

# Barley Homes Business Plan 2023

<b>Report number:</b>	<b>CAB/WS/23/059</b>	
<b>Report to and date:</b>	<b>Cabinet</b>	5 December 2023
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**Decisions Plan:** The decisions 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 but no longer constitutes a Key Decision.

**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 2023, covering 2024 to 2028, attached at Appendix A to Report number: CAB/WS/23/059.

## 1. Context to this report

- 1.1 Each year Barley Homes Ltd, the Council's wholly owned Housing Company, produces its annual business plan. This Barley Homes Business Plan is presented in a revised structure and one which focusses on the overall business activity, and ambitions for building a high performing portfolio.
- 1.2 The business plan contains a review of the previous year; an overview of the operating conditions for the company; a summary of the planned development programme, including aspirations around current and medium-term delivery rates; and an overview of the financial underpinnings to the future development strategy, all to demonstrate prudent resource planning.
- 1.3 The total investment facility already available to support Barley Homes Ltd is a £14.25 million revolving facility (available for loans to, equity in and land purchases to support, our wholly owned housing company) funded through a mixture of capital receipts (which supports the equity element) and the Investing in our Growth Agenda fund.
- 1.4 Since the previous business plan was approved by Council in December 2022 (report CAB/WS/22/072 refers) and as reported via the [Annual Report 2023](#) the company has made good progress in achieving its aims. This has included completing the sites set out in its business plan at Stonemill Park and Westmill Place in Haverhill. At these two sites Barley Homes Ltd have delivered 63 homes, of which 19 were affordable.
- 1.5 Following the agreement of the 2022 Business Plan, significant progress has also been made on purchasing and submitting a planning application for a site in Rougham.
- 1.6 Further progress includes Barley Homes purchasing the College Heath Road site in Mildenhall (One Public Estate assembled site) and working with a local registered provider in delivering a scheme that will help address local housing need.
- 1.7 Progress has also been made with the Great Barton draft development brief in preparation for a future application.
- 1.8 Overall, Barley Homes through this business plan will be facilitating the delivery of 93 homes of which 56 will be affordable. This ongoing viable development pipeline enables Barley Homes to continue to utilise the agreed £14.25 million investment fund which then provides financial returns to the Council through loan interest receipts and dividend payments.

1.9 The annual business planning process has not highlighted a need to revise the total investment fund, considering 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 2023 Business Plan sits as an executive function of the Cabinet.

1.10 **The purpose of this report**

The purpose of this report is to present the 2023 Business Plan to Cabinet for agreement. The Business Plan (Appendix A) outlines the progress with the committed sites and associated financial implications.

## 2. **Proposals within this report**

### 2.1 **The development of the Business Plan 2023**

2.1.1 This Business Plan (Appendix A) focuses on Barley Homes' completion of the development sites of Westmill and Stonemill Place, Haverhill as well as work undertaken to bring forward future development sites. It also summarises current market conditions as well as development objectives and financial projections.

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 2023 Business Plan, a set of appraisal criteria is used to evaluate potential sites (as referenced in the Cabinet report CAB/WS/19/041, paragraphs 3.16 and 3.17). Sites are selected based on these criteria and then progressed within the business plan. This appraisal criteria was continued to be used for potential new pipelines sites assessed throughout 2023 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. Barley Homes are committed to delivery of housing within the West Suffolk area and in turn contributing to West Suffolk Council annual housing delivery target. Barley Homes are targeting delivery of 40 homes on average per annum by the end of this business plan period.

2.1.4 The 2022 Business Plan identified that work was being undertaken on the College Heath Road site in Mildenhall to refine the number of homes to be built, next steps and timescales. Updates since have included agreeing a delivery model and working on the disposal route that ensures the right housing development is present on this site in conjunction with West Suffolk Council's strategic objectives.

### 2.2 **Land assembly and planning**

2.2.1 The College Heath Road, Mildenhall site has now been purchased from West Suffolk Council and is now in the ownership of Barley Homes.

- 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. This has been progressed in parallel with work on the adjacent “triangle” site with Suffolk County Council.

Extensive work has been progressed on a proposed development brief for this site following consultation with the public and the statutory stakeholder consultees.

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 West Suffolk Council purchase of the site at Rougham was completed in September 2023, the following sale onto Barley Homes is in progress with Heads of Terms agreed, with anticipated completion by year end 2023. A reserved matters planning application has been submitted following extensive pre-application liaison with the statutory stakeholders and public, expected determination early 2024.

- 2.2.4 In addition to these sites, opportunities being evaluated include sites emerging from the One Public Estate programme including West Suffolk Council owned sites; sites for sale on the open market; and sites which have not yet been developed or may have stalled. Barley Homes have investigated and evaluated many different sites from these resources and will continue to evaluate fresh opportunities as when they arise.

