

LOCAL AUTHORITY PROPERTY COMPANY (LAPC) SUB-COMMITTEE  
16 OCTOBER 2017

(8.15 pm - 8.30 pm)

PRESENT Councillors Stephen Alambritis, Mark Allison and Martin Whelton

Ged Curran (Chief Executive), Caroline Holland (Director of Corporate Services), Chris Lee (Director of Environment and Regeneration), Paul Evans (Assistant Director of Corporate Governance), Fabiola Hickson (Manager business improvement law), Paul McGarry (FutureMerton Manager) and James McGinlay (Assistant Director for Sustainable Communities)

1 ELECTION OF CHAIR (Agenda Item 1)

It was moved by Councillor Mark Allison and duly seconded by Councillor Martin Whelton that Councillor Stephen Alambritis be elected Chair of the Local Authority Property Company Sub-Committee.

RESOLVED:

That Councillor Stephen Alambritis, Leader of the Council be elected Chair of the Local Authority Property Company Sub-Committee for the remainder of the 2017/18 municipal year.

2 APOLOGIES FOR ABSENCE (Agenda Item 2)

No apologies for absence received.

3 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 3)

No declarations of pecuniary interest were made.

4 HOUSING COMPANY SHAREHOLDER SUB-COMMITTEE REPORT  
(Agenda Item 4)

The Director of Environment and Regeneration presented the report, which set out a proposed infrastructure to enable the newly formed property company to operate effectively.

The Sub-Committee noted an update on the progress to date with the establishment of the Company. Geotechnical surveys were being carried out on potential development sites and the Business Plan was being refined, including more detailed costings. Work was also being carried out on design briefs and a review of current planning policies.

The Director of Corporate Services advised that officers were working to minimise the impact on the General Fund and maximise the financial benefits for the Council.

The Sub-Committee noted that approximately 160 councils throughout the country had either set up or were in the process of setting up property companies. This had provided officers with a variety of experiences from which to learn and adopt best practices.

The Cabinet Member for Finance welcomed the update and noted the complexities involved. The property company would provide a significant financial benefit to the Council. It was noted that the Private Rented Sector was predicted to grow due to a reduction in the number of people being able to afford to buy their own property. However, there were issues with poor quality homes in the sector and this provided the Council an opportunity to drive up standards for its residents.

#### RESOLVED:

1. That the Terms of Reference and Sub-Committee Membership be noted;
2. That the update on Merantun Development Ltd's progress be noted;
3. That the nomination of the Director of Environment and Regeneration as the Shareholder Representative be approved; and authority be delegated to the Director to:
  - (i) act as the Shareholders representative in Company meetings for the purposes of passing ordinary and special resolutions and
  - (ii) to make decisions on company matters, as the Shareholder Representative, unless the matter is specifically reserved to the Sub-Committee.
4. The draft Shareholders Agreement and the Reserved Matters contained in Schedule 1 (Appendix 1) and the draft Amended Articles of Association (Appendix 2) be noted; and authority be delegated to the Shareholder Representative in consultation with the Chair of the Sub-Committee to:
  - (i) agree these documents (save where there is a material change); and
  - (ii) enter into the Shareholders Agreement and approve adoption of the Amended Articles of Association.
5. That on the Shareholder Agreement being entered into, the Reserved Matters contained in Schedule 1 of the agreement be reserved to the Sub-Committee; and authority be delegated to the Shareholder Representative with regards decisions relating to Reserved Matters in consultation with the Chair as and when necessary save for the following:
  - (i) Altering in any respect the Articles or the rights attaching to any of the shares in MERANTUN DEVELOPMENT LTD (except as provided in clause 16.3 of the Draft Shareholder Agreement).
  - (ii) Permitting the registration of any person as a member of MERANTUN DEVELOPMENT LTD other than the Council.

- (iii) Increasing the amount of MERANTUN DEVELOPMENT LTD's issued share capital, granting any option or other interest (in the form of convertible securities or in any other form) over or in its share capital, redeeming or purchasing any of its own shares or effecting any other reorganisation of its share capital.
- (iv) Incurring expenditure or entering into any arrangement, contract or transaction in excess of:
  - (a) Other than in relation to any land acquisition, £2,000,000 (2 million pounds);
  - (b) In relation to any land acquisition, £2,000,000 (2 million pounds).
- (v) Issuing any loan capital in MERANTUN DEVELOPMENT LTD or entering into any commitment with any person with respect to the issue of any loan capital.
- (vi) Applying for the listing or trading of any shares or debt securities on any stock exchange or market.
- (vii) Passing any resolution for its winding up or presenting any petition for its administration (unless it has become insolvent).
- (viii) Altering the name of MERANTUN DEVELOPMENT LTD or its registered office.
- (ix) Adopting or amending the Business Plan in respect of each Financial Year.
- (x) Changing the nature of MERANTUN DEVELOPMENT LTD's Business or commencing any new business by MERANTUN DEVELOPMENT LTD which is not ancillary or incidental to the Business.
- (xi) Forming any Subsidiary or acquiring shares in any other company or participating in any partnership or joint venture (incorporated or not).
- (xii) Amalgamating or merging with any other company or business undertaking.

- (xiii) Creating or granting any Encumbrance over the whole or any part of the Business, undertaking or assets of MERANTUN DEVELOPMENT LTD or over any shares in MERANTUN DEVELOPMENT LTD or agreeing to do so other than liens arising in the ordinary course of business or any charge arising by the operation or purported operation of title retention clauses and in the ordinary course of business.
  - (xiv) Factoring or assigning any of the book debts of MERANTUN DEVELOPMENT LTD.
  - (xv) Changing the auditors of MERANTUN DEVELOPMENT LTD or its Financial Year end.
  - (xvi) Establishing or amending any profit-sharing, share option, bonus or other incentive scheme of any nature for Directors or employees.
  - (xvii) Establishing or amending any pension scheme or granting any pension rights to any Director, officer, employee, former Director, officer or employee, or any member of any such person's family.
  - (xviii) Appointing or dismissing any Director or Chairman.
  - (xix) Making any agreement with any revenue or tax authorities or making any claim, disclaimer, election or consent for tax purposes in relation to MERANTUN DEVELOPMENT LTD or its business.
  - (xx) Purchasing any housing or commercial unit(s) or land which is situated outside of the Council's administrative area.
6. The Shareholder Representative be required to report any decisions made under the delegated authority contained in recommendation 5 above to the next Sub-Committee meeting after the decision was taken;
  7. The equity subscription of £160,560.00 to the Company in relation to the working capital as described in paragraph 4.1 of the report be approved; and authority be delegated to the Shareholder Representative in consultation with the Chief Financial Officer (the S151 officer) to approve the terms of the equity subscription and to enter into an Equity Subscription Agreement in relation to this sum;
  8. To grant delegated authority to the Shareholder Representative in consultation with the S151 Officer and the Chair to negotiate the terms of Finance Agreements and/or Equity Subscription Agreements subsequently required after the Equity Subscription Agreement (referred to in recommendation 7 above) and to enter into such agreements;

9. The appointment of James McGinlay as a Director of Merantun Development Ltd be approved;
10. The dates for information sessions on the financial documentation and the forward plan agenda items be agreed.