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2020-21 Business Plan

Draft January 2019

Issued XX.XX.XX revision: -
Brick By Brick Croydon Limited
Registered Number: 09578014

Contents

Commentary on Draft and Timeline to Publication

Purpose of this document

*This is a **working draft** document to set out the proposed structure and tone of the Brick By Brick 2020-21 Business Plan for discussion at Scrutiny Committee, in advance of the publication of the final version to Cabinet Committee (February 2020).*

Areas of text and figures highlighted are areas that will be updated in the final version, along with other additions to content arising from review by Scrutiny and other stakeholders.

Next Steps

- *Update copy throughout following feedback*
- *Completion of the financial analysis and projections for the year end in March 2020.*
- *Inclusion of graphics and photography to chart progress and completions of projects.*
- *Complete achievements and financial analysis for the year for 2019-20.*
- *Review and setting of targets for 2020-21.*

Timeline to Publication

- *December 23rd 2019:* *Draft Business Plan Issued to the Council*
- *January 21st 2020:* *Issued for Scrutiny Committee*
- *February 4th 2020:* *Scrutiny Committee*
- *February 10th 2020:* *Final Issue to Croydon Council for Cabinet.*
- *February 24th 2020:* *Croydon Council Cabinet*

Mission Statement

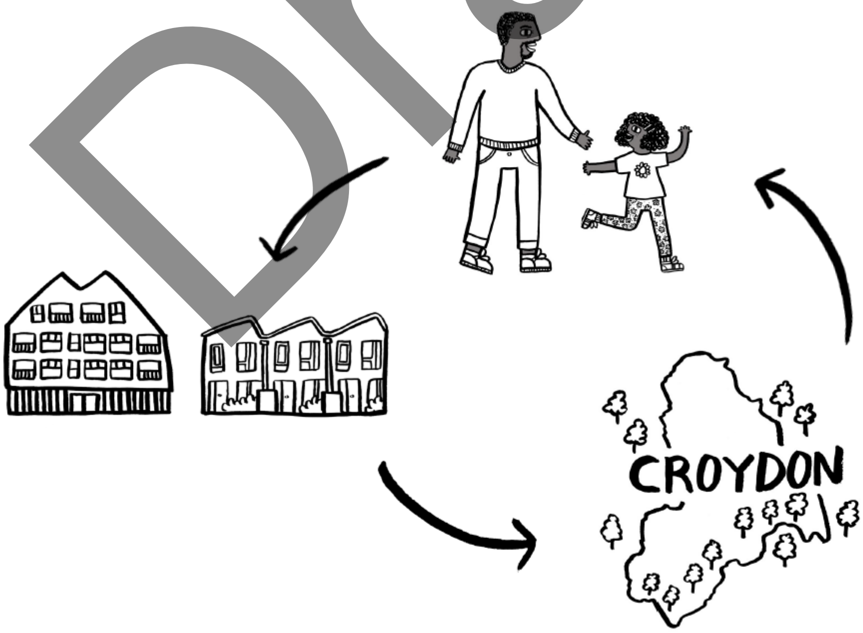
This is a borough of many parts. Urban, suburban and rural, rolling hills to terrace-end murals. It's where every kind of people have made their home.

Which is why the new homes we're building are for everyone – young and old, families and friends, social tenants and private owners. Houses and flats designed with comfort and the environment in mind, built to last and beautifully practical.

We're building them across the borough, hundreds each year, and sending the proceeds to Croydon Council to invest in public services. It's a new way for boroughs like ours to deliver the housing local people need, while putting the profits to work for the local population. We're local, too, so we want to hear what you think will work best, for each place, each community and each potential buyer or tenant.

A borough of many parts needs homes for everyone.

We are Brick By Brick. Built in Croydon to build homes for Croydon.



1. Introduction

The last 12 months have been a turning point for Brick By Brick – a year in which, despite the challenges faced by businesses across the development sector, we've remained ambitious and wholly committed to our core principles.

In 2019, Brexit uncertainty, limited access to some resources and rising construction costs all added to the pressure on development viability. For a company like ours, committed to delivering policy-compliant levels of affordable housing and the very highest design and build quality, the difficulties and frustrations were especially keenly felt. Despite the setbacks, we are more dedicated than ever to delivering beautifully-designed homes of all tenures for the people of Croydon, and to delivering any profits from that process back to the council for reinvestment in the community.

In the past months, we have been developing our capacity in areas across the business to allow us to take full advantage of future opportunities.

In keeping with the Brick By Brick ethos, our Business Plan for 2020/21 places social responsibility and environmental commitments at the very heart of our operations. We are working closely with Bioregional[1] to become endorsed as a 'One Planet Living' leader. In practice, this means establishing and monitoring an action plan which works towards a world where we can live happy and healthy lives within the Earth's natural resources.

