

# IN-HOUSE

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## Merton's Local Authority Property Company (LAPC)



# COMPANY PURPOSE



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## To generate income for the council

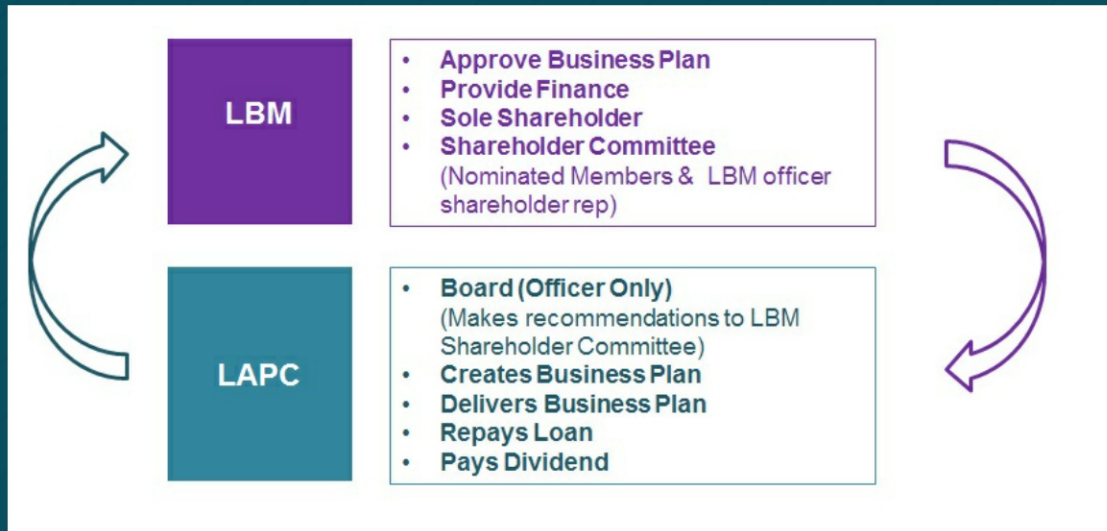
£400,000 income per year (from years 4-30)

LBM profit from loan arrangement  
LBM savings via staff secondments  
Dividends returned to the council

# FINANCE AND GOVERNANCE



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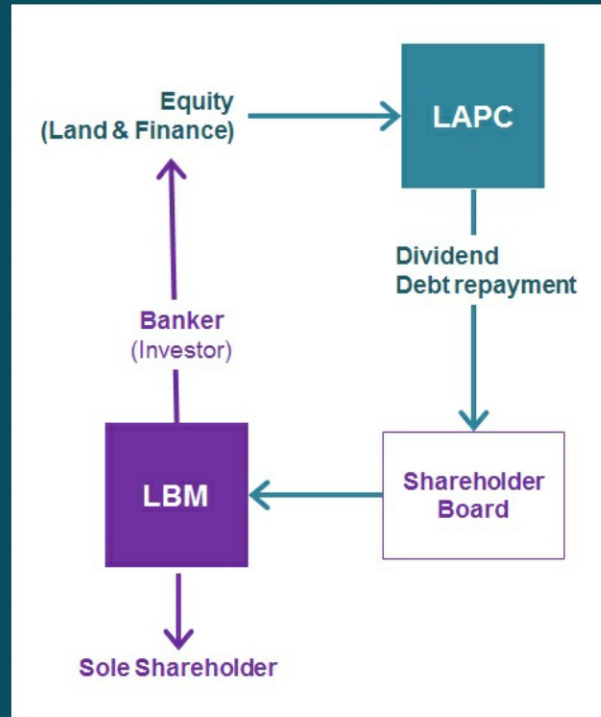


**Wholly owned by LBM.  
Cabinet sub-group is the sole shareholder.**

# FINANCE AND GOVERNANCE



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**Flow of finance and income back to LBM**

# A PROPERTY DEVELOPMENT COMPANY FOR MERTON

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The council is required to achieve the best value from its land and property assets.  
(s123 of the Local Government Act 1972)

This is currently achieved through the disposal of these assets for capital receipts. Capital receipts are returned to the capital fund. Cant be spent on services.

Sites are marketed and sold on a freehold or long-leasehold basis.

