



Quality of life *built in*

Barley Homes Business Plan 2024 to 2029

Barley Homes Group Ltd
West Suffolk House, Western Way, Bury St Edmunds IP33 3YU
www.barleyhomesgroup.co.uk
Company No: 10062735

Contents

Introduction	3
Chair's review	4
Mission, values and objectives	6
Environment	7
Market analysis	8
<ul style="list-style-type: none">● UK housing market● West Suffolk and local housing market● Build costs	
Development activity	12
<ul style="list-style-type: none">● Development objectives● Design principles● Development programme	
Financial projections, and risk management	16
<ul style="list-style-type: none">● Introduction● Summary of financial projections● Project funding● Financial performance● Profit and loss● Balance sheet● Cashflow● Performance management● Risk management	

Introduction

1.1 Purpose of this business plan

Barley Homes is a housebuilding company wholly owned by West Suffolk Council. It is funded by the council through a mixture of loans and equity. Accordingly, the Company produces an annual Business Plan to explain how it intends to function during the course of the next year, to provide assurance to its shareholder that it is being managed effectively and delivering on the Company objectives.

This business plan for Barley Homes focuses on looking forward to the next five years of activity between 2024 and 2029, subject to an annual review. Its purpose is to:

- Be adopted by the board of directors of Barley Homes as a basis for trading
- Be approved by the council in its capacity as the shareholder of Barley Homes
- Support the provision of funding by the council to Barley Homes

1.2 Structure

This year's Business Plan takes on a refreshed structure which focusses on the overall business activity, and ambitions for building a high performing portfolio. The business plan aims 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, to demonstrate prudent resource planning.

Chair's review



Cllr Richard O'Driscoll
Chair of Barley Homes
Shareholder Advisory
Group

2023 has been a busy, albeit challenging year for Barley Homes. Work has been ongoing to tackle these challenges and position the company to continue with success over the years ahead.

Barley Homes has moved forward with its proposals for the site at Rougham, with a planning application for new homes now submitted. Additionally, work is underway, with various stakeholders, to progress the Development Brief and subsequent planning application for the land at Great Barton. Barley Homes aims to maximise affordable housing provision on each site. Its business model, and its relationship with West Suffolk Council, means it is driven by what most benefits the district - this means a commitment to providing affordable housing alongside sustainable well-built homes and communities, as well as making a financial return for the council as its shareholder, funding that can then be reinvested in council services. This focus is imperative in the challenging economic times our country faces and means that we take a carefully calculated approach to risk with our projects.

As we all navigate the changing economic times ahead, Barley Homes remains committed to creating thriving communities across our district.

Cllr Richard O'Driscoll
Chair of Barley Homes Shareholder Advisory
Group

Since our last Business Plan we have:

- Completed two developments at Westmill and Stonemill
- Progressed both sites to formal adoption in respect of open space, highways and transfers to the relevant management companies
- Progressed the scheme designs for the project in Rougham, including undertaking consultation with stakeholders, and submitted a reserved matters planning application
- Undertaken public and stakeholder consultation for the Development Brief for the scheme at Great Barton
- Commenced work on the detailed design for Phase 1 of the scheme at Great Barton
- Taken ownership of the land at College Heath Road, Mildenhall, and commenced working with a preferred Registered Provider to progress a housing scheme.

By the time of our next Business Plan in 2024 we will:

- Have obtained planning permission for the scheme in Rougham, appointed a main contractor and broken ground on the site to deliver 13 homes.
- Have achieved adoption of the Development Brief for the site in Great Barton
- Be progressing through the planning process on the Outline Planning Permission and Detailed Phase 1 consent for Great Barton
- Have secured at least 10 new plots for our development pipeline, and be working through the design, planning and procurement process.
- Completed and implemented a review of our gateway approval process

Mission, values and objectives

built in
Quality of life

3.1 Mission

West Suffolk Council is the sole shareholder for Barley Homes. The primary mission for Barley Homes is to generate capital and revenue income for its shareholder through the development of new housing for sale and rent, initially in West Suffolk. At Barley Homes, we understand that things are constantly changing and we are not afraid of evolving our ideas and offers to accommodate these changes. Whether it is the location or the methods used, we will continue to adapt and grow. Throughout our building process, we have our future buyers and homeowners in mind, consistently ensuring the quality of our housing is to the highest possible standard.

3.2 Values

Barley Homes works in partnership to build sustainable, affordable homes that create communities, respect the environment, and contribute to the local economy.

