



Merantun Development Ltd

Sustainable Communities Overview & Scrutiny

1 November 2018



Merantun
Development Ltd

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Background

- Merantun Development Ltd (MDL) established: August 2017
- Company Limited by shares
- Classified as ‘contracting authority’ (significant for procurement)
- Purpose:
 - to develop council-owned sites into housing (or commercial development) for private rent and/or sale (where necessary)
 - to help generate income to the council, helping to protect and support local service provision
 - to meet the demand for new local housing



Council role

- The Council is the sole shareholder and lend to the company at a commercial rate
 - LBM retain ultimate control of Merantun via the annual business plan
 - LBM receives a financial return by way of dividend and interest charges
- The shareholder agreement outlines LBM governance role for matters not included in the company's articles of association
- LBM “Shareholder Sub Committee” make decisions on behalf of the Council as ‘shareholder’ and decides key issues (e.g. annual business plan)



Company set-up

- Merantun registered at companies house
- Nominated Board of Directors:
 - Responsible for day-to-day running
 - SLLP - company secretariat services function
- Officer resource:
 - MDL staff: 1.4 FTE
 - Secondment arrangements being finalised
 - Additional internal & external resource procured
- Service Level Agreements:
 - In process of being agreed for various functions (Finance, IT, Procurement, SLLP etc)
- Finance - loan agreement to be finalised





Housing delivery

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Objectives

- Purpose: to develop council-owned sites into housing (or commercial development) for:
 - i. Private Rent (assumed 2-year shorthold tenancies)
 - ii. Sale (where necessary)
 - iii. Affordable – sell off to RP's in accordance with planning policy

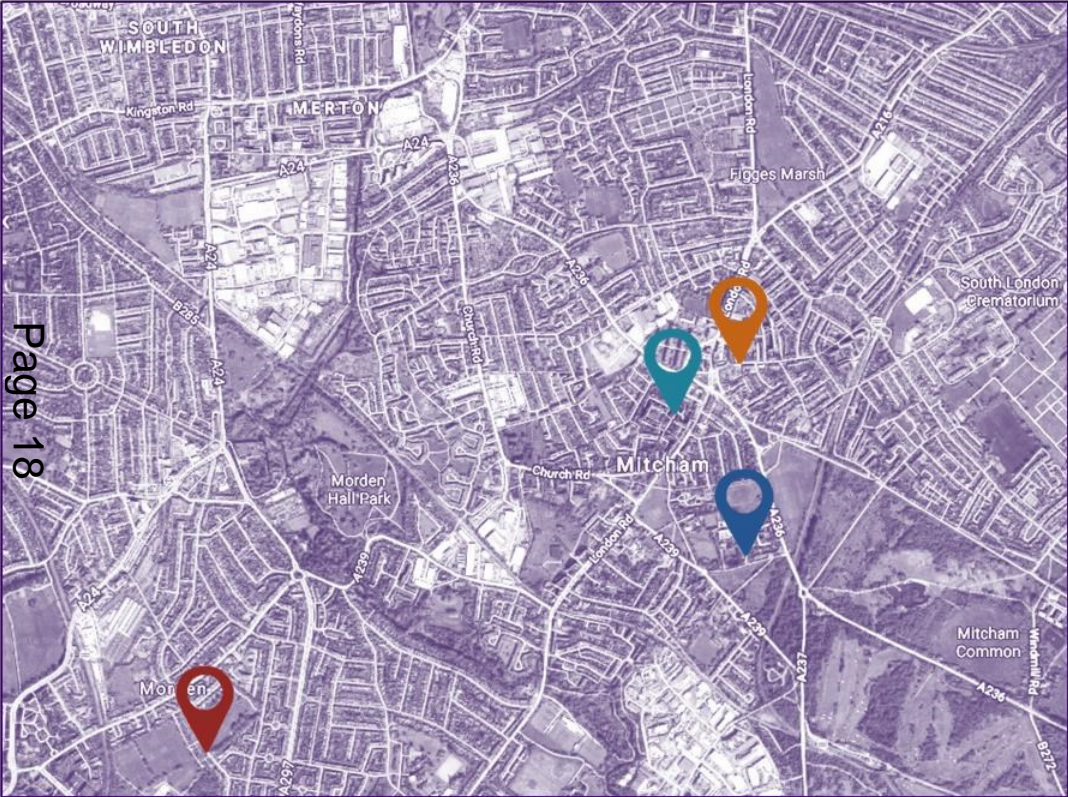
Aim to deliver fully sustainable communities