Our strong focus on people has led to us working even more closely with local communities in creating opportunities for future residents to have a say in how our developments are designed and planned. We've been engaging with people through a range of channels that are relevant to them, and giving local residents greater priority in accessing new housing. Brick By Brick's aim, above all, is to strengthen existing communities and create homes that are designed specifically to meet people's individual needs.

In 2019/20, we continued to push forward with a significant programme of residential development. This has seen us achieve a number of milestones:

- Launch sales on X schemes across the borough, and achieve X% of off-plan reservations

[1] https://www.bioregional.com/one-planet-living

- Complete our first homes across all tenures across the borough
- Welcome our first tenants to a number of sites (Flora Court, Auckland Rise, Ravensdale Gardens, Windmill Lane)
- Complete the wholesale refurbishment of the Fairfield Halls on behalf of Croydon Council
- Progress the 2019 development programme ready to submit planning applications in spring 2020 that will create around 800 new homes.
- Collaborate on the first community-led housing scheme to be delivered in the borough (The Lawns, Crystal Palace)
- Completion by our architecture practice Common Ground Architecture of their first two projects; Pump House at Station Road, South Norwood and our offices at 62 George Street, Croydon.

Despite wider challenges, it's been a year of real achievement for Brick By Brick. We're ready to build on this in 2020/21.

2. Our One Planet Living Action Plan

We at Brick By Brick take the climate challenge seriously. We have established an in-house Climate Action Group, consisting of Brick By Brick employees from senior and junior levels within the organisation who want to make a difference. The group have commissioned Bioregional, a leading charity and social enterprise, to help us establish a One Planet Living Action Plan for our own operations and the new homes and communities that we are creating.

Bioregional have already completed an audit of our existing programme and undertaken thorough research into the local needs and issues facing Croydon, as well as the wider climate crisis. From this we have created ten 'One Planet Living Principles' which will form the basis of our action plan to be published online.

Following this we intend to seek endorsement as a 'One Planet Leader', which requires us to undertake an annual audit of our programme to ensure we are delivering on our commitments.

1. **Health and Happiness**: All Brick By Brick schemes will seek to support residents physical and mental wellbeing and feelings of safety and security.

2. **Equity and Local Economy:** Brick By Brick projects will provide access to quality housing for households of all incomes and support employment for local people through delivery and habitation of their homes, especially those in hard to reach communities.

3. **Culture and Community:** Brick By Brick schemes will be designed and managed to support resident integration, neighbourliness and social cohesion amongst residents of all ages, backgrounds and abilities.

4. **Land and Nature:** Brick By Brick projects will deliver urban greening initiatives to achieve biodiversity net gains, provide natural flood prevention measures and support people in accessing and valuing nature.

5. **Sustainable Water:** Homes built by Brick By Brick will support residents to use water efficiently and minimise consumption of potable water, while minimising quantity and rate of run-off to sewers.

6. **Local and Sustainable Food**: Brick By Brick residents will be supported to adopt a diet high in healthy, low-impact food.

7. **Travel and Transport**: Brick By Brick schemes will work with the council on strategic projects to improve public transport access and pedestrian and cycle route access and support residents to choose active and low-carbon modes of transport over private vehicles run on fossil fuel.

8. **Materials and Products**: Brick By Brick schemes will prioritise the selection of low-impact, responsibly-sourced materials, apply the principles of circularity and support and encourage residents to reduce the impact of their consumption choices.

9. **Zero Waste:** Residents of Brick By Brick schemes will be supported to reduce, reuse, recycle and compost their waste, whilst zero (non-hazardous) waste will be sent to landfill from construction of homes.

10. **Zero Carbon Energy:** All Brick By Brick schemes will seek to achieve net-zero carbon emissions from heating and powering homes (as defined by the UK-GBC), by maximising energy efficiency, producing renewable energy on-site and encouraging consumption of certified renewable energy produced off-site.

3. Progress to Date

Our programme of development activity has continued to move at pace during 2019/20, with a series of very significant milestones being reached by the company in this period.

Brick By Brick Smaller Sites

- Our first residents moved into their new homes in October 2019.
- X schemes completed and X actively under construction.
- X new homes sold and occupied.
- X new social and affordable rent homes handed over to the Croydon Council
- A total of X new homes with planning consent
- A further X Schemes in the pipeline which will be submitted to planning in Spring yielding X new homes.

