

Barley Homes: Business Plan 2021

Report number:	CAB/WS/21/062	
Report to and date:	Cabinet	7 December 2021
Cabinet member:	Councillor Sara Mildmay-White Portfolio Holder for Housing and Strategic Health Telephone: 01359 270580 Email: sara.mildmay-white@westsuffolk.gov.uk	
Lead officer:	Julie Baird Director (Planning and Growth) Telephone: 01284 757613 Email: julie.baird@westsuffolk.gov.uk	

Decisions Plan: **The decision made as a result of this report will usually be published within 48 hours and cannot be actioned until five clear working days of the publication of the decision have elapsed. This item is included on the Decisions Plan.**

Wards impacted: **All wards**

Recommendations: **It is recommended that Cabinet:**

- 1. notes the progress update for Barley Homes and steps outlined in this report to secure its medium term pipeline of sites.**
- 2. Approves the Barley Homes Business Plan 2021, attached as Exempt Appendix A to Report number: CAB/WS/21/062.**

1. **Context to this report**

- 1.1 Each year Barley Homes Limited, the Council's wholly owned Housing Company, produces its annual business plan setting out its development plans for the forthcoming year and medium term against the investment facility made available to it. The total investment facility now available to Barley Homes Limited is a £14.25 million revolving loan/equity facility funded through a mixture of capital receipts (which supports the equity element) and the Investing in our Growth Agenda fund.
- 1.2 Since the Business Plan was approved by Council in December 2020, as reported via the Annual Report 2020 (on the [Barley Homes website](#)) the company has made good progress in achieving its aims and progressed the sites set out in its Business Plan at Stonemill Park (formerly Castle Hill) and Westmill Place (formerly Westfield), Haverhill, for the delivery of 63 homes, of which 19 are affordable. All homes at Westmill Place were completed during the summer of 2021 and sold with residents moving in shortly afterwards and throughout September and October. Stonemill Park has progressed well with homes being available on the market in early 2022.
- 1.4 Following the agreement of the 2020 business plan, progress has been made on the two new sites identified at that time, at School Lane, Great Barton and Kingshall Street, Rougham. We are also continuing to explore options to deliver at College Heath Road at Mildenhall.
- 1.5 A number of future sites are being explored by Barley Homes and the Council as part of the ongoing process of supplying Barley Homes with a viable development pipeline. A viable development pipeline will enable Barley Homes to continue to utilise the agreed £14.25m investment fund which then provides financial returns to the Council through loan interest receipts and dividend payments. The annual business planning process has not highlighted a need to revise the total investment fund. As there is no further funding required for the investment fund for Barley Homes, the approval of the 2021 business plan sits as an executive function of the Cabinet.
- 1.6 **The purpose of this report**
- 1.6.1 The propose of this report is to present the 2021 Business Plan to Cabinet for agreement. The Business Plan outlines the progress with the committed sites and associated financial implications.

2. Proposals within this report

2.1 The development of the Business Plan 2021

2.1.1 The proposed business plan (Exempt Appendix A) focuses on Barley Homes' completion of the development of Stonemill Park, Haverhill as well as work to bring forward the site at Kingshall Street, Rougham. It also outlines the work the Council and Barley Homes is engaged with to progress the sites at School Lane, Great Barton and College Heath Road, Mildenhall.

2.1.2 This work has been set in the context of the Council's strategic framework and Medium-Term Financial Strategy (MTFS).

2.1.3 In presenting the 2021 Business Plan, officers developed a set of appraisal criteria in order to evaluate potential sites (as referenced in the Cabinet report CAB/WS/019/41, paragraphs 3.16 and 3.17). Sites are selected based on this criteria and then progressed within the Business Plan. This appraisal criteria continued to be used for potential new pipeline sites assessed throughout 2021 to ensure there is a consistent approach. Barley Homes and the Council are continuing to work up a number of sites, at this stage no additional named pipeline sites have been added to the business plan however this position may change as sites are appraised. The Shareholder Advisory Group will consider the addition of new named sites joining the business plan during the course of the year against that appraisal criteria, so long as their inclusion enables Barley Homes peak debt to remain within the overall agreed £14.25 million investment fund available.

