

Barley Homes: Business Plan 2022

Report number:	CAB/WS/22/072	
Report to and dates:	Cabinet	6 December 2022
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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

Recommendation: 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. Agrees the Barley Homes Business Plan 2022, covering 2023 to 2024 and the medium term, attached at Exempt Appendix A to Report number CAB/WS/22/072.**

1. Context to this report

1.1 Each year Barley Homes Ltd, the Council's wholly owned Housing Company, produces its annual business plan setting out its development plans for the forthcoming year 2023 to 2024 and medium term against the investment facility made available to it. The total investment facility now available to Barley Homes Ltd is a £14.25m 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 2021, as reported via the Annual Report 2021 [Reports and notices \(barleyhomesgroup.co.uk\)](#) the company has made good progress in achieving its aims. This has included progressing the sites set out in its Business Plan at Stonemill Park and Westmill Place in Haverhill. Barley Homes Ltd has delivered 63 homes, of which 19 are affordable.

In addition, as set out later in the report, Barley Homes will be giving an increased dividend back to the council for the Haverhill developments then was first set out in the previous business plan. Increasing further income for West Suffolk Council than was expected. As of 14 November 2022, Barley Homes has no outstanding loan debt from the investment facility with West Suffolk Council.

1.4 Following the agreement of the 2021 business plan, significant progress has been made on a pipeline site in Great Barton and one in the village of Rougham. An alternative delivery option for College Heath Road, Mildenhall is detailed further within this report. Barley Homes through this business plan will be facilitating the delivery of 83 units.

1.5 A number of future potential development sites to those set out in the current business plan, including the land option at Great Barton are being explored by Barley Homes and the Council as part of the normal and ongoing process of supplying Barley Homes with a viable development pipeline. This ongoing viable development pipeline enables 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.

1.6 The annual business planning process has not highlighted a need to revise the total investment fund, taking into account known cash flow forecasts across the medium term. As there is no change required to the investment fund for Barley Homes, the approval of the 2022 business plan sits as an executive function of the Cabinet.

The purpose of this report

- 1.7 The purpose of this report is to present the 2022 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 2022

- 2.1.1 The draft business plan (Exempt Appendix A) focuses on Barley Homes' completion of the development of Westfield and Stonemill Place, Haverhill during 2022 as well as work to bring forward future development sites.
- 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 2022 Business Plan, officers developed a set of appraisal criteria in order to evaluate potential sites (as referenced in the Cabinet report WS/019/41, paragraphs 3.16 and 3.17). Sites are selected based on these criteria and then progressed within the Business Plan. This appraisal criteria continued to be used for potential new pipelines sites assessed throughout 2022 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.
- 2.1.4 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. But they will only be included if it still enables Barley Homes peak debt to remain within the overall agreed £14.25m investment fund available.
- 2.1.5 The 2021 Business Plan identified that work was being undertaken on the College Heath Road site in Mildenhall to refine the numbers, next steps and timescales. Updates since have included levelling the site in preparation for development, progressing the land assembly and assessing options for disposal.

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, with the former NHS site in West Suffolk ownership. Heads of Terms are currently being drafted and agreed for the sale of the Suffolk County Council land to West Suffolk to complete the land assembly at the site.

- 2.2.2 The parcel of land at Great Barton totalling 1.91Ha came into West Suffolk Council ownership in March 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.

Following the adoption of the Great Barton Neighbourhood Plan (June 2021) further work has been progressed on a proposed development brief.

The outcome of this development brief will determine the development numbers required for this site, as well as setting how the site can be delivered in conjunction with the policies within the Local Plan and Neighbourhood plan.

The Council are now moving into the public consultation phase after presenting their draft brief to West Suffolk Cabinet on 18 October 2022 where consent to consult was granted.

Representations to West Suffolk Councils Regulation 18 Preferred Options stage of the Local Plan review Plan were submitted in July 2022 on behalf of West Suffolk Council as landowner.

Work continues to explore the timing for activating the land option for the phase 2 site at Great Barton. This will be subject to a development appraisal and agreement through the Shareholder Advisory Group.

- 2.2.3 The sale of the site at in Rougham has been agreed with the council and a private landowner with a completion date anticipated for early 2023.
- 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. West Suffolk have looked into and evaluated 17 sites in 2022, with a current pipeline list totalling 40 sites.

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 2023 to 2024 and across the medium term, taking into account the already assumed 1 per cent 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 was reviewed as part of the 2022 to 2023

budget setting process with an annual return of £200,000 included across the medium-term financial plans. In 2022, Barley Homes paid the Council as its shareholder a dividend of £380,000 as a result of the completion of the Westmill site. A further dividend is expected to be announced during 2023. The level of assumed dividend return will continue to be reviewed as part of the council's annual 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 maybe 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 future development loan funding (through the investment fund) will be repaid by Barley Homes. As of November 2022, all of the previous development loan funding issued to Barley Homes has been repaid to the Council. 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 facilitate 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 and equity in Barley Homes balance sheet.
- 2.3.6 West Suffolk has allocated a total revenue 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 2022 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.

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 previous Business Plans.

2.4.3 Barley Homes held its AGM in July 2022 and published its Annual Report and Accounts [Barley Homes \(Group\) Limited Annual Report 2022 \(barleyhomesgroup.co.uk\)](https://www.barleyhomesgroup.co.uk/annual-report-2022)

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 Portfolio Holder for Finance and Resources. 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 proposed changes to planning policy, current market conditions and the exit from the EU 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 (e.g., 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 2022

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 Council: 17 November 2015)
[COU/FH/15/036](#) (FHDC Council: 17 November 2015)

8.2 Barley Homes – Five Year Business Plan:
[OAS/SE/16/028](#) (SEBC Overview and Scrutiny Committee: 9 November 2016)
[OAS/FH/16/030](#) (FHDC Overview and Scrutiny Committee: 10 November 2016)

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

8.4 Barley Homes Business Plan 2019:
[CAB/WS/19/041](#) (Cabinet: 26 November 2019)

8.5 Barley Homes Business Plan 2020
[CAB/WS/20/079](#) (Cabinet: 8 December 2020)

8.6 Barley Home Business Plan 2021
[CAB/WS/21/062](#) (Cabinet: 7 December 2021)