

11 January 2018

Chapter Homes Update

Report of Ian Thompson, Corporate Director, Regeneration and Local Services

Purpose of the Report

- 1 To provide the Economy and Enterprise Overview and Scrutiny Committee with information on the progress of Chapter Homes, the Council's company dedicated to the development and management of housing for sale and market rent.

Background

- 2 Cabinet agreed in July 2015 to the establishment of a new 'bespoke' company to develop new housing for market rent and sale. The aim was that, by taking direct responsibility for the development of surplus Council owned land the company would construct new modern housing to meet demand, benefit from developer profits to return to the Council, whilst the Council would continue to secure capital receipts from the sale of land and benefit from additional council tax yield and New Homes Bonus.
- 3 The business of developing and managing housing for market rent and sale is considered to be commercial activity and thus not an activity which the Council could carry out itself. The Localism Act 2011, however, permits local authorities to undertake commercial activities through a separate company.
- 4 Chapter Homes Durham Limited was incorporated as a private limited company on 10 August 2015, with Cabinet having endorsed the initial Business Plan on 15 July 2015. Currently, the Council is the sole shareholder of the company.
- 5 The Economy and Enterprise Overview and Scrutiny Committee received an overview of the Chapter Homes project at a special meeting held on the 28 July 2016 and it was agreed by members at that meeting that the committee would receive a progress report as part of the 2017/18 work programme. In addition to the progress report a visit has been arranged for members of the committee on the 27 February, 2018 to the Chapter Home site providing members with the opportunity to see 'first hand' the development undertaken by the company.

Development Activity

- 6 The Council initially identified four sites in its ownership that would be suitable for the development of market rent and sale housing by the new company. The Company considered these sites and reflected their approach within the business plan of the company. The sites were considered appropriate for the company as they were immediately available for development and situated in housing markets where demand for properties for sale and rent was buoyant. A comprehensive assessment of market conditions was undertaken within the Business Plan.
- 7 The sites identified are located at:
 - Agnew 5, Woodham Drive, Newton Aycliffe (originally 125 units)
 - Cobblers Hall Site N, Newton Aycliffe (approx. 60 units)
 - Former Civic Centre site, Chester-le-Street (approx. 53 units)
 - Oakerside Drive, Peterlee (approx. 65 units)
- 8 Chapter Homes is progressing with its first development site at Eden Field in Newton Aycliffe, which was chosen as a pilot site to test the business case and ability of the company to deliver the housing and development return.
- 9 Shortly after commencing development there was an opportunity identified to purchase additional land which would enable a further 18 properties to be constructed on the site. This meant that the total housing to be constructed on the site could be increased to 143 units.
- 10 Shown below is a brief summary of key milestones achieved for the pilot site, Eden Field, in Newton Aycliffe:
 - Planning application submitted – 22 July 2015
 - Planning approval received – 20 November 2015
 - Actual start of construction on site – January 2016
 - Sales office opening – August 2016
 - Show home/view home opening - August 2016
 - First legal completion - December 2016
 - Planning application submitted for additional units/land – 24 January 2017
 - Planning approval received for additional units/land – 21 July 2017
 - Additional land purchased – 15 September 2017
- 11 As can be seen, Chapter Homes has made swift progress in building new housing for the area and managed to achieve this rapidly after acquiring land and securing planning permission. This is a key benefit of the Council owning its own housing development company in that land will be developed promptly.

12 The images below show the progress made at Eden Field:



Business Planning

- 13 Chapter homes has firmly positioned itself within the market as being a leader in good quality housing and has quickly become a name that customers trust.
- 14 Following the success at Eden Field, Chapter Homes is looking at progressing other sites with the aim of having in place a pipeline of development to be able to deliver a supply of new housing annually.
- 15 Chapter Homes is currently reviewing its Business Plan which will look to see the Company grow to help meet housing demand in County Durham and to generate a company profit to return to the Council as shareholder. However this will ultimately rely upon an adequate supply of land both local authority and from the private sector.

Conclusions

- 16 This report outlines the progress which has been made in terms of its current development pipeline but also its ambition to grow and become a significant housing developer within County Durham.

Recommendations

- 17 It is recommended that members note the content of this report and progress made.
- 18 That the Economy and Enterprise Overview and Scrutiny Committee receive a further progress report as part of the 2018/19 work programme.

Background Papers:

None

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Appendix 1: Implications

Finance – No direct implications as a result of this report.

Staffing – No direct implications as a result of this report.

Risk – The company is a separate legal entity and as such the risks to the Council is are limited to the value of its loans and its reputation. To mitigate these risks, Directors have been trained on their fiduciary duty to the company and the potential for conflict with any role they may have with the Council.

Equality and Diversity/Public Sector Equality Duty - n/a

Accommodation – n/a

Crime and Disorder – n/a

Human Rights – n/a

Consultation – the company complies with its obligations to consult as part of the planning regime. .

Procurement – all procurements are now undertaken by the Company, not the Council.

Disability Issues – n/a

Legal Implications – The company is a distinct legal entity and as such is responsible for discharging all of its legal obligations. The Council is the sole shareholder in the company and is entitled to exercise its authority as a shareholder in relation to the performance of the company.