



Annual report 2019

1. Introduction

Barley Homes (Group) Limited was incorporated in March 2016 as a company limited by shares, jointly owned by Forest Heath District Council (25%), St Edmundsbury Borough Council (25%) and Suffolk County Council (50%). In September 2018, Suffolk County Council decided to sell its share in the company and from 1 October the company was owned by Forest Heath District Council (50%) and St Edmundsbury Borough Council (50%) until 31 March 2019. Following the creation of West Suffolk Council (formerly Forest Heath and St Edmundsbury) from 1 April 2019 West Suffolk Council became the sole shareholders for the company.

An Interim Business Plan was agreed by the shareholders in September 2018 and came into effect from 1 October 2018. The agreed Interim Business Plan set out the delivery plans and financial forecasting for two sites; the former school sites at Westfield and Castle Hill in Haverhill.

This second annual report from the Directors covers the period January 2018 to March 2019 and outlines the progress made towards delivering the current agreed business plan. A new business plan for future sites will be prepared over the coming months and will be subject to consideration and approval by the Shareholders.

2. Purpose of the company

The primary function of Barley Homes, as set out in its shareholder agreement and business plan, is to generate capital and revenue income for its owners through development of new housing for open market sale, private and affordable rent, initially in West Suffolk.

The intention is that Barley Homes will initially acquire land from West Suffolk Council and other public sector partners, adding value through the development of housing for open market sale, private and affordable rent. Financial returns to the councils will be through a combination of:

- **Land sale receipt** – with Barley Homes paying market value for land it buys
- **Interest receipts** – on loans provided to Barley Homes
- **Dividends** – from profits generated by Barley Homes

The delivery of the sites is subject to viability.

3. Development progress

Sites

In September 2018, Shareholders agreed to progress with the development of two of the three sites that were contained in the original business plan (with a decision in relation to a third site, part of the Town Hall car park in Haverhill, being deferred and subject to further discussion with the Council). The two sites are:

1. Westfield, Haverhill
2. Castle Hill, Haverhill

The indicative development timescale contained in the interim business plan in September 2018 is included in Appendix one, alongside a comparison with the timescales as at April 2019. This shows that there has been a delay in submitting the planning application for Castle Hill, due to the requirement to complete the necessary consultation and approval for a development brief. However, it is estimated that this delay would result in only a six/seven month delay in the anticipated completion date.

The change in ownership in October 2018 simplified decision-making processes, which has helped support an acceleration in progress on the sites. The company, and its shareholder, will continue to work with Suffolk County Council as it recognises that the County Council is a large landowner and shares the company's ambition to provide more homes, particularly of a specialist nature where the market might not be providing them.

Since the Interim Business Plan was agreed at the end of September 2018, the company has undertaken public consultations, submitted planning applications and issued tenders for the design, build and sales. It is hoped that this momentum is maintained with further development sites being identified whilst work continues on completing the two initial sites. It is recognised that developing sites for housing is a lengthy and time consuming process. Indeed the Council's own commissioned report on housing delivery prepared by Turley's (March 2019) states *'there are a multitude of factors that can influence the time taken to progress a site through to starting to deliver homes with these dependent on aspects such as market conditions, the developers financial position and specific planning challenges'*.

The development timetables will be kept under review and are likely to change as the site progress. Below is a summary of progress towards the development of each site over the past year. The key theme running through each site is in relation to the construction market which is fluid and there is uncertainty of costs which have increased and are likely to continue to fluctuate in the short and medium term.

Westfield, Manor Road, Haverhill

The company purchased this site in 2019. The site had an existing development brief that laid out how the site should be developed. The principal restriction on the site is the requirement to retain as many of the trees as possible. This restricts the land available on which new homes can be built. Options were prepared which take into account the balance to retain some of the trees on site,

whilst ensuring that the overall scheme is of a good design standard and meets planning policy compliance in terms of affordable housing provision.

Following public consultation, a planning application for this site was submitted in November 2018 and approved in February 2019. An invitation to tender for this site was issued in early 2019 with the aim being to be on site by October 2019. These timescales are dependent on the outcomes of the tender exercise.

The development provides a range of accommodation types, and the emphasis on the smaller units reflects the fact that this is an edge of town centre site, where the demand for smaller units is likely to be higher. The site comprises 37 dwellings. 19 of which are one and two bedroomed flats and houses. That represents 51% of the housing on the site with 10% of the units being four bedroomed houses.

