

# **Merton Council**

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

### **Membership**

#### **Councillors:**

Stephen Alambritis  
Mark Allison  
Martin Whelton

**Date: Monday 30 July 2018**

**Time: 7.45 pm, or on the rise of the Cabinet meeting held at 7.15pm on the same evening.**

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

This is a public meeting and attendance by the public is encouraged and welcomed. For more information about the agenda please contact [democratic.services@merton.gov.uk](mailto:democratic.services@merton.gov.uk) or telephone [020 8545 3616](tel:02085453616).

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

## **30 July 2018**

- |   |  |         |
|---|--|---------|
| 1 | Apologies for absence                          |         |
| 2 | Declarations of pecuniary interest             |         |
| 3 | Minutes of the previous meeting                | 1 - 2   |
| 4 | Merantun Development Limited - Progress Report | 3 - 10  |
| 5 | Change of Financial Year End Date              | 11 - 12 |

### **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.

# Agenda Item 3

## LOCAL AUTHORITY PROPERTY COMPANY (LAPC) SUB-COMMITTEE 12 DECEMBER 2017

(7.15 pm - 7.23 pm)

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

Caroline Holland (Director of Corporate Services), Chris Lee (Director of Environment and Regeneration), James McGinlay (Assistant Director for Sustainable Communities), Paul McGarry (FutureMerton Manager) and Fabiola Hickson (Manager business improvement law)  
Louise Fleming (Senior Democratic Services Officer)

### 1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies for absence were received from Councillor Mark Allison.

### 2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of interest.

### 3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

RESOLVED that the minutes of the meeting held on 16 October 2017 were agreed as a correct record.

### 4 MERANTUN DEVELOPMENT COMPANY PROGRESS REPORT (Agenda Item 4)

The Chair invited the Director of Environment and Regeneration to present the report. It was noted that the Shareholder Agreement had now been approved by the Director in consultation with the Chair of the Sub-Committee, as set out in paragraph 2.3 to the report; and the Equity Subscription Agreement set out in paragraph 2.4 to the report had also been agreed. The amended Articles of Association had been signed and lodged with Companies House. The Shareholders had met to appoint to consider the appointment of two further Directors and therefore the recommendation was now to agree the appointment, rather than note as set out in the Committee report. The Sub-Committee noted the background and experience of the new company Directors.

The Sub-Committee also received an update on the progress with the sites already identified. A meeting would be shortly taking place with the lender to discuss the cash-flow to the company; and contractors had been commissioned to carry out Right of Light assessments, which could be progressed now the Equity Subscription had been agreed. Design contractors would then be appointed and it was hoped that any outstanding issues would be resolved in January, and be brought to Shareholders for

approval. The main risks were around pricing, which would be considered as part of the procurement strategy.

The Sub-Committee was advised that there were over 100 Local Authorities in England who had either set up or were in the process of setting up Local Authority property companies. The benefits being that it added to the Council's supply of housing; and was a way of using assets to generate a revenue return which would benefit residents over time as the revenue stream could be used to plug the Council's gap which could potentially fund services. The Committee noted that there were similar types of operating and governance arrangements across local government property companies.

**RESOLVED:**

1. That the appointment of two further Directors of Merantun Development Limited, as set out in the Committee report, be agreed.
2. The current position of the agreement of the Company's Shareholder Agreement and Equality Subscription Agreement be noted.

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

### **30 July 2018**

Wards: All

#### **Merantun Development Limited 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 the approval being sought by MDL from the Shareholder Representative in conjunction with the S151 Officer and Chair for the current year operational and development budgets in return for shares.

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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 in the first half of this calendar year, including the agreement of the operational and development budgets.

## **2 DETAILS**

- 2.1. The company was incorporated on the 9th August 2017 to undertake the development of circa. 77 residential units on four sites – Farm Road Church, Morden; land at the Canons, Mitcham, Elm Nursery, Mitcham and Raleigh Gardens, Mitcham. Good progress is being made in the preparation of the development of these sites as well as the set up of the MDL's operational structures; staff are in post and external advice is ongoing for specific technical and specialised advice required by the company.
- 2.2. At its meeting on the 12<sup>th</sup> December 2017 the sub-committee agreed to the appointment of Roger Kershaw and Ian McKinnon and James McGinlay as Directors of MDL. Their appointments have all been filed with Companies House.