3.3 Objectives

We have three objectives that help towards the achievement of this vision:

- **Building quality homes for life** - building homes that add great memories to every owner's life story.
- **Working as a trusted partner** - trusted relationships are at the core of Barley Homes, when working with customers and partners alike
- **Building and enhancing communities** - creating homes and spaces that are pleasures to live in.

Environment

4.1 Construction methods, building performance and renewable energy

The UK construction industry can play a significant role in reducing the country's carbon emissions, alongside improving the environmental qualities of the built environment.

In the last few years, we have seen changes to local and national policies that reflect that ambition, including changes introduced via the Environment Bill to set mandatory minimum targets for Biodiversity Net Gain, a move away from the reliance upon gas as a source of heating and the introduction of modern methods of construction to reduce the carbon impact of construction.

Barley Homes follow the principle that, where at all possible, we will exceed policy requirements in such regards.

Barley Homes continues to actively look to employ new ways of building, whether that be through the use of off-site manufacture or the use of materials that incorporate recycled content and need much less energy to manufacture. The application of any particular solution is considered on a site-by-site basis to ensure the right products are available and able to meet the financial and design requirements of Barley Homes.

Government previously announced that by 2025 all new build homes will no longer be able to be heated via fossil fuels (gas boilers). Although recent ministerial statements suggest a divergence from or a delay to the date of implementation Barley Homes strive to include renewable forms of heating within our developments, to help reduce heating bills for the resident and tackle emissions. Current schemes under design development consider both the use of air source heat pumps and photovoltaic panels to provide renewable heating and low energy solutions.

Barley Homes also continues to work towards ensuring higher energy performance/low levels of heat and energy loss in the new build homes that we build. We are presently working with AECOM to produce a defined Technical Specification, against which all new homes will be delivered.

Market analysis

5.1 UK housing and new build market

The UK's housing market nationally has generally struggled across 2023. With rising mortgage rates and the cost-of-living crisis, house price indices have shown a significant year-on-year drop, although some regions have held up better than others. Nationwide reported UK house prices fell by 5.3% compared to August 2022. Meanwhile, mortgage approvals are also approximately 20% below pre-pandemic levels.

The cost-of-living crisis was building throughout 2022, with inflation levels well in excess of Bank of England targets, which saw monthly interest rate rises for 15 consecutive months. While there are signs of inflation easing, and mortgage rates stabilising, the interest rate remains high compared to the levels homeowners have been used to since the late 2000s. Balancing these higher rates alongside managing household finances will be a challenge for many through 2024. The impact of the cost-of-living crisis is greatest for lower income households, adding further difficulties on top of the challenges of the last few years.

Whilst demand for housing remains, the prospects for the housing market in 2024 are heavily dependent on what happens to mortgage rates - how high do they stay and for how long. If mortgage rates remain elevated, this will exclude significant proportions of prospective first-time buyers and home movers from the market. Recent statistics produced by property consultants Savills suggested that the proportion of cash buyers as part of the total number of house buyers has increased, however this will still likely lead to a continued reduction in housing market activity and potentially house price falls.

The new build market has been similarly impacted by the slowdown in the overall housing market with at least two major housebuilders reporting a year-on-year fall in the average weekly sales rate in August 2023. In addition, build costs (see commentary below in section 5.3) which remain historically high following significant build cost inflation which occurred during and post-Covid. These two pressures means that developers are, and will be, experiencing lower profits on schemes and there are indications that some are delaying or slowing down their build programmes.

5.2 West Suffolk and local housing market

In many ways the trends in the West Suffolk market reflect those played out nationally, in the sense of house prices softening whilst build costs remain relatively high. Estate agents have reported a lessening of demand, the requirement for more incentives to be offered with new build properties, and more offers being made by buyers and accepted by vendors and developers.

According to publicly available Land Registry data, the annual % change in house prices in West Suffolk stood at 0.8%, which compares to 0% for the whole of England, both as at August 2023 (the most recently available data at the time of writing this report). Meanwhile the average house price in West Suffolk in August 2023 stood at £312,681, compared to £309,616 for England.

For Barley Homes, the challenges arising from operating exclusively in the West Suffolk market is access to viable sites, with a predominately rural geographic area and many identified areas of allocated land subject to options with larger, established Housebuilders. Meanwhile the viability challenges of high build costs against falling/uncertain values applies to Barley Homes as it does to all other housebuilders.



