

Overview and Scrutiny Committee



Forest Heath
District Council

Title of Report:	Barley Homes Annual Report 2018	
Report No:	OAS/FH/18/004	
Report to and date:	Overview and Scrutiny Committee	8 March 2018
Portfolio holder:	Sara Mildmay-White Lead Cabinet Member for Housing Tel: 01359 270580 Email: sara.mildmay-white@stedsbc.gov.uk	
Lead officer:	Julie Baird Assistant Director (Growth) Tel: 07960 868420 Email: julie.baird@westsuffolk.gov.uk	
Purpose of report:	To provide the opportunity for the Overview and Scrutiny Committee to note Barley Homes' Annual report and the Shareholder Advisory Group's view and recommendations and provide any additional comments to inform the preparation of Barley Homes next Business Plan.	
Recommendations:	<p>It is <u>RECOMMENDED</u> that the Committee:</p> <p>(1) Note the Annual Report 2018 for Barley Homes (Group) Limited, as attached as Appendix A to this report, and the progress to date.</p> <p>(2) Note the Barley Homes Shareholder Advisory Group's (SAG) views and recommendations set out in this report, to address the current challenges.</p> <p>(3) Provide any additional comments / recommendations they wish the Barley Homes SAG and Cabinet to consider to:</p> <p>(a) Further inform the preparation of the</p>	

	revised Barley Homes business plan;		
	(b) How best to keep Members informed; noting that the Business Plan will continue to be provided to the Overview and Scrutiny Committee for annual review.		
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>		
Consultation:	<ul style="list-style-type: none"> • Shareholder Advisory Group meeting: 14 February 2018 • Overview and Scrutiny Committee 		
Alternative option(s):	None		
Implications: None			
<i>Are there any financial implications? If yes, please give details</i>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	
<i>Are there any staffing implications? If yes, please give details</i>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	
<i>Are there any ICT implications? If yes, please give details</i>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	
<i>Are there any legal and/or policy implications? If yes, please give details</i>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	
<i>Are there any equality implications? If yes, please give details</i>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
Failure to support the proposals results in delay in progressing the business plan and achieving the objectives for the council	Low	Members are provided the opportunity through scrutiny to consider current performance of barley homes and proposed actions / recommendations from the Shareholder Advisory Group	Low
Ward(s) affected:		All wards	
Background papers:		None	
Documents attached:		Appendix A: Barley Homes (Group) Ltd Annual Report 2018	

Key issues and reasons for recommendation(s)

To enable Scrutiny of the Annual report prepared by Barley Homes (Group) Ltd in the context of the views provided by Shared Shareholders Advisory Group. These include an analysis of the challenges and progress made by the company and recommendations from the Shareholder Advisory Group to be included in the review of Barley Home's Business plan over forthcoming months.

1.0 Introduction

1.1 Attached at **Appendix A** to this covering report is the Annual Report of Barley Homes (Group) Ltd, the company established jointly by St Edmundsbury Borough Council (SEBC), Forest Heath District Council (FHDC) and Suffolk County Council (SCC) to build open market housing for sale, housing for private rent and affordable housing. Whilst the Annual Report presents the position from a Barley Homes perspective, the purpose of this covering report is to provide perspectives from the SEBC / FHDC viewpoint, as joint owners (shareholders) of Barley Homes. This covering report outlines the current progress against the agreed Barley Homes Business Plan, key challenges and achievements and a number of recommendations on the way forward, which the Overview and Scrutiny are requested to consider.

1.2 As owners of the Company, SCC, SEBC and FHDC take the role of the Shareholders and have chosen to discharge this through the Shareholder Advisory Group (SAG). There are two members from each of the West Suffolk Councils' on the group Cllrs Sara Mildmay-White, Richard Rout, Lance Stanbury and Brian Harvey. Their respective rights and responsibilities are set out in the SAG Terms of Reference and the Shareholder agreement, which provides that it is to:

- provide strategic guidance to the Company;
- receive and scrutinise reports on the performance of the Company in meetings with the Directors and reporting back key issues on the direction and performance of Barley Homes Group to their respective Councils;
- consider, comment on and suggest content for and amendments to the draft Business and Delivery Plan produced by the Company;
- consider and discuss with Directors how the Company could further the priorities of the Shareholders, in accordance with the Company's primary commercial focus;
- resolve any situations where a deadlock has occurred as set out in the Shareholders Agreement.

2.0 Process for producing annual business and delivery plans

2.1 The Barley Homes first five-year business plan (dated September 2016) was agreed by the shareholders in December 2016 ref: It is expected that each year, the shareholders should receive an annual report against this business plan, and an updated business plan.

- 2.2 The attached Annual Report, prepared in January 2018, outlines Barley Homes' performance in bringing forward the agreed development sites. Implementation from the approved business plan has varied, with one of the sites, Wamil Court, Mildenhall being withdrawn. It is pleasing to note that despite some challenges (discussed below) it is still expected sites will be developed broadly in line with the original timetable. The subsequent development of the next phase business plan over forthcoming months will enable Barley Homes to include proposals which respond to lessons learned/challenges from Overview and Scrutiny, as well as any further direction from Council Leaders and Cabinet.