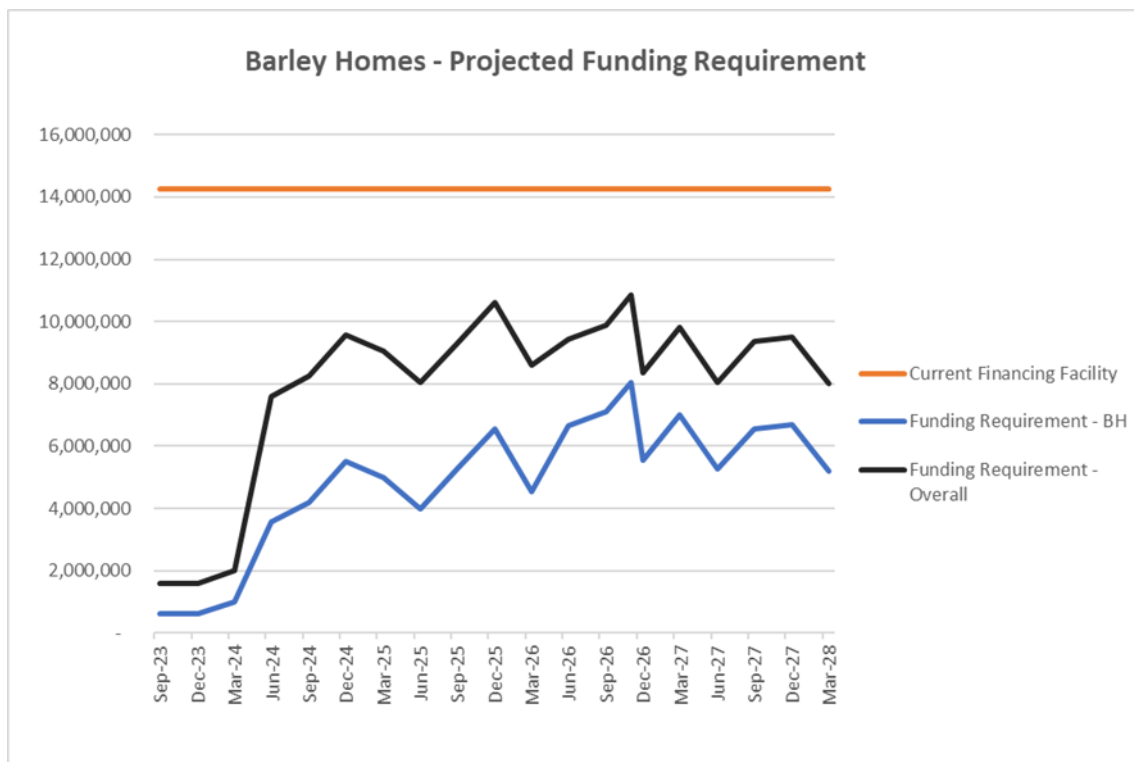
### 2.3 Financial implications for West Suffolk Council

- 2.3.1 The business plan sets out the current forecast interest receivable on the loans to Barley Homes, as well as forecast dividend payments from Barley Homes. The table below details how these forecast returns compare to what the Council has currently assumed as part of its Medium-Term Financial Strategy.

Year	2023 to 2024	2024 to 2025	2025 to 2026	2026 to 2027	2027 to 2028	Total
<b>Forecast Revenue Return to Council as per Barley Homes Business Plan</b>						
<b>£000</b>						
Interest	2	242	294	384	362	1,284
Dividends	600	-	-	150	302	1,052
<b>Total Forecast Return</b>	<b>602</b>	<b>242</b>	<b>294</b>	<b>534</b>	<b>664</b>	<b>2,336</b>

<b>West Suffolk Council Budget</b>						
<b>£000</b>						
Interest from Barley Homes	210	210	210	210	210	1,050
Dividends from Barley Homes	300	300	300	300	300	1,500
<b>Total Budget</b>	<b>510</b>	<b>510</b>	<b>510</b>	<b>510</b>	<b>510</b>	<b>2,550</b>
<b>Forecast Variance against budget</b>	<b>92</b>	<b>(268)</b>	<b>(216)</b>	<b>24</b>	<b>154</b>	<b>(214)</b>

- 2.3.2 As can be seen from the table above, the business plan forecasts lower returns over the next two financial years than is assumed in the Council's budget. However, dividend returns from Barley Homes in the 2023 to 2024 financial year were £300,000 higher than budgeted. This over-achievement was placed into reserves to allow for the fact that no dividends are expected to be paid in the 2024 to 2025 financial year. As part of the Council's annual budget setting process, updated business plans will be reviewed to see if any amendments to the Council's budget is required. The Council's Capital Projects Financing reserve can be used to help smooth out any timing differences in returns, this is where the additional £300,000 achieved in the current year sits.
- 2.3.3 It is important to note that all 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.
- 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 investment facility is to cover the Council's overall exposure to Barley Homes. This includes loans to and equity investment in Barley Homes, as well as land purchases made by the Council to help facilitate some of the future pipeline sites for Barley Homes. The graph below shows the projected funded requirement, both the investment directly into Barley Homes as well as known pipeline land purchases, against the current financing facility.



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 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.

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

2.4.1 As part of the ongoing management of the company, Barley Homes have reviewed its operational processes during the past year. These processes will be reviewed on a regular basis to ensure that they continue to be fit for purpose in light of ever evolving market conditions.

2.4.2 Meanwhile the company will continue to operate under the 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 is due to hold its Annual General Meeting on 19 December 2023 and will publish its Annual Report and Accounts [here](#)

### **3. Alternative options that have been considered**

- 3.1 The 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 Resources. The 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 within the business plan including time, cost, and quality impacts on Barley Homes, with house prices and build costs remaining a significant risk to housing development, and thus the Council's ability to obtain a financial return from Barley Homes. Similarly proposed changes to planning policy and current market conditions and 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**

- 6.1.1 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 or staffing**

- 6.2.1 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 **External organisations (such as businesses, community groups)**

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

6.3.2 Where necessary consultation with community groups will shape the development.

**7. Appendices referenced in this report**

7.1 Appendix A: Barley Homes Business Plan 2023

**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 Home Business Plan 2021

[CAB/WS/21/062](#) (Cabinet: 7 December 2021)