5.3 Build costs

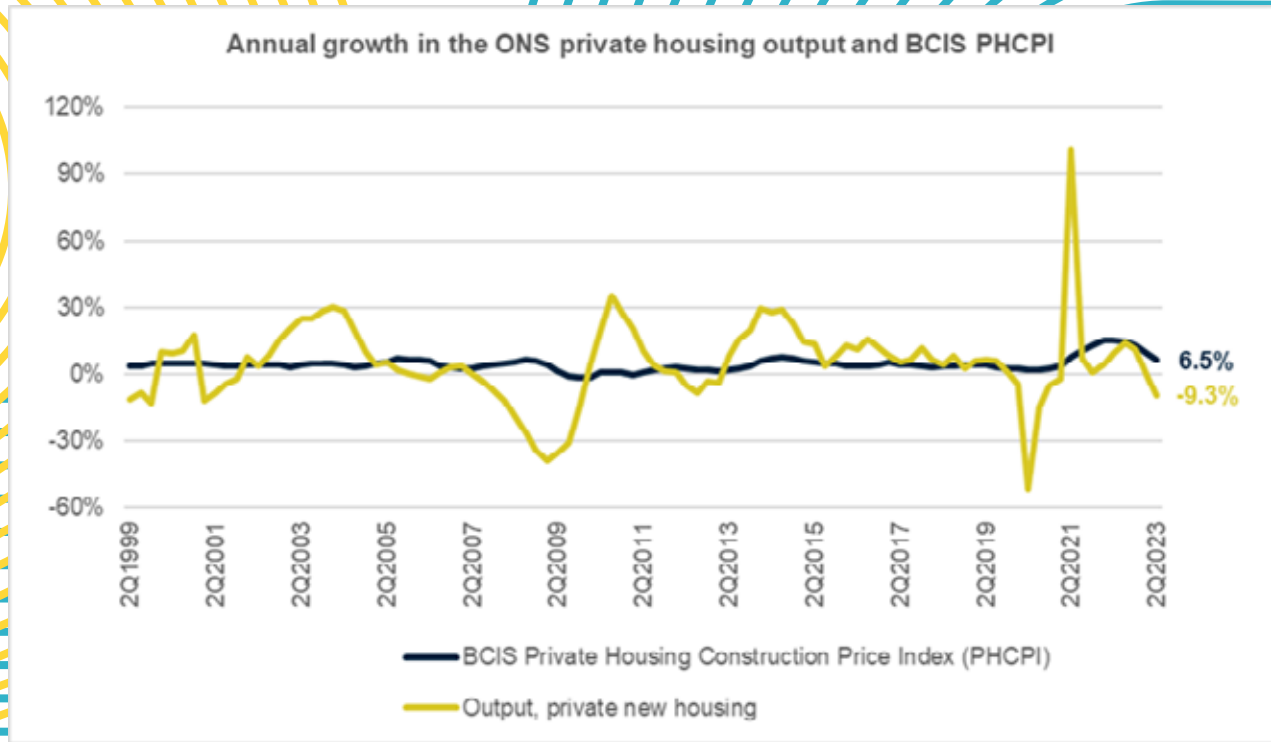
Housebuilders costs grew by 6.5% in the second quarter of 2023, according to the Building Cost Information Service (BCIS) Private Housing Construction Price Index (PHCPI), having stood at 9.7% in quarter one in 2023. Although inflation is slowing, this increase still stands at high end of the levels recorded since the initiation of the series in 1998. 38% of PHCPI respondents pointed to an increase in subcontractor costs as the main driver of change in costs, and a quarter of respondents cited an increase in materials costs. At the same time, for the third consecutive quarter, a small share of respondents reported a decrease in materials costs (6%).

The slowdown of materials cost inflation is also reflected in the BCIS Materials Cost Index, which reported 2.8% growth in quarter two 2023 on the same period in the previous year. This is a significant drop from a peak in the annual growth of 23.5% observed in quarter two 2022, although still affects forward projections for committed schemes, which have been re-baselined from inception.

Looking to quarter three 2023, the housebuilders surveyed by ONS expect to experience an average 1% increase in costs.

ONS construction output figures, which have been declining since quarter four 2022, clearly demonstrate the continued pressure on the private housing sector, as illustrated in the table below.





Barley Homes will continue to monitor trends in construction costs and the housing market, both from published sources and data from its own developments, to help inform both appraisals on potential pipeline sites and also to inform risk management decisions on active pipeline sites.

