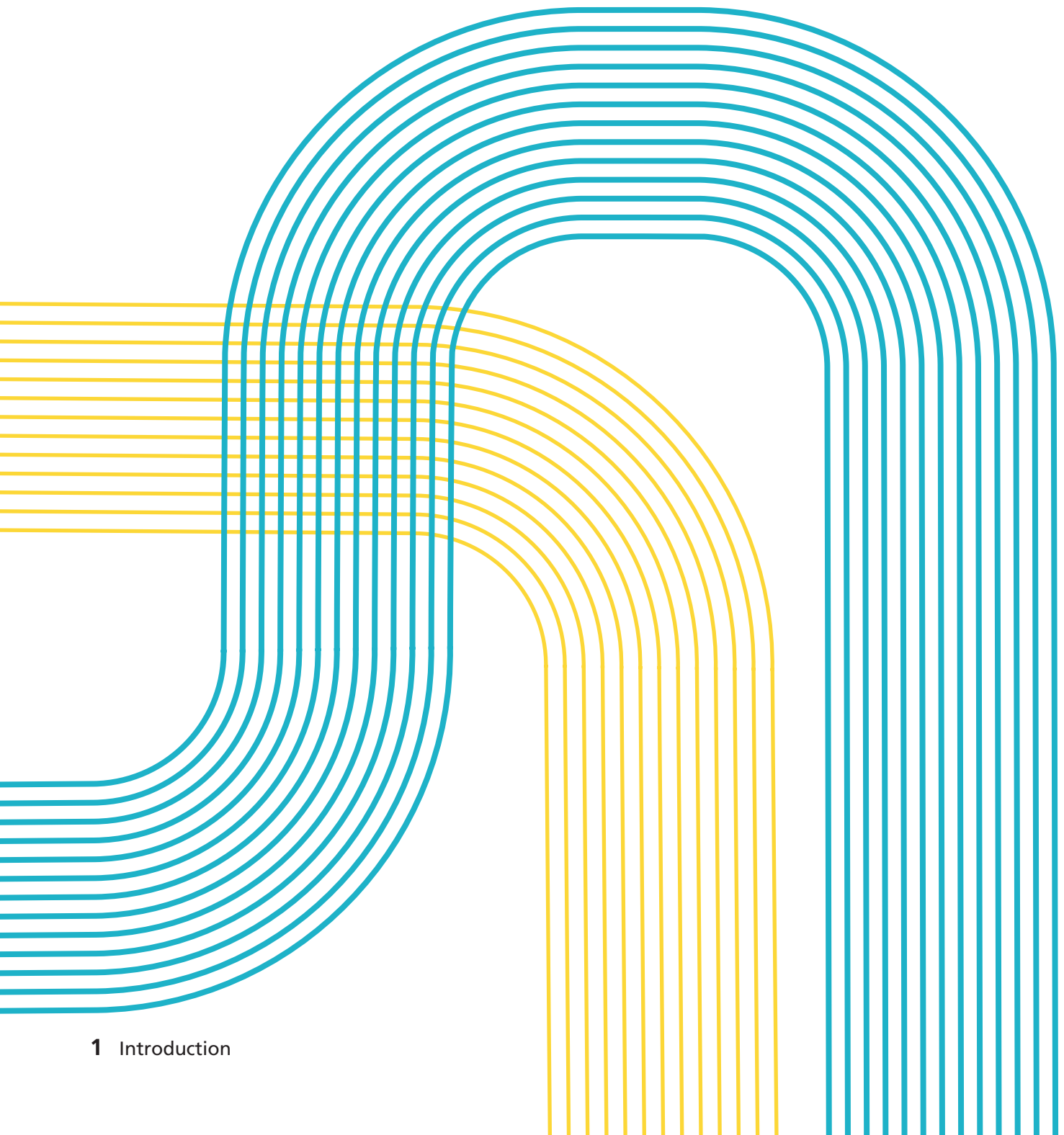


Annual Report 2024



1. Introduction

Barley Homes (Group) Limited is wholly owned by West Suffolk Council. This sixth annual report from the Directors covers the period 1 April 2023 to 31 March 2024 and outlines the progress made towards delivering business plan approved by shareholders in December 2023.



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, in West Suffolk.

In order to evaluate sites for a business plan, a development and financial model is developed for each site to ensure it meets the following criteria: (i) a fit with the wider West Suffolk Council priorities; (ii) deliver a positive financial return; (iii) in the Local Plan; (iv) a preference for public ownership; and (v) sites that can be delivered within a reasonable timescale.

Over the longer term, there is also the potential for Barley Homes to acquire additional or new areas of development, for example:

- a. Acting as a registered provider for affordable homes
- b. Private rented sector accommodation
- c. Commercial and mixed-use
- d. Specialist accommodation provider

Barley Homes seeks to acquire land from West Suffolk Council, other public sector partners and the market directly where sites have housing potential and preferably planning permission. Value is added through the development of housing for open market sale, private and affordable rent. The financial returns to West Suffolk Council are through a combination of:

- a. Land sale receipt – with Barley Homes paying market value for land it buys from West Suffolk Council
- b. Interest receipts – on loans provided to Barley Homes
- c. Dividends – from profits generated by Barley Homes

The delivery of the sites is subject to site feasibility and viability appraisal.

3. Development progress

Sites

Barley Homes has completed two sites in Haverhill (Westmill Place and Stonemill Park). Since the last annual report (published in July 2023), the Westmill Place site has completed its maintenance period, and fully transferred to the relevant adopting parties.