2.1.4 The 2020 Business Plan identified we were undertaking detailed work for College Heath Road at Mildenhall to refine the numbers, next steps and timescales. Whilst progress has since been made, we are still exploring options for how Barley Homes might achieve the best outcomes on this site. Excluding CHR at this stage, the three sites in the Business Plan including Stonemill Park will generate a steady build out rate, delivering (subject to the planning process) 79 homes between November 2021 and 2024 to 2025.

2.2 Land assembly and planning

2.2.1 The Mildenhall site is currently in the ownership of both West Suffolk Council and Suffolk County Council. West Suffolk Council has progressed with land assembly, as set out in the 2021 Business Plan the site is now in ownership of West Suffolk Council and Suffolk County Council with the former NHS site now in West Suffolk ownership. We are in the process of exploring funding opportunities,

as well as working with the Market to facilitate delivery of a policy compliant development on this site.

- 2.2.2 The parcel of land at Great Barton totaling 1.91 hectares came into West Suffolk Council ownership in February 2021.

The Council has progressed pre-planning work for this parcel of land, which has been allocated in the former St Edmundsbury adopted Local Plan. This has been progressed in parallel with work on the adjacent “triangle” site with Suffolk County Council.

Representations were made to the Great Barton Neighbourhood Plan which has now been adopted by West Suffolk Council following the community referendum (22 June 2021).

Work is now progressing on the Development Brief, which the Neighbourhood Plan Inspector identified will be key in defining the total amount of housing which can be delivered on both sites. The Development Brief will be assessed against the local and neighbourhood plans. Further engagement with stakeholders and the local community will shape the outcomes for this site as part of the Development Brief process. Barley Homes will pursue planning for approximately 40 houses on the purchased 1.91 hectare site. This will be done in parallel with Suffolk County Council to prepare a Development Brief. The Development Brief will help provide continuity across both development sites.

- 2.2.3 The Council has progressed with the purchase of the site in Rougham and is currently working on the exchange of contracts anticipated for November 2021. The site has outline planning permission for up to 13 units and is approximately 1.8 acres (0.74 hectares)

- 2.2.4 In addition to these sites, present opportunities being evaluated include sites emerging from the one public estate programme; sites for sale on the open market, and sites which have not been developed yet or may have stalled.

2.3 **Financial implications for West Suffolk Council**

- 2.3.1 The likely interest receivable on the loans to Barley Homes will be assessed and factored into the Council’s financial plans as part of the annual budget setting process for 2022 to 2023 and across the medium term, taking into account the already assumed one percent return from the Investing in our Growth Agenda fund.

- 2.3.2 It has been previously agreed that any dividend income (profit distribution) would only become part of the Council’s medium term financial plans once there is greater certainty on the returns to be achieved from Barley Homes as sites progress. This position has

been reached for the two Haverhill sites and budget assumptions will be updated as part of the 2022-23 budget setting process.

2.3.3 The investment for the delivery of the two initial Haverhill sites, plus the pipeline sites and the expected returns to be achieved are summarised in section 6.2 of the Barley Homes Business Plan (Exempt Appendix A). It is important to note that all of the figures contained in the business plan are based on the current modelling including desk top appraisals so there may be variations in both the costs and receipts in the final scheme delivery, as planning is sought and a contractor is procured. A sensitivity and risk analysis for Barley Homes has been undertaken and is included within the Business Plan (sections 10.3).

2.3.4 The total investment facility required by Barley Homes over the next five years has not changed since previous agreed levels as a result of this Business Plan. This total investment facility would allow Barley Homes to cover its peak funding requirement, as well as allowing for any cash flow risk through a contingency for slippage in sales or build out rates.

2.3.5 As detailed in the Business Plan (and previous Business Plans) all of the development loan funding will be repaid by Barley Homes. As highlighted above, the Council funds Barley Homes through a mixture of loans (debt) and shareholdings (equity). The current level of equity that West Suffolk has in Barley Homes is £600,100. For clarity, the equity elements of the investment facilitates delivery of the Business Plan and supports the viability of Barley Homes as a standalone company but does not generate an annual financial return for the Council in its own right. It is reflected as an asset in West Suffolk Council's balance sheet.