The LAPC will turn capital receipts into a long-term revenue income stream for the council.  
(taking pressure off the general fund and Council Tax)



# A PROPERTY DEVELOPMENT COMPANY FOR MERTON

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The purpose of the LAPC is to:

Generate the most advantageous revenue return for the council

The company will develop housing for private rent, private sale and as required through planning policy, deliver affordable housing units (via a Housing Association)

The company can also develop other types of property (commercial / industrial etc)

The LAPC's primary focus will be housing development.



# A PROPERTY DEVELOPMENT COMPANY FOR MERTON



Advice from PwC and BBP regeneration on the best financial and development model for Merton.

Over 100 local authorities have already established companies. (Ealing, Newham, Enfield, Barking, Croydon)

Merton Council's LAPC recognises that the council no longer has a housing revenue account.

Merton Council HAS to establish a stand-alone company to develop housing.

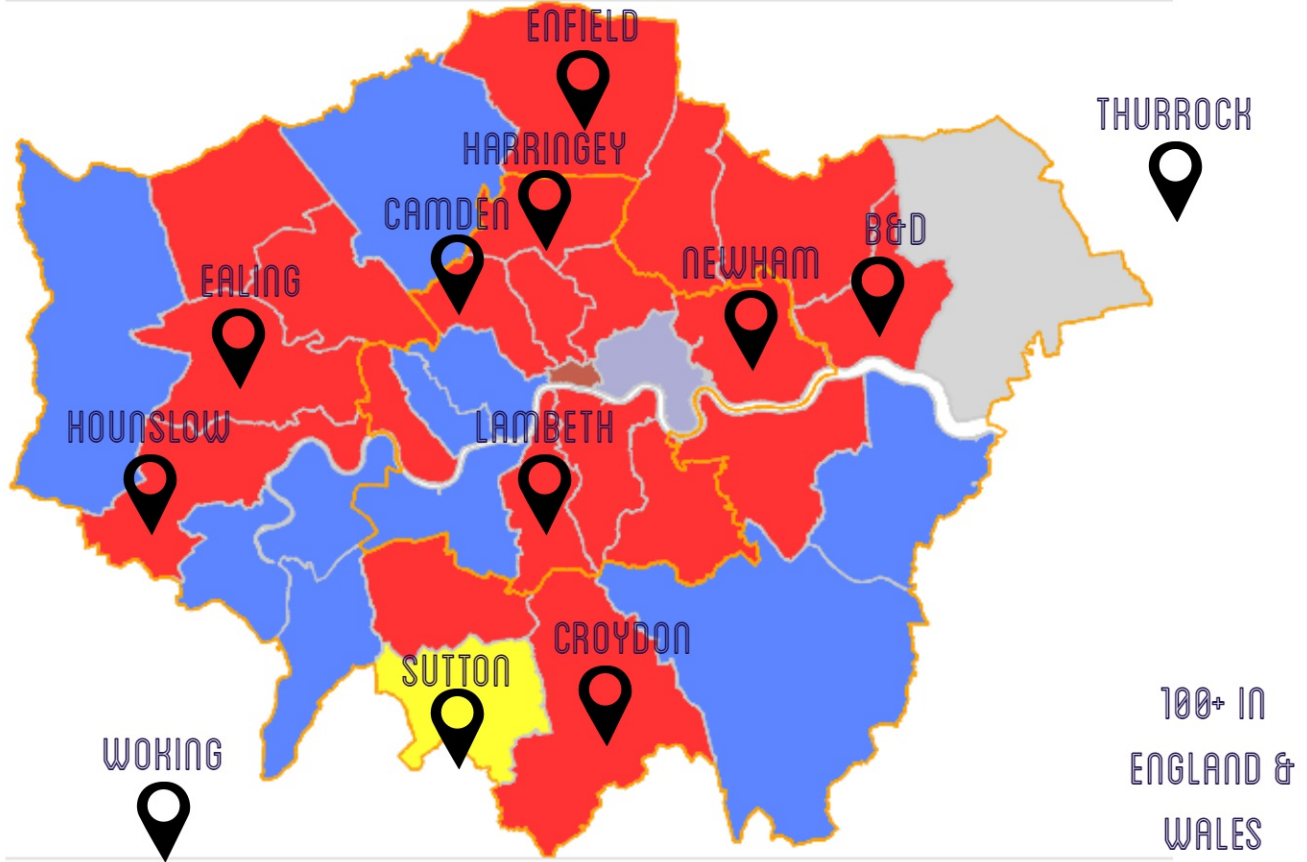
**BBP** Regeneration  
Appraisal • Strategy • Delivery

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# LONDON COUNCIL PROPERTY COMPANIES

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# FUTURE PROSPECTS FOR THE LAPC

*Elm Nursery*

*Raleigh Gdns*

*Canons Place*

*Farm Road*

*Morden*

*Wimbledon*

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The company will initially deliver c77 units on 4 sites.