Work continues to finalise the adoption and transfer of the Stonemill Park site. The properties there are on defects maintenance until the latter part of 2024. Although the main contractor responsible for the site (Wellington) has unfortunately gone into liquidation, the company has put in place measures to ensure that any snagging/latent defects are resolved. A retention is held for such purposes and will be drawn down from as necessary.

All homes on both sites were built meeting national space standards, with the sites also providing significant areas of open space, managed for the enjoyment of local residents. The sites exceeded the forecasts in the business plan and achieved a higher-than-expected dividends for shareholders.

Since the date of the previous Annual Report the company now owns the freehold of land at College Heath Road in Mildenhall, and Kingshall Street in Rougham, with the view to bringing forward further developments in due course.

Quality of life *built in*

4. Other activity

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 council. 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 Group continued to meet throughout 2023-2024 and received regular updates from the Board.

Managing risks

The UK's housing market has continued to struggle throughout 2023 and into 2024. Rising mortgage rates and the cost-of-living crisis have impacted house price values, with Nationwide reporting that UK house prices fell by 5.3% on average compared with August 2022 values. Meanwhile, mortgage approvals have continued to be below pre-pandemic levels, with affordability a significant challenge following increases in borrowing rates since autumn 2023. Whilst rates have begun to stabilise, rates remain significantly above 2022 values.

Conversely to the slowing of house prices, construction costs during the period 23/24 continued to rise, albeit on a slower annual growth basis compared to recent years, with annual growth between 2023-2024 at 2.3%, down from a peak of 10.3% in Q2 2022 according to the BCIS tender price index. This continued squeezing of costs against sales prices makes for a challenging market, particularly for SME developers such as Barley Homes.

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 have built in a gateway approval process within all schemes to ensure the potential risks to the company's returns on any given scheme are identified and managed as early as possible, whilst giving the company as much scope for progression as possible. All options are considered and reported to the Shareholder Advisory Group.

To help mitigate and be prepared for such impacts, local, regional, and national trends are frequently monitored to evaluate potential changes and how these may impact on costs. Should a significant negative change in trend emerge, options will be assessed to evaluate the most effective way forward for the Company.

5. Pipeline



The pipeline of sites originally identified for consideration by Barley Homes has been assessed continuously over the last year.

Several opportunities and future sites have been identified, grouped as follows:

- current projects
- future prospects

Current Projects

The company is actively working on three sites presently: Great Barton, Rougham and Mildenhall which are set out in the 2023 Business Plan. During 2023-2024 Barley Homes was able to progress these sites for development, summarised as follows:

- **Great Barton:** A final draft of the Development Brief, to be adopted by West Suffolk Council as a precursor to an outline planning application for the whole site, was submitted in spring 2024. A Planning Performance Agreement was signed with the Local Planning Authority in April 2024 (within the 2024-25 financial year) in respect of the preparation of the hybrid planning application, that will seek outline consent for the whole site for potentially up to 185 homes, alongside detailed consent for 40 new homes in Phase 1. The programme assumes the submission of the hybrid application to follow as soon as the Development Brief is adopted.
- **Rougham:** A planning application for 13 new homes, including 4 affordable units, is currently being determined by the Local Planning Authority. Documents have been prepared to tender for a main contractor as soon as the scheme achieves a resolution to grant permission, anticipated in early summer 2024.
- **Mildenhall:** The company is working with a local registered provider to bring forward the site for affordable housing. The provider is presently engaged in pre-application discussions with the Local Planning Authority, with the aim to have a planning application submitted within the latter part of 2024.

In total these sites will potentially bring forward up to 250 homes, subject to planning and any Local Plan allocation. As referred to above, the financial position regarding all schemes remains challenging, but could potentially generate a further returns (capital and revenue) to the Shareholders through a combination of interest receipts, dividends, and land sale returns.

Future Prospects

In addition to the above sites, the company continues to pursue other sites and opportunities within West Suffolk to develop the company's development pipeline into the medium and long term. At the time of preparing this report, the company is actively engaged in discussions that could yield a further 60 new homes, which accords with the targets set out in the 2023-24 Business Plan.

Progress on all pipeline sites will be reported in future annual reports.

6. Financial information

During the 2023 to 2024 financial year, Barley Homes incurred a loss of £139,863 compared to a loss forecast in the business plan of £87,909. The difference is mainly as a result of additional works required at the Stonemill Park site. Because of the loss position, which is in line with the position set out in the Business Plan, the company will not be making a dividend payment relating to West Suffolk Council in respect of the 2023 to 2024 financial year.

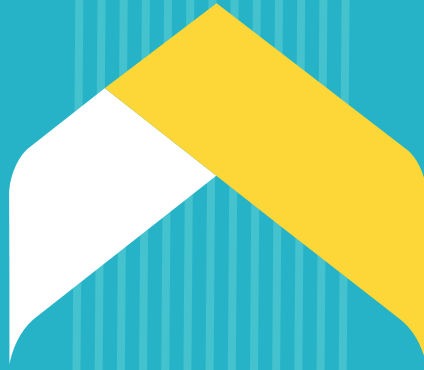
The company had £800,000 in loans outstanding as at the end of March 2024 with West Suffolk Council.

The full set of draft unaudited 2023 to 2024 annual accounts for Barley Homes is attached as a separate document.

Board of Directors:
Colin Wright (Chair)
Jill Korwin

July 2024

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



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