The housing mix comprises linked detached houses, semi-detached houses, detached houses and a 3 storey block of one and two bedroomed flats. The general mix of housing is in general accordance with the strategic housing market assessment for the area as well as the scale of development anticipated by the Development Brief for the site.

The schedule of accommodation proposed is as follows:

Type of home	Number of homes	Sq metres
1 bedroom, 2 person flats	Four	51 m2
2 bedroom, 4 person flats	Five	67 m2
2 bedroom, 4 person houses	Ten	81 m2
3 bedroom, five person houses	Fourteen	93-102 m2
4 bedroom, six person houses	Four	106 m2

11 dwellings are affordable (30%) with eight being affordable rent and with three being shared ownership.

The public open space is around the perimeter of the site to take advantage of the mature trees. This also provides a buffer between the development and the site boundary. The area in the western corner of the site, and raised area in the northern corner have been left undeveloped.

The company aims to start on site in October 2019.

Castle Hill, Chivers Road, Haverhill

The company purchased the site in 2019. This site required a development brief which was prepared in 2018 and included public consultation. The development brief was approved by the Council in March 2019. A planning application for 26 homes has also been developed and has been subject to public consultation. The application was submitted to the planning authority in March 2019 and considered by Development Control Committee in June 2019.

The site area is circa 1.1 ha, including the proposed foot path and cycle way to School Lane. The proposal is for 26 homes

Type of home	Number of homes	Sq metres
2 bedroom, four person house	Eleven	79 m2
3 bedroom, five person house	Fourteen	93 m2
4 bedroom, six person house	One	106 m2

The mix of dwelling types is considered most appropriate for the site location, and provides a good spread of accommodation types. The mix is also reasonably reflective of the SHMA recommendations.

Affordable housing will be provided at 30% of the overall dwelling numbers, in line with Council policy.

The layout proposals have been developed in tandem with the production of the Development Brief for the wider former school site. Barley Homes has addressed the importance of the public open space area and incorporated proposals for it within the application.

Subject to tender returns, the company aims to start on site in January 2020.

4. Other activity

Transition of ownership

The Board has ensured that all the necessary arrangements have been put in place due to the change of ownership. This included a redrafting of the Shareholder Agreement and Articles of Association, preparation of Service Level Agreements with Council departments to provide services on behalf of the Company and transferring all financial documentation.

Shareholder Advisory Group and meeting with shareholder representatives

The Shareholder Advisory Group is the appointed shareholders' representatives of the company. The Group can only act in line with any authority given by its shareholding councils. The Group serves three purposes, which are to:

- a) make shareholders decisions on behalf of the company;
- b) monitor the delivery of the company and assess whether it is meeting its objectives; and
- c) make decisions under any other circumstances as set out in the shareholder agreement.

The composition of the Shareholder Advisory Group was changed in September 2018 in light of the new ownership arrangements. The Group met in 2018/19 and received regular updates from the Board.

Managing risks

Uncertainty in the economy and the construction industry means that we must consider options in relation to managing any financial risk associated with these developments. The company therefore actively considers scenarios if costs increase and/or sales prices reduce. We also identify opportunities to manage risk, including options for private rent instead of market sales. All options are considered and reported to the Shareholder Advisory Group.

5. Pipeline

The pipeline of sites originally identified for consideration by Barley Homes has been assessed continuously over the last year. Further information in relation to the future pipeline will be included in a new Business Plan to be developed and which will be subject to shareholder approval later in 2019.

6. Financial information

Details of the expenditure incurred by Barley Homes since its inception in 2016 is contained in Appendix 2. This breaks down the expenditure by financial year, and by cost type. An analysis of how these costs relate to the individual development sites is also contained in Appendix 2.

Of the spend to date £220,000 has been incurred as direct costs to get the two current development sites (Westfield and Castle Hill) to planning application stage, with a further £48,560 being incurred on getting the deferred Town Hall site to planning application stage.

The level of development manager costs has reduced by 25% in 2018/19 from the previous year, with a reduction in costs since October 2018.

The company Balance Sheet as at 31 March 2019 is contained in Appendix 2. The full set of unaudited 2018/19 annual accounts for Barley Homes is attached as a separate document.