We will consider all of the council's remaining property assets as opportunities to maximise returns to the Council, including major opportunities in Morden and Wimbledon.

These opportunities will be developed in future year's business plans and approved by the shareholder board (Cabinet sub-group)



# HOUSING MARKET

Strong and growing market  
in London, for private  
rented accommodation  
(PRS)

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Target market:



Isn't profit better off in the  
public sector's pocket  
rather than with private  
landlords?



Information Sources:  
DCLG / PWC / Housing White Paper

# SO HOW WILL WE DO IT?



1. Identify site opportunities across the borough's land and property assets.



2. Utilising PWCs financial model and market advice to determine the viability of each site and the potential return to the council.



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3. Implement a strong procurement plan to achieve best value in construction, delivery and ongoing management costs.



4. Work with registered providers (RPs) at an early stage to maximise amount of affordable housing



5. Maximise grant funding opportunities into each scheme to maximise amount of affordable housing delivered.



6. Strong project management by LAPC to minimise risk, achieve best value and therefore maximise returns.

# CAPITAL VS REVENUE



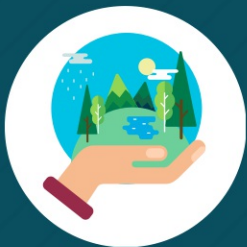
**Generate revenue for Merton Council**

**Revenue c£400k p/a for yrs 4-30  
(Total: £17m rev + £52m asset rev)**

**vs**

**Capital receipt of £8.41m (once).  
(0.55% interest = £46,300 p/a)**

... and also demonstrating,



**Regeneration & investing in  
our communities**

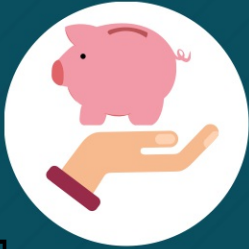


**Contribution to local  
housing supply**



**Strong and bold  
local leadership**

# THE PROPOSITION



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## Finance & Governance

LBM is the sole shareholder & investor

Income to LBM via LAPC loan  
repayments  
(rate difference of 3.5% - 6.3% profit)

Income to LBM via dividends (Y15+)

CIL & Council Tax income is accelerated

# THE PROPOSITION



## Invest & Return

£25m investment

£17m profit to LBM  
over 30 years  
(revenue)