Responding to housing market changes



- First tranche - four sites to deliver approx. 77 units



Pilot sites



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-  **Elm Nursery**
Mitcham Town
-  **Raleigh Gardens**
Mitcham Town
-  **Canons Place**
Mitcham Cricket Green
-  **Farm Road**
Morden



Pilot sites

Estimated capacity*:

Canons Place

Mitcham Cricket Green

16 units

Raleigh Gardens

Mitcham Town

25 units

Elm Nursery

Mitcham Town

28 units

Farm Road

Morden

8 units

*Subject to review





Procurement & Delivery



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Procurement requirements



- Contracting authority – comply with public sector rules
- MDL to use traditional construction
 - separate design and build contracts

MDL requirements:

- Ensure a high level of build quality
 - minimise snagging and maintenance issues
- Maintain control over design quality
 - appearance, density, unit sizes, standardised layouts, fixtures + fittings
- Minimise construction & on-going maintenance costs
- Maintain control of programme and delivery timescale



Traditional Construction



MDL responsible for design and planning

- MDL appoints design/planning/site due-diligence
- Control over design remains with MDL
- Separate appointment of construction contractor

Requires...

- Cost analysis throughout design process
- Discipline of MDL on specification
- Planning applications by MDL

Adds...

- Two-stage procurement
- Greater certainty on construction contract pricing
- Retention of design/cost team throughout process



Procurement process

Soft market testing:

- Likely to be smaller contractors
- Required that MDL contract be no more than 20% of their turnover
- Demonstrates understanding of PRS product

Design procurement:

- Currently underway - due to appoint in early Jan 2019
- Architect to lead design team (inc. cost analysis, engineers etc)
- Potentially one design team for each site

Construction procurement:

- Due to commence in May 2019

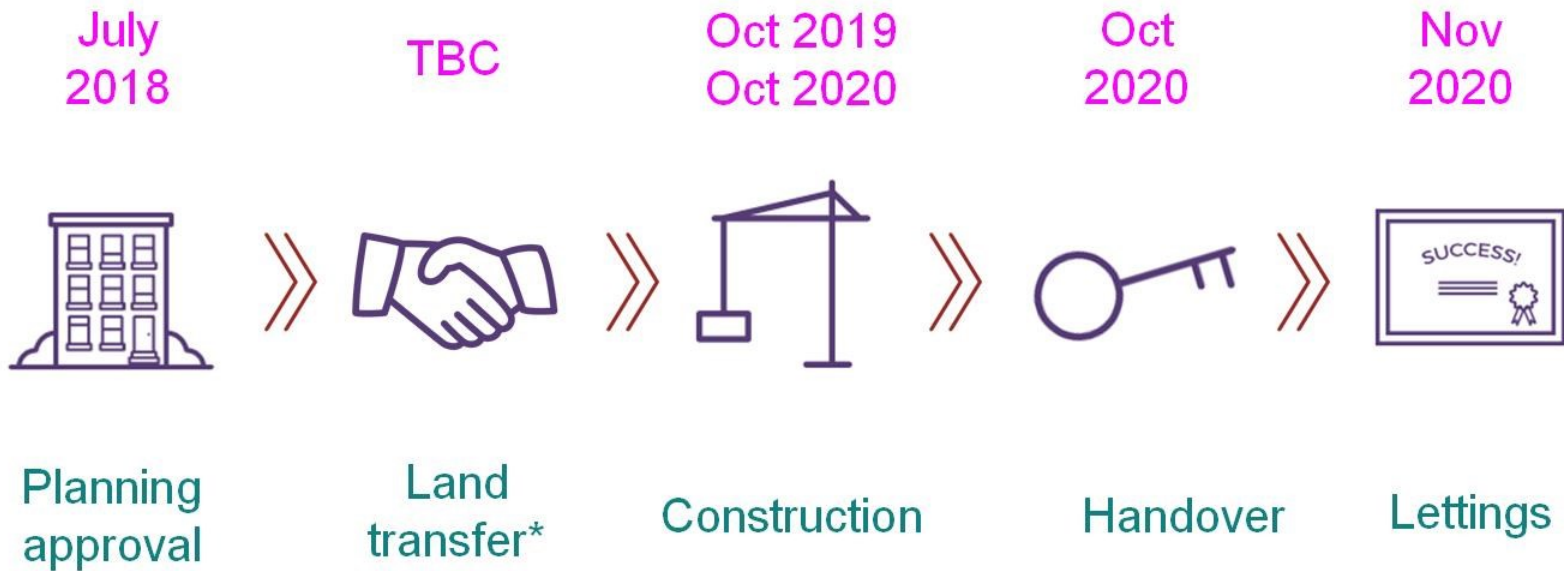


Summary timeline



Summary timeline cont.

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Questions?



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