Board of Directors:

Davina Howes
Simon Phelan

April 2019

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Company No: 10062735

Appendix 1: Barley Homes development timetable comparison of the interim business plan in September 2018 with situation as at March 2019

Sites (Indicative Numbers)	Q3 2018 July- Sept	Q4 2018 Oct – Dec	Q1 2019 Jan- Mar	Q2 2019 April - June	Q3 2019 July – Sept	Q4 2019 Oct- Dec	Q1 2020 Jan- Mar	Q2 2020 Apr- June	Q3 2020 July- Sept	Q4 2020 Oct- Dec	Q1 2021 Jan - Mar	Q2 2021 April- June	Q3 2021 July- Sept	Q4 2021 Oct-Dec
Westfield (37) Interim Business plan – Sept 2018	Planning application submitted Sept 2018		DC decision Jan 2019	Start on site May 2019							Practical completion March 2021			
Westfield (37) As at March 2019		Planning application submitted Nov 2018	DC decision Feb 2019	Tender for works April 2019	Contracts signed July 2019	Start on site Oct 2019								Practical completion Dec 2021
Castlehill (25) Interim Business plan – Sept 2018		Planning application submitted Dec 2018		DC decision May 2019	Start on site Sept 2019							Practical completion May 2021		
Castlehill (26) As at March 2019			Development brief submitted and approved	DC decision June 2019	Contractor negotiations July- Sept 2019	Contracts signed	Start on site Jan 2020							Practical completion Dec 2021
			Planning application submitted											

Appendix 2: Financial Information relating to Barley Homes 31 March 2019

Description	SPEND TO DATE			
	2016/17 Spend £	2017/18 Spend £	2018/19 Spend to Date £	Total Spend to Date £
Development Costs				
Design & Consultant Fees	0	57,415	93,652	151,066
Planning Fees	0	2,192	36,088	38,280
Surveys & Studies	0	19,247	57,357	76,604
Total Development Costs:	0	78,854	187,097	265,950
Corporate Costs				
Group Development Costs	7,321	0	0	7,321
Development Manager	76,624	80,809	59,113	216,545
Directors Charge	15,981	30,000	17,000	62,981
Website / Branding / Advertising	5,820	10,885	4,665	21,370
Legal / Audit / Insurance / Finance	4,320	14,507	8,362	27,189
Total Corporate Costs:	110,065	136,201	89,139	335,405
Finance Costs				
Bank Charges	3	47	224	274
Interest on Borrowing	3,059	18,126	37,331	58,516
Interest Receivable	0	(75)	(699)	(774)
Total Finance Costs:	3,063	18,097	36,856	58,016
OVERALL TOTALS:	113,127	233,151	313,093	659,371

Description	SPEND ANALYSIS						
	Wamil Court £	Town Hall £	Westfield £	Castle Hill £	Corporate Financial £	Corporate Costs £	Business Unit Totals £
Development Costs							
Design & Consultant Fees	3,250	22,469	61,880	61,967	0	1,500	151,066
Planning Fees	0	7,564	18,687	12,029	0	0	38,280
Surveys & Studies	1,525	15,576	35,962	23,542	0	0	76,604
Total Development Costs:	4,775	45,609	116,529	97,537	0	1,500	265,950
Corporate Costs							
Group Development Costs	0	0	0	0	0	7,321	7,321
Development Manager	0	0	0	0	0	216,545	216,545
Directors Charge	0	0	0	0	0	62,981	62,981
Website / Branding / Advertising	0	0	0	0	0	21,370	21,370
Legal / Audit / Insurance / Finance	1,140	2,951	2,575	3,164	0	17,358	27,189
Total Corporate Costs:	1,140	2,951	2,575	3,164	0	38,728	335,405
Finance Costs							
Bank Charges	0	0	0	0	274	0	274
Interest on Borrowing	0	0	0	0	58,516	0	58,516
Interest Receivable	0	0	0	0	(774)	0	(774)
Total Finance Costs:	0	0	0	0	58,016	0	58,016
OVERALL TOTALS:	5,915	48,560	119,104	100,701	58,016	40,228	659,371

Balance Sheet As at 31/03/19	£	£
Current Assets		
Debtors: amounts falling due within one year	10,442.80	
Cash in Bank	28,787.60	
	<u>39,230.40</u>	
Current Liabilities		
Creditors: amounts falling due within one year	- 48,501.60	
Net Current Assets	-	9,271.20
Creditors: amounts falling due after more than one year	-	650,000.00
Net Liabilities	-	<u>659,271.20</u>
Called up Share Capital		100.00
Retained Loss b/f	-	346,278.59
Loss in year	-	<u>313,092.61</u>
	-	<u>659,271.20</u>