- 2.3. The sub-committee, at its meeting on the 16<sup>th</sup> of October 2016, agreed to delegate to the Director of Environment and Regeneration, as the Shareholder Representative, to approve the amended Articles of Association and these have been filed at Companies House.
- 2.4. Additionally, the sub-committee, at its meeting on the 16<sup>th</sup> October 2017, agreed to an equity subscription for £160,560 and this has been enacted and shares to that value have been issued by MDL to LBM.
- 2.5. A progress report on the operation of the company is attached (Appendix A) along with MDL's programme plan (Appendix B).
- 2.6. The sub-committee, at its meeting on the 16<sup>th</sup> October 2017, delegated to the Shareholder Representative, in conjunction with the Section 151 Officer and the Chair of the sub-committee to negotiate terms and enter into subsequent Finance Agreements and/or Equity Subscription Agreements to MDL.
- 2.7. The Board of MDL has approved the operational and development budgets for the period from April 2018 to March 2019 and it is anticipated that this will formally be agreed (as set out in paragraph 2.8) before the sub-committee meeting on the 30<sup>th</sup> July 2018.
- 2.8. MDL will seek formal approval of the operational and development budgets from the Shareholder Representative, the Section 151 Officer and the Chair of the sub-committee and the amounts approved will be provided to the meeting of the sub-committee on the 30<sup>th</sup> July 2018.
- 2.9. The council will then enter in to an equity subscription agreement with MDL. LBM will be issued with shares in MDL to this value, within the approved capital budget for 2018/19.

### **3 ALTERNATIVE OPTIONS**

- 3.1. None for the purposes of this report.

### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1. None for the purposes of this report.

### **5 TIMETABLE**

- 5.1. As per the attached Programme (Appendix B).

### **6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1. The sub-committee has delegated to the Shareholder Representative, in conjunction with the Section 151 Officer and the Chair of the sub-committee to negotiate the terms of Finance and/or Equity Subscription to MD
- 6.2. The Board of MDL has approved the operational and development budgets for the period from April 2018 to March 2019 and it is anticipated that this will formally be agreed before the sub-committee meeting on the 30<sup>th</sup> July 2018

and an update will be provided at the meeting, but will be within the approval capital budget for 2018/19.

**7           LEGAL AND STATUTORY IMPLICATIONS**

- 7.1.       None for the purposes of this report as the governance issues concerning delegation and approvals have been addressed in the main body of the 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 – MDL UPDATE

APPENDIX B – MDL PROGRAMME

**12          BACKGROUND PAPERS - NONE**

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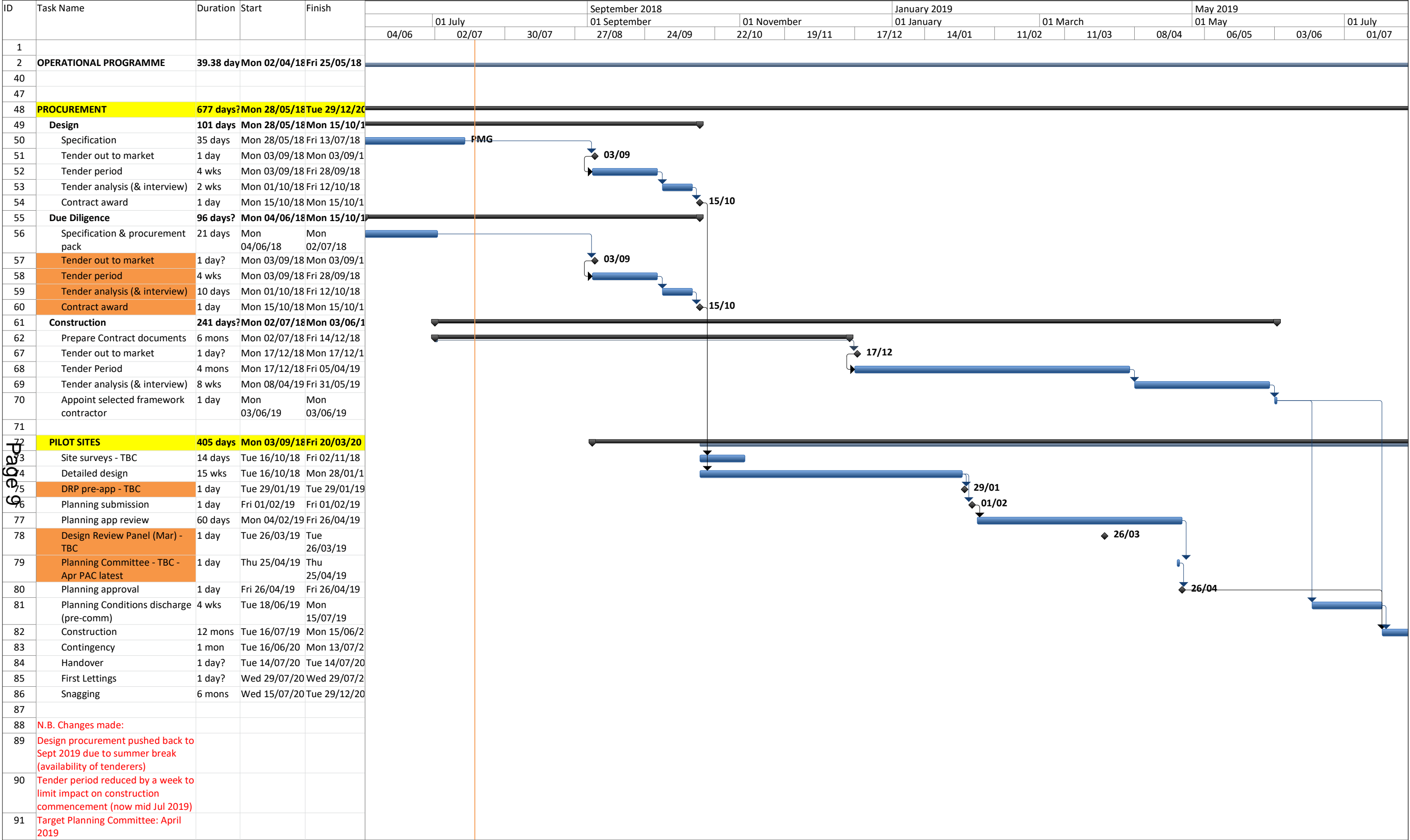
Merantun Development Limited