Development activity



6.1 Development objectives

Barley Homes is a commercial company, but with social values at our heart. In practice that means we aim to generate social, financial, and environmental benefit for West Suffolk. We aim to build sustainable housing developments with high levels of affordable homes in the right areas of the district, to support West Suffolk Council's strategic priority to "Increase and improve the provision of appropriate housing in west Suffolk in both our towns and rural areas", and in line with relevant future West Suffolk Council strategic priorities and policies.

In practice this means that we are committed to develop schemes in full compliance with the adopted Local Plan, adding value wherever we can, whilst ensuring that we provide a return on investment to our shareholder.

6.2 Design principles

Barley Homes aim to create great places to live for those who buy and rent. We also want to build robust schemes that look fantastic for many years to come. This can be achieved through a combination of successful design and the use of low maintenance details and materials.

We assess every project on an individual basis to ensure it fits our values. Where possible, we work with local communities to input into the design stage early. Each project is unique, which is why all of our schemes feature bespoke designs that are distinct but fit well within their local surroundings. Barley Homes aims to deliver high-quality, tenure blind housing to ensure communities are integrated, and all homes provide suitable space and good quality design.

6.3 Development programme

With delays to projects brought about by challenging market conditions, the company faces a period where development activity on-site has paused, meaning that, in the immediate term there is limited throughput of return on investment from sales in the current year.

This year's Business Plan, therefore, acknowledges the impact this has on cashflow, and sets a strategy to develop the pipeline up to a point where we can settle upon a consistent delivery rate whilst operating within the established funding envelope available.

To do so, the Business Plan contains two elements.

The first element is the table below which shows the Barley Homes pipeline as it stands today and the projects in delivery. In future, if a project is marked in bold this will mean it has started on site so that the number of homes is fixed, and less likely to change. The remaining projects have estimated housing numbers that will evolve as we procure our delivery partners and progress through the design and planning stages.

Figure 1: Current development pipeline

Site	Total homes	Open market	Affordable homes (AH)	Policy AH %	Potential AH provision %
Started or completed on site					
Westmill	37	26	11	30%	30%
Stonemill	26	18	8	30%	30%
Sites at planning stage					
Rougham (phase 1)	13	9	4	30%	30%
Sites at pre-planning					
Great Barton phase 1	40	28	12	30%	30%
College Heath Road #	40	0	40	30%	100%
Pipeline sites - sites under option					
Rougham phase 2	26	18	8	30%	30%
Great Barton phase 2*	145	102	43	30%	30%
2023 Business Plan TOTALS	327	201	126	N/A	40%

* - site under option from Suffolk County Council.

- Barley Homes is working with a preferred Registered Provider to bring this site forward, as previous appraisals have shown it to be unviable for a conventional policy compliant, mixed tenure scheme

The second element is the table below. This sets out Barley Homes proposed development programme as a composition of target acquisitions, build out and sales, which allows us to develop our financial and development proposals within our established financial envelope, namely the existing loan facility with our Shareholder. Later sections of this Business Plan elaborate upon the financial analysis that sits behind this, but there are a few key points to note.

Figure 2: Pipeline targets per annum, for land acquisition, build and sales

Site	Dwellings per site per annum					
	23/24	24/25	25/26	26/27	27/28	28/29
Rougham phase 1	13					
Great Barton phase 1		40				
Future pipeline site(s)*		10	10	55	10	55
Acquisition rate	13	50	10	55	10	55
Rougham		10	3			
Great Barton phase 1			17	23		
Future pipeline site(s)*				7	35	40
Build rate	0	10	20	30	35	40
Rougham		4	9			
Great Barton phase 1			12	24	4	
Future pipeline site(s)*					27	40
Sales rate	0	4	21	24	31	40

* - this will be a composition of existing identified sites, such as land already under option, and new site opportunities, as they emerge.

- where a box is empty, this assumes zero units for that year apply.

Both tables use combined estimates for the purposes of building our financial plan, and to forecast completions over the plan period. Our programme evolves as work is completed by the team on each project, meaning that this business plan varies from the estimates laid out in the previous plan and will not necessarily exactly track the build out on any given site as laid out in table two. The key aspect of this table is to illustrate target acquisition, build and sales rates per annum as a total over a five-year period, which we targeted after financial analysis to ensure peak borrowing does not exceed our financial capacity, namely the ceiling of Barley Homes previously approved loan facility.