Brick By Brick Large Sites

- Start on the site on the Wandle Road Car Park scheme in Central Croydon (128 homes)
- Planning permission granted for Belgrave & Grosvenor (102 homes), to complement the 158-home Lion Green Road scheme.
- Total lanned delivery of 388 homes, of which half will be affordable in line with Brick By Brick aspirations.

College Green & Fairfield Halls

- Completion and handover of the wholesale refurbishment of Fairfield Halls and associated public realm works.
- Successful appointment of a car park operator for the new underground car park on the College Green site.
- Submission of a revised Fairfield Homes planning application seeking an increased number of homes alongside more employment/health space.

Common Ground Architecture

- Projected X% profit rate for year end 2020 significantly exceeding targets.
- Completion of first major scheme at Pump House, South Norwood.
- Completion of conversion of 62 George Street into new showroom and office space.

4. Market Analysis

The dynamism of the land and property markets in London has been well documented over recent years. A wealth of information and publications continue to be produced providing detailed analysis on the housing market in the capital. In general, commentators continue to report a mixed forecast for house prices in the medium term, with a range of different interpretations regarding the impact of a number of key market factors.

2019/20 has seen the commencement of Brick By Brick sales in earnest and we are therefore increasingly starting to develop our local sales expertise from our own estate to complement the information available regarding more macro trends in the housing market.

The majority of the demand for our homes has been from first time buyers, specifically young couples and/or new families wishing to purchase through either Help to Buy or Shared Ownership. We anticipate that this will continue to increase following the government's plan to restrict the Help to Buy scheme in 2021 to first time buyers only, before potentially withdrawing it in 2023.

Our initial sales processes have shown family houses to be most popular, with smaller flats less popular. This has also been reflected in the level of lead interest and conversion from perspective buyers.

Undoubtedly, the impact of Brexit remains the biggest driver of uncertainty across the property market, as it does across the wider economy. Even with the recent general election giving the new government a greater level of control over the process, there is still a lack of clarity remaining.

In many ways the challenges posed to property developers are consistent with those in other sectors, and relate to issues such as the availability of labour and the potential for cost inflation throughout the supply chain. The more unique challenge will of course be the specific impact Brexit has on the UK property market in terms of both property values and the demand for housing as an investment.

This section examines a number of key indicators and draws together evidence regarding the impact that a range of economic factors are having on the ability of Croydon residents to access housing. This is an important area of analysis in terms of the overall viability of the Brick By Brick business model, with implications for overall market demand, the current and future demand for affordable housing and the value of our housing products.

Evaluating the housing market requires an understanding of the real cost of buying or renting a property and the level of housing need. This analysis is best undertaken at a local level, and is therefore carried out for every site that Brick By Brick assesses to ensure that the schemes we develop are both financially viable and meet local need. We also aim to maintain a wider perspective on the Croydon and London markets to help make a strategic assessment of need, opportunity and risk.

Macro Trends in the UK Housing Market

In what many would call a stagnant market, formed mainly around the uncertainty of Brexit, UK house prices have marginally increased over the year and according to Halifax[2], in November 2019 were 2.1% higher than last year.

However, this goes against more recent evidence of sellers being forced to become more competitive in order to increase chances of attracting buyers within a market of minimal activity. In this vein, Nationwide[3] stand by their description of the market as 'subdued' and suggest a 0.4% annual growth rate.

Whilst Brexit has been in the minds of many purchasers, the level of market deterrence this creates has not been linear, and we have broadly tended to see a fluctuation of interest and sales reservations. This type of market uncertainty pervades through the entire sales process, leading to a higher number of withdrawals than would ordinarily be seen.

Since November 2018, when Halifax reported the monthly property transactions at 100,930 , residential property transactions have increased by 4.3% (according to HMRC[4] October 2019), with the value of lending agreed to be advanced in the coming months 1.1% higher than in Q3 2018, at £73.8 billion[5].

However, regional analysis provided by the Office for National Statistics (ONS)[6] reveals that London continues to be the weakest performing region in the UK and remains the only part of the country recording a negative house price index, with average prices dropping by 1.6% over the year to January 2019. The affordability gap in London, combined with sluggish performance at the top end of the market, are considered to be the key drivers for this continued decrease. The Bank of England's inflation report also noted that property in London continues to be disproportionately affected by regulatory and tax changes (such as stamp duty).

