sustainable measures or access for roof gardens. Flat roofs were questioned in an area where pitched roofs generally prevailed, but was not necessarily considered essential.

Whilst internally the house layouts were liked, the entrance areas were considered impractical and cramped, with no storage for essential items such as coats, shoes etc. This area would benefit from a redesign. The headroom for the under-stairs WC was also questioned. Whilst one Panel member expressed the view 'I'd love to

live there' the Panel as a whole felt that the issue of the feel and appearance of the news houses just prevented them from giving a Green verdict.

VERDICT: **AMBER**

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