

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