

Merton Council

Merantun Development Limited Sub-Committee Agenda

Membership

Councillors:

Stephen Alambritis
Mark Allison
Martin Whelton

Date: Monday 14 January 2019

Time: 7.40 pm (To start at 7.40pm 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 or telephone [020 8545 3616](tel:02085453616).

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

Merantun Development Limited Sub-Committee Agenda

14 January 2019

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|---|---|--------|
| 1 | Apologies for absence | |
| 2 | Declarations of pecuniary interest | |
| 3 | Minutes of the previous meeting | 1 - 4 |
| | To agree the minutes of the ordinary meeting held on 15 October and the extraordinary meeting held on 10 December 2018. | |
| 4 | Merantun Development Ltd: Company Progress Report | 5 - 10 |

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

MERANTUN DEVELOPMENT LIMITED SUB-COMMITTEE
15 OCTOBER 2018

(7.43 pm - 7.50 pm)

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

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

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.

3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

RESOLVED: That the minutes of the meeting held on 30 July 2018 were agreed as a correct record.

4 MERANTUN DEVELOPMENT LIMITED - PROGRESS REPORT-OCT 2018 (Agenda Item 4)

The Director of Environment and Regeneration presented the report which updated on progress made since the last meeting. The Director highlighted to members section 2.3 and 2.4 on the report, noting that they were currently in the process of procuring advice in relation to Planning issues, with the intention of submitting a Planning Application in April 2019.

The Director of Environment and Regeneration advised that Merantun had now appointed a full time project manager and were looking to appoint an additional director following the resignation of one previous director.

The Cabinet Member for Regeneration, Housing and Transport reiterated the need for Housing in the Borough and advised that there would be a Draft Housing Strategy presented within the next few months.

The Leader of the Council asked whether the Council was alone in the creation of a Local Authority Property Company. The Director of Environment and Regeneration

responded that there were over 100 Local Authority Property Companies currently in existence.

RESOLVED: That the progress of Merantun Development Limited (MDL) for the delivery of their new build housing programme be noted.

EXTRAORDINARY MERANTUN DEVELOPMENT LIMITED SUB-COMMITTEE
10 DECEMBER 2018

(7.57 pm - 8.01 pm)

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

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

ALSO PRESENT Councillors Nigel Benbow, David Chung, Daniel Holden 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.

3 MERANTUN DEVELOPMENT LTD - DESIGN PROCUREMENT (Agenda Item 3)

The Shareholder Representative, the Director of Environment and Regeneration, explained that the extraordinary meeting had been called due to the significant level of interest which had been received in the procurement for the architectural design contracts. 44 had expressed interest and 6 had already submitted tenders, and therefore to enable the company to progress at pace a delegation of authority was being requested to award the design contracts. The procurement exercise was due to conclude just before Christmas and it was proposed that the decision would be made to enable the programme to proceed without delay in the new year, and the results of which would be reported back to the Sub-Committee in 2019.

The Cabinet Member for Regeneration, Housing and Transport welcomed the significant level of interest received and stressed that this was a key priority and it was important to act quickly to ensure the four sites identified in the Borough are developed.

The Deputy Leader and Cabinet Member for finance also welcomed the number which had expressed an interest in the design contracts.

The Leader asked whether Merton was the only Borough with such a property company. The Shareholder Representative advised that over 100 local authorities were either setting up or had already set up property companies, so it was a tried and

tested method to increase housing supply and address the financial challenge faced by local authorities.

The Leader thanked officers involved in driving forward the programme and also welcomed the level of interest received

RESOLVED

That authority be delegated to the Shareholder Representative (the Director of Environment and Regeneration), in consultation with the Chair of the Merantun Development Ltd Sub-Committee, to approve the award of the Mertantun Development Ltd architectural design contract(s).

Merantun Development Limited Sub-Committee

14 January 2019

Wards: All

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 the intention to award the architectural design contract(s) to the selected bidder(s), subject to the approval of the Board of Merantun Development Limited, the Council's Shareholder Representative and completion of the mandatory standstill period, due diligence checks and approvals.
 - C. To note the year to date expenditure incurred by the Company and forecast spend for 2018/19.
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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 (the Company) in quarter three of the 2018-19 financial year, including the decision to award the design contracts for the first four sites.

2. DETAILS

- 2.1 The company was incorporated on the 9th August 2017 to undertake the development of circa. 77 residential units on four pilot sites – Farm Road Church, Morden; land at the Canons, Mitcham; Elm Nursery, Mitcham and Raleigh Gardens, Mitcham.
- 2.2 Good progress is being made in the preparation of the development of these sites as well as the set-up of the Merantun Development Limited's operational structures.

Development delivery:

- 2.3 Site surveys and due diligence investigations have taken place on the four pilot sites, with final reports provided to the company.