It should be noted that the early years of the cycle have shown that, as a consequence of delays brought about via the pandemic and other commercial factors, target build and sales rates in the early years create a lag between outlay and return on investment. In the medium to long term, we aim to maintain a steady acquisition, build and sales rate to achieve a consistent throughput of 40 units per annum, which we have tested against a variety of assumptions based upon typical average sales values, build cost and land acquisition costs, but this will take time to establish, given the inherent lag between construction costs and sales income.

This is a prudently cautious estimate so as not to overstate revenue in the financial plan or overstretch Barley Homes beyond its financial capabilities, which would otherwise create risk for our Shareholder.

Regular performance management updates are provided to the Board of Directors and Shareholder Advisory Group during the year so that each project can be tracked in detail, with the business plan updated each year and subject to approval by the Shareholder (West Suffolk Council). Progress is also reported in an Annual Report and at an Annual General Meeting.

Financial projections and risk management

7.1 Introduction

This business plan sets out the forecast financial outcome arising from the acquisition and development of a number of sites.

Funding for Barley Homes is provided by West Suffolk Council. From the perspective of the council, the distinction in funding which it provides is between short term loan funding and long-term equity funding. Whilst loan funding is fully repaid from development proceeds, equity funding is provided on a long-term basis.

To satisfy HMRC and state aid requirements, from the perspective of Barley Homes funding has to be separated into debt (loans) and equity (share capital). This leads to financial payments from the company to the council in the form of:

- Interest on loans to the company
- Dividends payable out of post-tax profits

These returns are in addition to the land value receipts.

7.2 Summary of financial projections

Barley Homes is forecasting to make small losses during the 2023 to 2024 and the 2024 to 2025 financial years, before returning to a profit position from the 2025 to 2026 financial year. This reflects the proposed development programme detailed in section six above, with significant plot sales occurring from 2025 to 2026 onwards. Detailed financial projections can be seen in section 7.4 below.

In total, the peak funding requirement up until the end of March 2028 is currently forecast to be £8.05 million (within the £14 million current loan facility). This occurs in November 2026. Whilst all loan funding will be repaid, there is a long-term equity funding requirement which will remain with Barley Homes.

7.3 Project funding – overall envelope

Barley Homes produce individual site financial forecasts, which are monitored through the project lifecycle. For the purposes of the Business Plan these are combined into a single financial model which can be seen at section 7.4 below.

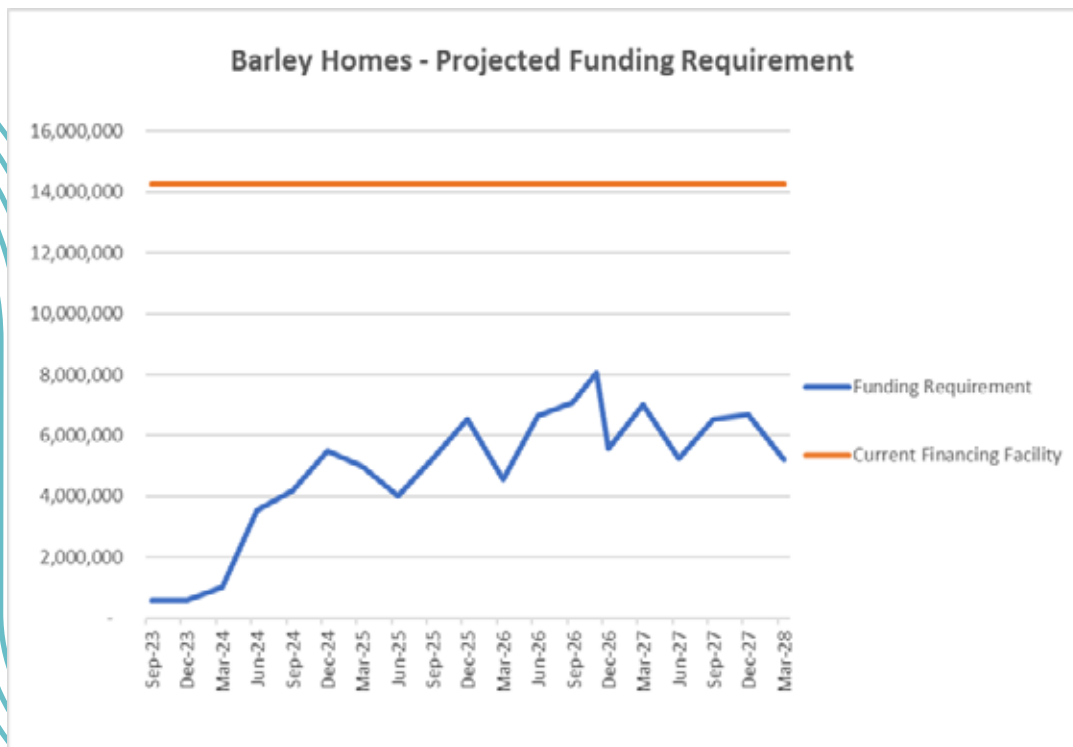
The principles of this funding are:

- Funding is provided by the shareholding Council
- From the perspective of Barley Homes, a part of the funding is treated as share capital and part as a loan – the principal difference is that the loan will bear interest.
- Interest charged on development loans is ‘capitalised’, this means it becomes an additional finance cost which is added to the loan.

In addition:

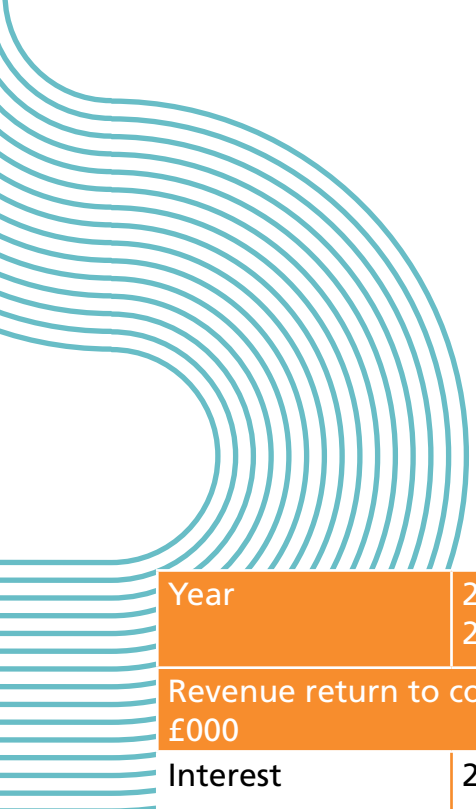
- An additional allowance for corporate costs of £200,000 per year has been allowed during the next five years of activity.
- A corporation tax liability of 25% arises on profits made by the company.

On this basis (and assuming profits are gradually paid back to the council as dividends), the total cash flow and funding requirement for the company is shown in the graph below. This takes into account the sites in Rougham and Great Barton detailed in section three, as well as for the College Heath Road site. Estimates for future, as yet unknown, pipeline sites have also been included.



This shows the level of funding requirement building up in the short-term with it staying within the £4 million to £8 million range in the medium term to long term as sites start and complete at a more regular rate. This leads to a peak funding requirement of £8.05 million during quarter three of 2026 to 2027.

The table below shows the anticipated financial return to the council from the development activity which is a combination of interest and dividends received. Note this return is in addition to the land receipts which the council would receive if it were the landowner. The overall return from the developments to the council are summarised below.



Year	2023 to 2024	2024 to 2025	2025 to 2026	2026 to 2027	2027 to 2028	Total
Revenue return to council £000						
Interest	2	242	294	384	362	1,284
Dividends	600	-	-	150	302	1,052
Total return	602	242	294	534	664	2,336

7.4 Financial performance

Detailed financial modelling has been undertaken of the proposed development programme detailed in section six above, taking into account the projections on land acquisition, build and sales rates. A number of assumptions have had to be made, with the main ones being the purchase price of land, costs of building units and sales income.

The table below details the forecast Profit and Loss account, Balance Sheet and Cash Flow for Barley Homes up until the end of the 2028 to 2029 financial year.

Financials	2023 Mar-23 ACT	2024 Mar-24 F'CAST	2025 Mar-25 F'CAST	2026 Mar-26 F'CAST	2027 Mar-27 F'CAST	2028 Mar-28 F'CAST	2029 Mar-29 F'CAST
Profit and loss							
Turnover	7,148,109	-	1,330,000	7,139,000	6,969,600	10,419,200	11,985,600
Cost of sales	(5,831,955)	(16,046)	(1,169,005)	(6,443,968)	(5,983,070)	(8,554,018)	(10,240,600)
Gross profit	1,316,154	(16,046)	160,995	695,032	986,530	1,865,182	1,745,000
Overheads	(85,416)	(69,696)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Finance costs	(44,690)	(2,167)	(241,854)	(294,396)	(384,313)	(361,563)	(319,313)
Profit / (loss) before tax	1,186,049	(87,909)	(280,859)	200,636	402,217	1,303,620	1,225,687
Taxation	(225,349)	-	-	-	(58,521)	(325,905)	(306,422)