[2] Halifax, *Halifax House Price Index* (https://static.halifax.co.uk/assets/pdf/mortgages/pdf/November-2019-House-Price-Index.pdf), January 2019

[3] Nationwide, *Nationwide House Price Index* (https://www.nationwide.co.uk/-/media/MainSite/documents/about/house-price-index/2019/Oct_2019.pdf), October 2019

[4] HMRC, UK Property Transactions (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/847286/UK_Commentary_Nov_2019__cir_.pdf), November 2019

[5] 2 FCA, *Commentary on mortgage lending* (https://www.fca.org.uk/data/mortgage-lending-statistics/commentary-mortgage-lending-statistics-december-2019), December 2019

[6] Office for National Statistics, *UK House Price Index: November 2018*, 16 January 2019

Outlook for 2020

The outlook for UK house prices in 2019 varies somewhat according to different reports. Market commentators are generally quite pessimistic, while estate agents and banks maintain a more positive outlook. The table below identifies a series of forecasts from a range of sources across the sector, making it clear that, at best, the expected rate of house prices growth will be at low single digits.

Organisation	**2019**
Halifax	2-4%
Savills	1.5%
JLL	0.5%
RICS	0%

Most analysts agree that London and the South East are likely to underperform relative to the rest of the country over the next 2 years or so.

The other important macro-economic indicator relevant ot Brick By Brick is the Construction Price Index, given the significant impact that this has on the cost of development activity. This data is released quarterly by ONS with the most recent update available at Q3 in 2018 (see below).

	All Work	**New Work**	**New Housing**
2018 Q3 Construction Price Index[7]	2.7%	3.1%	3.0%

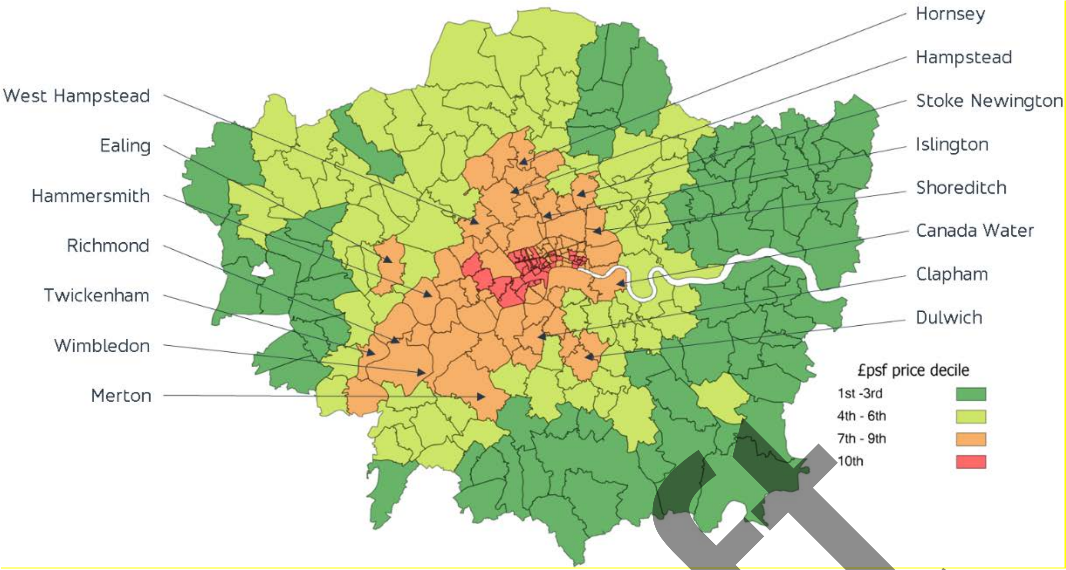
This data covers a wide range of construction activity, but the important measure is the one for new housing activity which shows that inflation on construction costs is currently outpacing house price inflation nationally. The relationship between these metrics is an important one as it could potentially present viability challenges to new schemes that Brick By Brick intends to bring forward, requiring even more innovation in the design process to ensure costs are contolled.

The Croydon Market

Whilst the outlook for house prices in the capital as a whole looks relatively weak, the complexity of the London market means that there are large variations across the city.

[7] Office for National Statistics (ONS), *Construction Output Price Indices (OPIs) Quarter 3 2018*, 14 November 2018

Hometrack[8] splits the London market into ten separate price bands (10 being the highest) which are distributed across post codes according to the diagram below.