2.3.6 In the previous Business Plan 2020, West Suffolk allocated an additional revenue budget of £60,000 giving a total budget of £410,000 to facilitate the spend required to gain planning permission on the allocated sites, along with feasibility appraisals on further pipeline sites. There will be no requirement for additional revenue funding for the 2021 business plan. Any additional revenue funding to support further pipeline sites during the year over and above the allocation provided will be considered from the revenue Investing in our Growth Agenda reserve under delegation.

2.4 **Operational and governance implications for West Suffolk Council**

2.4.1 As part of the ongoing management of the company Barley Homes will make arrangements to review its operational processes over the next few months. This will ensure that it continues to be fit for purpose. It was expected to review this position in 2020, however it

recommended we undertake this in 2021 to 2022 as we move towards recovery with COVID 19 and any impacts from this and Brexit are more certain.

2.4.2 Meanwhile the company will continue to operate under the established day-to-day operating model and governance structure for Barley Homes. The expectations in terms of the working relationship between the Council and Barley Homes are contained in the Business Plans 2018, 2019 and 2020.

2.4.3 Unfortunately, due to the coronavirus restrictions, it was not feasible to hold the Barley Homes AGM this year, however a copy of the company's annual report was made available to members. Otherwise, the governance arrangements continue to reflect recognised good practice.

3. Alternative options that have been considered

3.1 The exempt business plan sets out how Barley Homes, working with the Council, has evaluated potential development opportunities. Opportunities that do not meet the criteria, based on the principles set out in 2.1.2 and 2.1.3 above, and the evaluation method established in the 2019 report CAB/WS/19/041 have been discounted.

4. Consultation and engagement undertaken

4.1 The proposals within this report have been developed in consultation with the Shareholder Advisory Group, namely the Leader of Council, Portfolio Holder for Housing and Strategic Health, and Portfolio Holder for Resources and Property. Their meetings are attended by the Chair of Overview and Scrutiny Committee and the Chair of Performance and Audit Scrutiny Committee.

5. Risks associated with the proposals

5.1 A formal risk assessment is provided in Appendix B, house prices and build costs remain a significant risk to any housing development, and thus the Council's ability to obtain a financial return from Barley Homes. Similarly, the impact of COVID-19, proposed changes to planning policy, current market conditions and the exit from the European Union remain a risk and will need to be monitored closely.

5.2 Local, regional and national trends are frequently monitored to evaluate potential changes and how these may impact on costs and levels of returns achievable from developments. Should a significant negative change in trend emerge, options will be assessed to

evaluate the way forward and if necessary, further reports provided on the recommended way forward.

6. Implications arising from the proposals

6.1 Crime and disorder

Bringing empty brownfield sites can play a role in managing anti-social behaviour. Although there were no known current risks with the sites in this context.

6.2 HR / Staffing

As part of its Investing in Growth Agenda, the Council has invested in resources who have the expertise to develop a housing pipeline. As appropriate Barley Homes commission required in-house skills by service level agreement.

6.3 Impact on other organisations (for example, community groups, businesses, partner organisations)

It is envisaged that local communities and parish councils will be engaged as part of the planning and development processes.

Where necessary consultation with community groups will shape the development.

7. Appendices referenced in this report

7.1 Exempt Appendix A: Barley Homes Business Plan 2021

7.2 Appendix B: West Suffolk Council Risk Assessment

8. Background documents associated with this report

8.1 Business Case for Establishment of a Housing Development Company:

[COU/SE/15/031](#) (SEBC)

[COU/FH/15/036](#) (FHDC)

8.2 Barley Homes – 5 year business plan:

[OAS/SE/16/028](#) (SEBC)

[OAS/FH/16/030](#) (FHDC)

8.3 Barley Homes Group Annual Report 2018:

[OAS/SE/18/004](#) (SEBC)

[OAS/FH/18/004](#) (FHDC)

[Barley Homes Group Annual Report 2019](#)

[Barley Homes Group Annual Report 2020](#)

8.4 Barley Homes Interim Business Plan 2018:
[CAB/JT/18/032](#) (Joint Executive (Cabinet) Committee)

8.5 Barley Homes Business Plan 2019:
[CAB/WS/19/041](#) (Cabinet)

8.6 Barley Homes Business Plan 2020:
[CAB/WS/20/079](#) (Cabinet)