19 July 2019

**Progress Report**

1. Introduction
- 1.1 An update programme plan is attached (Appendix B).
- 1.2 The change in programme to note is the issuing of the design and planning tender at the beginning of September 2018 rather than the beginning of July 2018. Soft market testing determined that there would be insufficient response given the summer holiday period.
- 1.3 The overall programme therefore has slipped by one month to a handover of property in July 2020.
- 1.4 Staffing is in place.
- 1.4 External consultancy advice has been appointed to co-ordinate the procurement plans and this will be supplemented by additional consultancy input that is being commissioned.
- 1.5 Site survey work packages are in preparation and will be undertaken as per the project plan.
- 1.6 Additionally external consultants are appointed to undertake further cost plan reviews for inputting into the business plan financial model.
- 1.7 Officers are seeking further advice on the cost plan, particularly relating to tax advice.
- 1.8 The cost plan will be reviewed in October 2018 and a subsequent review of the business plan will take place.
- 1.9 Subject to the outcome of this review, discussions on the loan agreement will commence in November 2018.

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			September 2019					January 2020					May 2020					September 2020					January 2021
01 July			01 September			01 November		01 January			01 March		01 May			01 July		01 September			01 November		01 January
01/07	29/07		26/08	23/09	21/10	18/11	16/12	13/01	10/02	09/03	06/04	04/05	01/06	29/06	27/07	24/08	21/09	19/10	16/11	14/12	01 Jan		

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Project: Merantun-Timeline Date: Wed 18/07/18	Task		Summary		External Milestone		Inactive Summary		Manual Summary Rollup		Finish-only	
	Split		Project Summary		Inactive Task		Manual Task		Manual Summary		Deadline	
	Milestone		External Tasks		Inactive Milestone		Duration-only		Start-only		Progress	

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

**Date: 30 July 2018**

Wards: All

### **Subject: Change of Financial Year End Date**

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 amend the financial year end date from 31 August 2018 to 31 March 2019 to align the end of the financial year date of Merantun Development Limited with the financial year end date of the London Borough of Merton.
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## **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. To seek approval from the Shareholder to amend the financial year end date.

## **2 DETAILS**

- 2.1. Merantun Development Limited (the company) was incorporated on 09 August 2017. The date of the financial year end was calculated in accordance with the date of incorporation.
- 2.2. Changing the financial year end date is a reserved matter that requires Shareholder approval in accordance with the Shareholder's Agreement.
- 2.3. The board of directors for the company resolved on 19 April 2018 to recommend and seek authority from the Shareholder to align the financial year end with the London Borough of Merton.
- 2.4. To ensure that the Company's dates are aligned with the London Borough of Merton we are seeking shareholder approval to amend the financial year end date.

## **3 ALTERNATIVE OPTIONS**

- 3.1. None for the purposes of this report.

## **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1. None for the purposes of this report.

## **5 TIMETABLE**

- 5.1. Subject to the approval of the sub-committee the relevant documents to amend the financial year end date will be completed and lodged with Companies House.

## **6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1. None for the purposes of this report.

## **7 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1. Amendment of the financial year end date is a reserved matter in accordance with Schedule 1 paragraph 23 of the Shareholder's Agreement.
- 7.2. Under Schedule 1, reserved matters for shareholder approval (and which have been retained by the sub-committee to itself) includes reserved matter number 23 which refers to:  
"Changing the auditors of Merantun Development LTD or its Financial Year end".
- 7.3. Approval for the amendment of the financial year end date is being sought in accordance with the requirements set out in the Shareholder's Agreement.

## **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 - NONE**

## **12 BACKGROUND PAPERS - NONE**