Disposal value  
(of assets once built)  
£ 52m



## Housing Supply

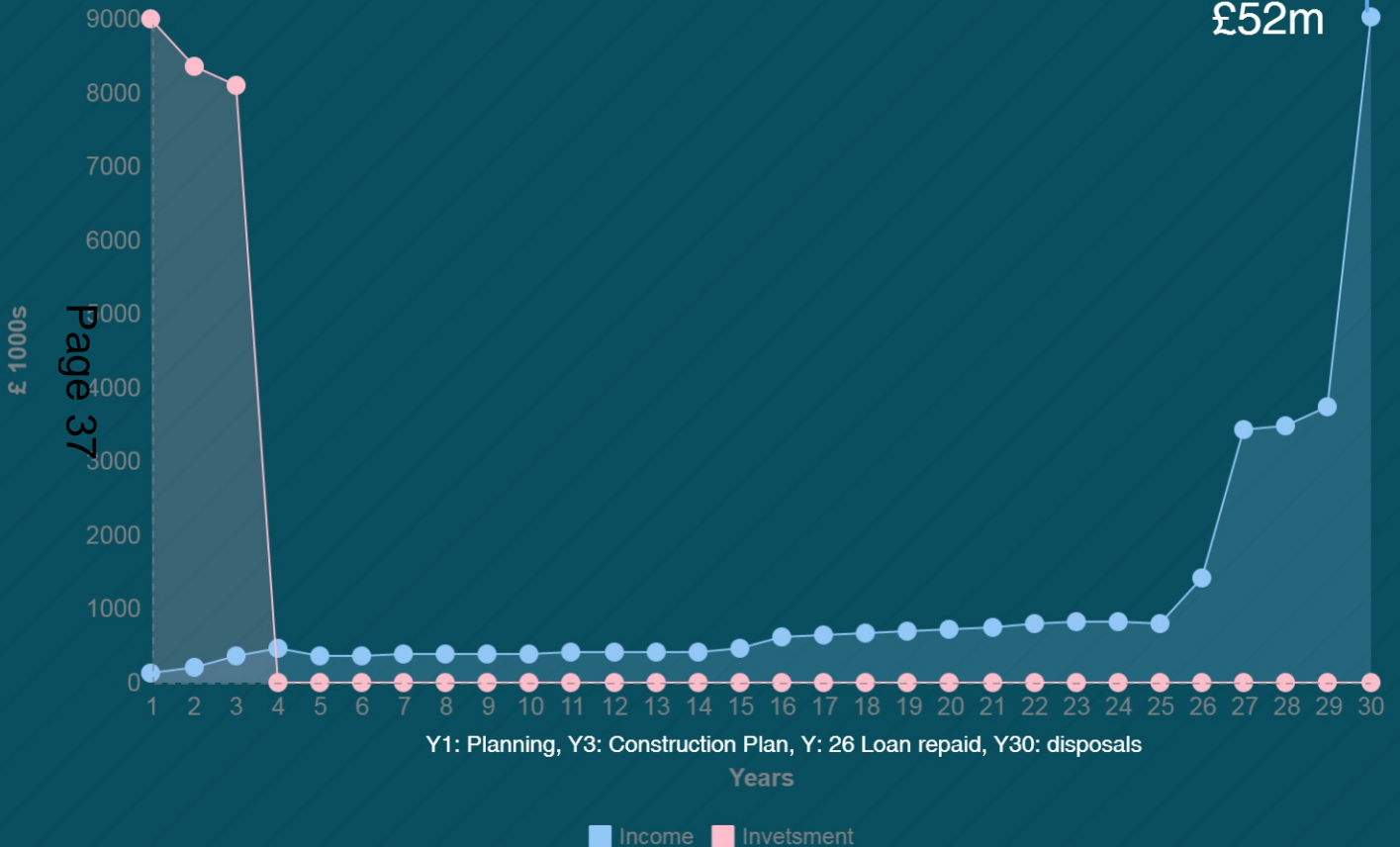
77 units (initially)

20 affordable (26%)  
(policy compliant)

Occupation by 2019 and  
pipeline 1000+

Company can consider  
Temporary Accommodation  
subject to business plan

# ZOOMED INCOME PROFILE TO LBM



# THE PROPOSITION



## Legislation

Not at risk of contravening 2015 Ministerial Statement

LAPC is commercial, not LA or RP

LBM has no HRA. We cant build ourselves

White Paper PRS role



## Expertise

Strong housing management experience

Strong development director experience

Strong capital contracting experience

In-house design / planning / capital project management



## Delivery Options

LAPC Design & Build

Joint Ventures with a partner = less risk, but less reward and less control

JV options are allowed for in the mems+arts of LAPC for larger scale projects

Sell off sites post completion (revenue gain)



# THE PROPOSITION



## Risk Management

Strong project management (in-house)

Site values enhanced after planning

Built assets worth more than the debt

Option to sell (foregoing revenue)

Developers & Councils now do this for £££



## The Sites

Farm Rd (9)

Elm Nursery (24)

Raleigh Gardens (22)

Canons Place (22)



## The Future Sites

Worsfold House (100)

Leatherhead (200)

Whatley Avenue (20)

Morden Regen (600-800+)

Chaucer Centre (40)



Establishing a Local Authority Property Company (LAPC) is one of the biggest opportunities we have to generate additional revenue for Merton Council.

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## Turning capital into revenue

**£400,000**

income per year to LBM  
from loan financing and rents

**77**

homes  
(first phase)

**20**

affordable units  
(policy compliant)

**£17m**

overall  
revenue income

**£52m**

resale value  
of the housing



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