Profit / (loss) after tax	960,700	(87,909)	(280,859)	200,636	343,696	977,715	919,265
---------------------------	---------	----------	-----------	---------	---------	---------	---------

Financials	2023 Mar-23 ACT	2024 Mar-24 F'CAST	2025 Mar-25 F'CAST	2026 Mar-26 F'CAST	2027 Mar-27 F'CAST	2028 Mar-28 F'CAST	2029 Mar-29 F'CAST
Balance sheet							
Fixed assets	-	-	-	-	-	-	-
Current assets	2,144,688	1,775,503	5,716,571	5,846,235	9,193,153	8,658,579	5,578,658
Current liabilities	(414,226)	(332,949)	(554,887)	(933,904)	(1,637,604)	(2,226,978)	(1,855,501)
Long term liabilities	-	(400,000)	(4,400,000)	(3,950,000)	(6,400,000)	(4,600,000)	(1,950,000)
Net assets / (iabilities)	1,730,462	1,042,554	761,694	962,330	1,155,549	1,831,601	1,773,152

Share capital	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Retained earnings	1,130,462	442,553	161,694	362,330	555,549	1,231,601	1,173,152
Capital and reserves	1,730,462	1,042,554	761,694	962,330	1,155,549	1,831,601	1,773,152

Financials	2023 Mar-23 ACT	2024 Mar-24 F'CAST	2025 Mar-25 F'CAST	2026 Mar-26 F'CAST	2027 Mar-27 F'CAST	2028 Mar-28 F'CAST	2029 Mar-29 F'CAST
------------	-----------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

Cash flow							
Opening cash	38,247	1,049,063	1,170	91,940	903,250	51,609	39,625

Earnings before interest, tax, depreciation & amortisation	1,230,739	(85,742)	(39,005)	495,032	786,032	1,665,182	1,545,000
Operating cash flows	2,633,724	(534,636)	(3,628,371)	1,060,674	(3,553,382)	844,581	2,715,362
Non-operating cash flows	(128,957)	(225,349)	-	-	-	(58,521)	(325,905)
Financing cash flows	(2,344,690)	397,833	3,758,146	(744,396)	2,065,688	(2,161,563)	(2,969,313)

Net cash flow	1,390,817	(447,893)	90,770	811,310	(701,165)	289,679	965,144
Dividends to shareholder	(380,000)	(600,000)	-	-	(150,477)	(301,663)	(977,715)
Closing cash	1,049,063	1,170	91,940	903,250	51,609	39,625	27,054

7.4.1 Profit and loss

The Profit and Loss account shows the trading performance of Barley Homes based on the proposed development programme. Profits are recognised at point of sale of the properties, with the costs of those sales showing at the same time as the sales income.

As a result of there being no sales expected until the end of the 2024 to 2025 financial year, we are forecasting to make a loss in both the 2023 to 2024 and 2024 to 2025 financial years, with profits being generated thereafter, when the results from the developments flow through.

The forecast incorporates trading performance from the sites in Rougham and Great Barton detailed in section three, as well as for the College Heath Road site. Estimates for future, as yet unknown, pipeline sites have also been included.

We will monitor this closely with the shareholder in the coming year and forecast as projects progress through the design, planning and tendering stages.

7.4.2 Balance sheet

The Balance sheet below shows the forecast financial health of Barley Homes at the end of each financial year. It details the level of assets and liabilities of the company as well as the level of share capital and reserves.

The level of retained earnings drops in the short term to accommodate the forecast losses for the next two financial years, before increasing as forecast profits are made. This increase in retained earnings takes into account the forecast payment of dividends to the shareholder detailed above. As at the 31 March 2029, retained earnings forecast to be £1,173,152 although this could change depending on the dividend policy of the company. Any distribution of profits will be decided with West Suffolk Council as shareholder.

7.4.3 Cash flow

The Cash flow shows the cash movements of the company during the financial years, including cash ins and outs as a result of loan drawdown and repayments.

The forecasts show a closing cash balance as at 31 March 2029 of £27,054.

7.5 Performance management

Projects are managed directly in house, supported by the engagement of an Employer's Agent as soon as project is committed. The Board of Directors oversee the operational and financial performance of the developments with actions being taken to address or mitigate any shortcomings. In addition, the company holds regular meetings with both its Shareholder Advisory group, to provide strategic oversight and input into individual projects and the overall company direction.