- 2.4 An OJEU procurement exercise has been undertaken over the period October 2018 – January 2019 for the procurement of architectural/design consultants for the development sites. The appointed design team(s) will lead on scheme design and progress each site to planning approval in late summer 2019, in accordance with the planned programme.
- 2.5 A copy of the Company's delivery programme is attached (Appendix A) and summarised in Section 5 of this report.
- 2.6 At the time of writing this report, the Company is finalising the award of contracts for the design and planning consultants.
- 2.7 Following evaluation of the tender responses, and subject to the completion of the mandatory 10-day standstill period, the Company is intending to award the design contract for the development sites.
- 2.8 The procurement process (ITT stage) attracted the following number of bids;
- 2.9 Four companies, out of six shortlisted, submitted responses to the ITT. Overall, 14 responses were received, broken down by site as;
- Elm Nursery [4 bids]
 - Raleigh Gardens [4 bids]
 - Canons Place [3 bids]
 - Farm Road [3 bids]
- *names of the bidders cannot be released until the end of the standstill period.*
- 2.10 The selected consultants and the contract value will be reported to the sub committee.
- 2.11 The provisional appointments will be considered by the Merantun Board at a meeting on 8th January 2019, and by the Council's Shareholder Representative in consultation with the Chair of the Sub-Committee thereafter, by delegated authority (as agreed at the extraordinary Sub-Committee meeting held on 10 December 2018).
- 2.12 Commencement meetings will take place with the appointed design teams later in January, with a view to submitting planning applications in May 2019.
- 2.13 The Company will commence preparatory work for the procurement of the construction contract for the development sites once the design contract is commenced at the end of January.
- Operational:
- 2.14 Service Level Agreements (SLA) have been agreed with the South London Legal Partnership (SLLP) and are in progress with wider council services to allow day-to-day operation of the company. A lease for dedicated office space within the Civic Centre is also close to conclusion.
- 2.15 Grievance and HR policies have been adopted by the Merantun Board.
- 2.16 Recruitment of a new Director of the Company to replace Ian McKinnon is underway. Once identified, the Director appointment will be returned to committee for Shareholder's approval.

- 2.17 Recruitment of a new Merantun Programme Manager is underway with a view to appointing by February 2019.

Financial:

- 2.18 The Company's 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.
- 2.19 The Company is working with the Council to draw-down the remaining funds for 2018-19 and submit the issue of share certificates.
- 2.20 The Company is operating within the agreed budget. Total full year spend for 2018/19, inclusive of operational and development budgets, is projected to reach: £ 620k (excl. VAT).

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 summarised below and detailed in the attached programme (Appendix A).
- Design procurement completion: w/c 21 Jan 2019
 - Planning: Jan – Jul 2019
 - Pre-Application meetings (TBC): Jan/Feb 2019
 - Community Engagement (TBC) Feb 2019
 - Design Review Panel: pre-app (TBC): Feb/Mar 2019
 - Submit Planning Application: May 2019
 - Planning approval (TBC): Jul/Aug 2019
 - Procurement for Construction contracts: May – Oct 2019
 - Construction: Oct 2019 – Oct 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 is working with the Council via a service level agreement to draw-down the remaining funds for 2018-19 and submit the issue of share certificates.
- 6.3 The Board of directors for the Company has approved the operational and development budgets for the period from April 2018 to March 2019. This was subsequently agreed by the Shareholder representative, in conjunction with the Section 151 Officer and the Chair of the sub-committee.

- 6.4 The Company is operating within the agreed budget.

Development and operational budget:

- 6.5 Year to date development and operational expenditure incurred up to the end of November 2018 is £209k (excl. VAT).
- 6.6 Full year development and operational spend for 2018/19 is projected to be £620k (excl. VAT) and exclusive of the value of the design contract(s).

7. LEGAL AND STATUTORY IMPLICATIONS

- 7.1 Following the approval by the Board of Merantun Development Limited and the Shareholder Representative in consultation with the Chair of the Merantun Sub-committee the appointment of the preferred bidder(s) for the architectural design contract is subject to completion of the mandatory 10-day standstill period following the notification of an award decision in a contract tendered via the Official Journal of the European Union.
- 7.2 In accordance with paragraph 4 of Schedule 1 (Reserved Matters) of the Shareholders Agreement, the company is required to obtain shareholder approval if:
- “4. Incurring expenditure or entering into any arrangement, contract or transaction in excess of:
- (a) Other than in relation to any land acquisition, £500,000 (five hundred thousand pounds):
- (b) In relation to any land acquisition, £1,000,000 (one million pounds) Unless otherwise agreed.”
- 7.3 On 23 May 2018 it was resolved by Cabinet that the Director of Environment and Regeneration would have delegated authority to take decisions on reserved matters in circumstances where the financial expenditure to be incurred, in any one instance, is below two hundred and fifty thousand pounds (£250,000). In this instance the decision to award the architectural design contract(s) may be above this value and approval would be required from the sub-committee.

