

Delivering Housing

A housing company



Housing context

- Large rural district, one major town
- Long history of planned growth
- Major housing growth
- Meeting SE needs under MKSM SRS
- ...but in 2010 delivery slow

Council context

- No social housing stock
- Substantial Council commercial estate
 - Commercial income significant
- Tradition of acting as developer
 - Master developer for housing sites
 - Developer of new commercial buildings





Council context

- Need for further savings or income generation
- Spread the portfolio
 - Crematorium (£5.540m, joint with Rugby BC)
 - Solar arrays (£0.500m for £60k pa ~12%)
 - Private rented housing

Business Plan

- 32 private market dwellings
- 13 affordable dwellings (to Registered Provider)
- Capital £3.455m (from reserves)
- Land value £0.970m
- Target £0.200m annual return (4.5%)

Timetable

- Project Brief Mar 2011
- Capital programme entry Mar 2011
- Procurement approved Jul 2011
- Business Plan approved Dec 2011
- Contract let May 2012
- Company details approved Jul 2012

Timetable

- Planning permission Sep 2012
- Start on site Nov 2012
- Company incorporated Nov 2012
- Services agreement Apr 2013
- Lease granted Sep 2013
- Completions Sep 2013 – Mar 2014





2016/17 revenue projections

- Income £295k
- Costs which leave DDC group £74k
- *Corporation tax* £12k
- Direct payments to DDC £187k
- Profit after tax and dividends £34k

Values

- Original land value: £0.970m
- Capital invested: £3.455m
- Asset value at March 2016: £6.750m
- Capital value created: £2.325m

Why a company?

- Housing Acts would apply to houses rented by the Council
 - Rent controls
 - Right to buy
 - Unsuitable forms of tenancy
- Therefore ... trading company (TDECL)



Outline

- Company limited by shares
- 100% owned by DDC
- Two Member, three Officer directors
- 250 year FRI lease of estate, paying real rent
- Services agreement

If you are thinking of this...

- Learning curve
- Duty of directors to pursue the success of the company
- Limited liability – but reputation remains
- IFRS – lease = loan?
- Auditing
- VAT

Where next?

- New Homes 2
- £7.625 million budget
- Building to sell, not rent:
 - Good capital returns
 - Invest in other income-generating schemes

Lessons

- Few legal obstacles
- Key issues are scheme viability and risk
- Ensure all likely costs are understood
- “Just do it”

“Entities should not be multiplied unnecessarily”

William of Ockam, 1287 – 1347



Questions

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