7.6 Risk management

Risks can generally be considered to have impacts relating to time, cost or quality. These impacts need to be managed by Barley Homes throughout the development process. The main risk triggers that lead to time/cost/quality impacts are summarised in the table below:

Development stage	Risk triggers/sources	Actions to identify and manage risk
Strategic objectives	Objectives and brief not sufficiently clear	Strategic objectives agreed by all key stakeholders.
	Financial parameters/benchmarks not agreed	Approach to development appraisal agreed by all key stakeholders
Site identification and acquisition	Chosen site does not deliver objectives	Development appraisal and options testing, underpinned by robust evidence to support costs and values.
	Estimated cost/value/returns uncommercial	Consideration of available land and funding to ensure most appropriate sites being development. Agreement with shareholder about priorities for site.
Site feasibility/enabling	Site conditions risks	Purchase of land subject to full site investigations including ground conditions, utilities, obstructions, contamination, ecology, existing utilities and future capacity, existing access/highways and future capacity, unexploded ordnance, asbestos.
	Estimated cost/value/returns uncommercial	Warrantable and assignable surveys were cost effective and practical. Development appraisal and options testing, underpinned by robust evidence to support costs and values. Agreement with shareholder about priorities for site.

Development stage	Risk triggers/sources	Actions to identify and manage risk
Detailed design	<p>Regulatory compliance</p> <p>Design inappropriate for end users</p> <p>Design not pegged to a value that needs to be achieved – too low/high</p> <p>Estimated cost/value/returns uncommercial</p>	<p>Design brief, specification, Employers Requirements.</p> <p>Working alongside West Suffolk Council at pre-planning stage.</p> <p>Market evidence – sales/lettings and management input into the specification.</p> <p>Development appraisal and options testing, underpinned by robust evidence to support costs and values.</p> <p>Early engagement of Employer’s Agent and Cost Plan Manager, alongside liaison with a building contractor to feed in build-ability advice.</p> <p>Agreement with shareholder about priorities for site.</p>
Procurement of works	<p>Market appetite poor</p> <p>Tender prices exceed estimate</p> <p>Length/complexity of process</p> <p>Choice of contractual structure</p> <p>Estimated cost/value/returns uncommercial</p>	<p>Soft market testing and partner profiling to ensure most suitable construction partners bid.</p> <p>Robust cost development and contingency budgeting</p> <p>Clear proposition and timetable put to the market – reduction of unknowns within a tender will lead to greater price certainty.</p> <p>Clear procurement strategy, process and timetable to give confidence to the market.</p> <p>Consideration of procurement frameworks if they clearly offer advantages.</p> <p>Development appraisal and options testing, underpinned by robust evidence to support costs and values.</p> <p>Decision gateways built in to review interim stage cost plans and create opportunities for review/limit cost exposure/outlays before other mitigation measures applied.</p>

Development stage	Risk triggers/sources	Actions to identify and manage risk
Construction	Poor management by contractor	Contract provisions need to balance protection of client interests with reward for good performance.
	Labour/materials shortages	Sufficient Employers Agent/Project Management resource to manage contract.
	Weather	
	Workmanship	Sufficient site inspection resource to ensure quality
	Client variations	
	Estimated costs/value/returns uncommercial.	Development appraisal and options testing, underpinned by robust evidence to support costs and values.
Exit	Forecast returns not realisable in the market	Exit route identified at early stage of the project to inform design, planning and delivery.
	Over supply	Timing of exit monitored closely to ensure disposal timed to maximise value.
	Lack of demand	

Barley Homes utilises a standard industry approach to development monitoring. An Employers Agent is employed for each site to produce the build specification for the homes to be built and undertake monthly valuations of work carried out by the contractor.

For each site, there is a scheme budget, delegated to the Development Manager and spend on development costs are monitored against this. Schemes are monitored through regular reporting to the Board. Costs for a Development Manager, Employers Agent, and all necessary professional team inputs have been included in the financial appraisals.

Given the current uncertain economic climate there is a risk that a project could be delayed. If delays are encountered this could prolong the programme and Barley Homes as the borrower may incur additional costs. There is also a risk that the cost of labour and materials could increase due to scarcity of resources, inflation, and shipment issues. There is an increase in cost of materials and labour across many developments. However, risks and unknowns can be mitigated at all stages of the process, for example sales risk is mitigated and managed at all stages through continual research, market updates, specification changes, pricing changes, marketing strategies, and timing of release of the product to the market.



Quality of life *built in*