3.0 Key Challenges

- 3.1 The approved business plan identified that Barley Homes would deliver homes in three sites at Haverhill: Castle Hill, Town Hall car park, Westfield and Wamil Court, in Mildenhall. Subsequently, Suffolk County Council elected to sell Wamil Court to another company, following further market testing to ascertain the best value return for that site on the basis of its existing use as a care home. Members of the SAG expressed their disappointment at the time to colleagues at Suffolk County Council, but it is important that we do continue to evaluate plans as the market changes, and if this does represent the better value to the taxpayer then we should not constrain the County Council who have expressed their firm commitment to ensure Barley Homes succeeds.
- 3.2 There are a number of assumptions and agreed parameters contributing to the financial plans in the approved business case. This includes provision of policy compliant affordable housing, achieving a market level of developer profit and the Councils disposing the site to Barley Homes at "market" land value. The Councils have also introduced guidelines on national space standards, which Barley Homes have agreed that they would seek to comply with. However as more detailed work was undertaken on the sites, taking into account rising built costs, it has become apparent that further work is required with BH to establish new parameters. This is commonly played out in the housing market; housebuilders and developers will apply different variables when undertaking financial appraisals given the individual site circumstances such as size, location and supply and demand of local construction skills/labour. Viability assessments submitted with planning applications demonstrate the complexity of delivering housing in this regard.
- 3.3 The sites identified in the Business case are largely small, brownfield sites which are more expensive to develop out as it is difficult to achieve economies of scale and address their site constraints. It is commonly accepted that SME housebuilders such as Barley Homes have financially struggled over recent years in bringing forward viable sites, resulting in compromise on what can be delivered when they are built out.
- 3.4 The Government's White Paper (Fixing our Broken Housing Market 2017) acknowledges this and promotes that more needs to be done to support SMEs, particularly given they play an important role in increasing annual delivery rates which is not always possible on larger housing sites alone.
- 3.5 In this context it is important to ensure that Barley Homes has the right skills and expertise to support it. Members have previously referred to potential benefits of having a non-executive Director who can bring different experience

to existing directors. This will be explored with other roles over forthcoming months as we evaluate the skills needs to deliver the revised business plan.

- 3.6 The business plan identified the Town Hall car park site as a less risky site to take forward as it already had an approved Development Brief. Notwithstanding this there were significant discussions with local stakeholders on possible variations of the scheme at pre-application stage. Whilst Barley Homes wishes to achieve the right outcomes for each site, in behaving more commercially Barley Homes will need to balance what is achievable considering all other aspects of delivering housing on the site. There is an important role however for Barley Homes to play in bringing forward sites such as the Town Hall car park, a commercial developer may not be in position to bring forward the levels of desired affordable housing and space standards.
- 3.7 Recognising this challenge, meetings have been held between representatives from the three Councils to assess the way forward. Ultimately, Barley Homes was established to deliver a financial return, but it is also critical that we seek to provide the housing our communities need and that this should be the key driver in assessing sites. With this in mind, it was also recognised that it is the role of the Council partners to identify and appraise sites, as part of their Asset Management Strategies, and then for Barley Homes to determine whether it is viable for it to take forward the sites, or an alternative approach to development should be taken.
- 3.8 This does mean that Barley Homes may not always be the best vehicle to take forward sites. However, this is ultimately about achieving the Council partner aims, and evaluating what is the most effective model to do so. The three Councils are continuing to work together to determine what this may mean for the "pipeline" sites that are emerging in addition to the three sites currently allocated. It is however agreed that all Council owned sites to be developed for housing will be continue to be offered to Barley Homes to develop in the first instance.
- 3.9 Barley Homes has produced a communications plan, however it recognises that there is always scope to improve communications. SAG would welcome feedback from Overview and Scrutiny in how to keep Members best informed moving forward.
- 3.10 Similarly, in order to ensure that Barley Homes develops as a company in the most efficient, effective and transparent way, we would welcome any additional comments which Overview and Scrutiny might wish to make on building on effective Scrutiny moving forward.

4.0 Key achievements:

- 4.1 The benefits which can be achieved in operating a housing company with the above remit in partnership with the County Council still stand; these are:
 - Access to the wide range of skills and insights which can be provided by each partner authority, who understand the local housing requirements and specialist needs which need to met across the local government system in West Suffolk.

- Access to a wider pool of Councils Assets and land which can be explored to support the pipeline of sites in the future.
- 4.2 Barley Homes has invested time in developing its brand and market focus. This has included additional work in understanding the local market conditions, particularly in Haverhill, which has been fed into the proposed housing mix and will ensure that the schemes brought forward are not only marketable but also help meet local housing need.
- 4.3 The company has secured a Development Manager with commercial experience in housebuilding, who understands the local housing market and brings experience of working with other local authorities in a similar capacity. That mix of skills has been important in identifying some of the issues with the financial constraints presented for the development sites. In addition it has enabled some of the preparation work to be done for implementation of the schemes in parallel with working the schemes up to submit for planning. It is anticipated that this will reduce the estimated timeframe for implementation meaning that the overall delay in delivering on site is minimised. Completion dates for Castle Hill and Westfield are similar to those quoted in the business plan, although there is an estimated three month delay in completion on Town Hall car park.
- 4.4 Barley Homes has undertaken work to identify a future pipeline of sites, which will enable it to build momentum beyond delivery of the three remaining committed sites. This work is particularly important as Barley Homes is presently taking forward only three of the four originally earmarked sites.

5.0 Shareholder considerations

- 5.1 Similar to the One Public Estate model; all partners Councils continue open and transparent conversations about land disposals, profiling potential housing sites to offer to Barley Homes in the first instance through mechanisms such as Asset Management Strategies.
- 5.2 That partner Councils continue to develop their role in preparing the pipeline of sites which build in local and professional expertise and have sufficient information to enable Barley Homes and the Councils to enter into an active dialogue to ultimately determine whether Barley Homes will take forward the sites.
- 5.3 That a new business plan is prepared based including details on future pipeline
- 5.4 That we review the skills and roles which are needed to support the revised Business Plan as it is developed over forthcoming months.