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.

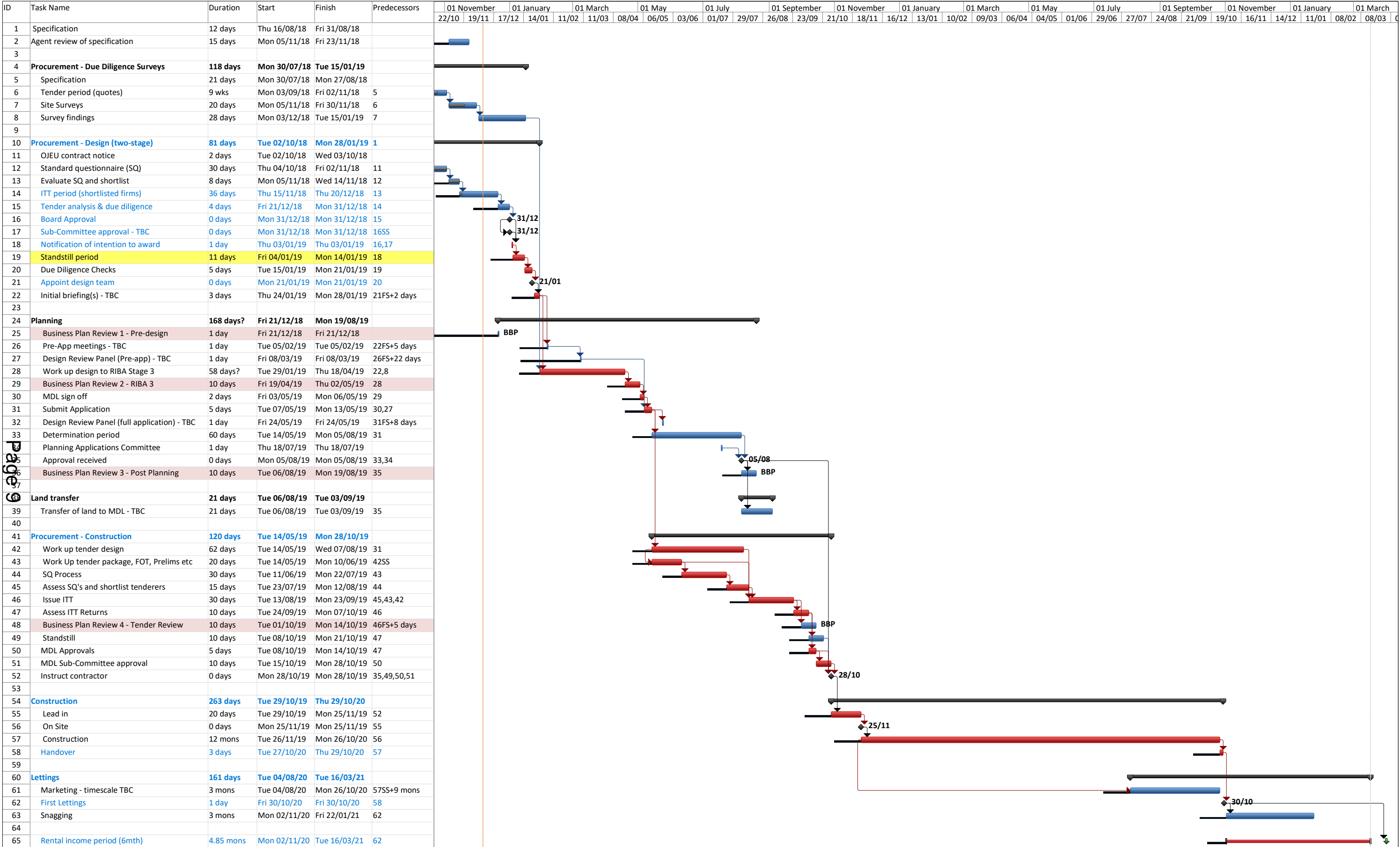
10. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1 None for the purposes of this report.

11. APPENDICES

- Appendix A – MDL Programme

12. BACKGROUND PAPERS – NONE



Project: 2018-08-28 Merantun Pro
Date: Fri 07/12/18

Task

Split

Milestone

Summary

Project Summary

External Tasks

External Milestone

Inactive Task

Inactive Milestone

Inactive Summary

Manual Task

Duration-only

Manual Summary Rollup

Manual Summary

Start-only

Finish-only

Deadline

Critical

Critical Split

Progress

Slippage

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