

MOD appointed Land Sales Delivery Partner (LSDP) - Generic Model

Procuring and appointing LSDP's is a disposal option that MOD pursues for some of its more complex property sales particularly where the focus is on the delivery of large scale housing numbers.

The points below set out the current approach, which MoD keeps under review and improves/amends as appropriate for project specific issues and market sector conditions.

The key points to note are:-

- It is an OJEU and MOD Contract regulations compliant procurement of a property development partner contracted to be responsible for pursuing and securing largely residential led planning on strategic sites.
- The LSDP also holds and manages the vacant site including exploitation of 3rd party income in the interim. This transfers site holding risks (maintenance and security) from MOD to the LSDP.
- The LSDP also manages the subsequent sales of land parcels on MOD's behalf once they have secured planning and mitigated risks e.g. infrastructure provision, land quality.
- The partner is incentivised with an element of profit share as well as the ability to purchase a minor proportion of the surplus land (at market value) to develop themselves thus setting the quality standards for the scheme and therefore maximising future returns. On this element they therefore also realise a developers profit on the build.
- In some circumstances the LSDP can also purchase (at full market value) and develop any commercial land.
- The project costs (studies, planning, etc.) incurred by the LSDP are netted off the land sale receipts before profit is shared.
- Similarly any 3rd party income generated by the LSDP is used to offset project costs.
- The partner does not acquire title to the land on appointment as the freehold remains with MOD until the point of land parcel sales.
- Governance is via a Project Executive Group (PEG) which usually meets at 4 - 6 weekly intervals as appropriate
- The PEG allows MOD/DIO to forward approve the expenditure, direction and strategy of the partner.
- In addition there are annual Business Plan PEG's attended at a senior level in MOD to forward approve the strategy of the future year's work.

Why LSDP as opposed to other disposals methods.

- Proven track record that LSDP model can give best value for MOD by retaining control and involvement allowing MOD to realise values in excess of what was expected from other standard disposal options.

- Particularly suitable for strategic sites that can deliver significant housing numbers where the site is not necessarily vacated, but planning work can be pursued whilst MOD moves to another location.
- Maximising receipts. LSDP's reduce risks for MOD to receive future higher receipts rather than relying on the traditional clawback approach of normal sales. The partner is also incentivised to maximise receipts through profit sharing.
- Delivery is also incentivised where the partner gains profit on direct build and the contract requires the delivery of homes to reduce the impact of land banking.
- The project is funded by the partner other than MOD's procurement funding.
- The partner's experience, expertise and resource to deliver quality, maximise potential and return is tested at the bidding stage thus leading to greater certainty that the development will be brought forward responsibly.
- The element of house price/land value inflation increase is captured for MOD throughout the project.
- There is an ability through LSDP to include additional land as it becomes available and is appropriate for the development.
- There is a relatively low MOD DIO resource (manpower) commitment once the LSDP is up and running.