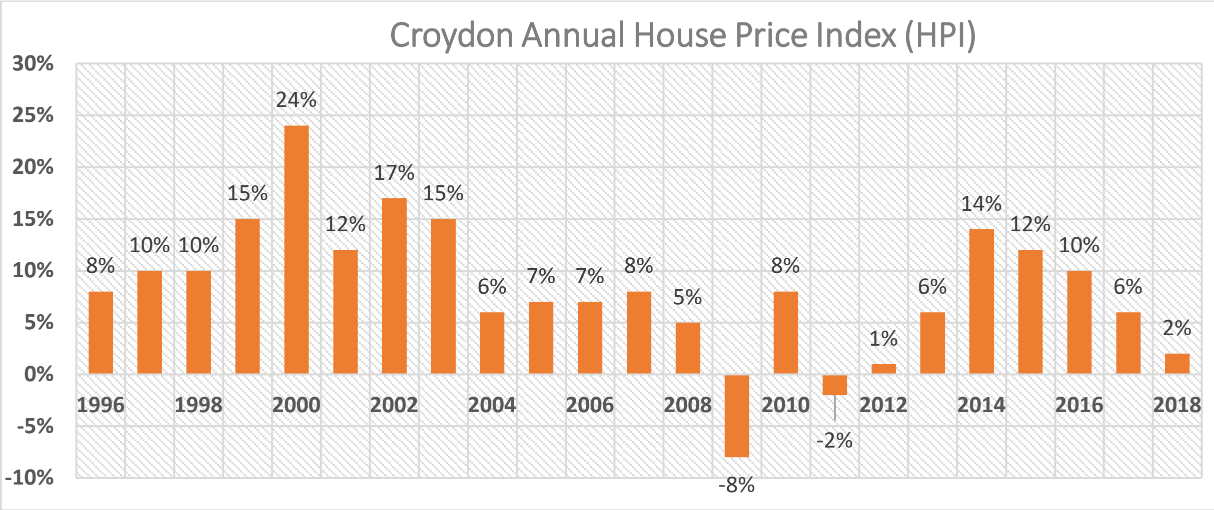


This allows house price analysis to be conducted separately for each range. Current forecasts indicate that the top three or four deciles will continue to see price decreases (with some agents very pessimistic about asking prices for 2019). However, for the first time the outlook is also starting to look more mixed for the middle and lower priced deciles (which covers much of Outer London). It is logical that as prices at the top of the market begin to show signs of correcting, there will be a knock-on effect elsewhere in the capital as affordability expectations for buyers also adjust.

The trend since 2014 was for these areas to largely outperform their inner London neighbours (which was partly sparked by stamp duty changes). PWC reported that on average outer London house prices had increased 9% faster than inner boroughs over this period.

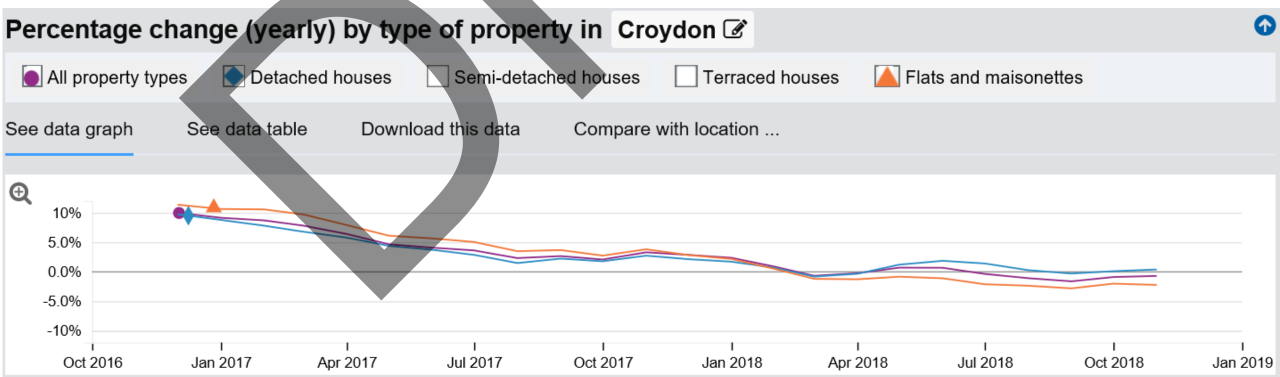
This was positive news for Croydon which had been one of London's best performers in terms of house price growth over the five years running up to 2018 (and was estimated to be 68% according to CBRE Residential[9]). The table below shows our own analysis of house price inflation in Croydon over the last two decades.

[8] Hometrack, *The London Housing Cycle - where next?* (www.hometrack.com/uk/insight/market-analysis), 21/04/17
[9] CBRE, *London Living 2017 – A borough by borough review*, 08 November 2017



Increases in 2017 were slower than in previous years but still outperformed London (and the national average) at 6%. However, the trend line for Croydon across 2017 told a slightly less positive story, with the year-on-year percentage increase dropping throughout the year. By the beginning of 2018, the year-on-year trend for all property types had dropped to roughly 1.9%.

Data provided by BBB's valuation surveyors, Carter Jonas, shows that 2018 was one of the most challenging years for the Croydon property market for some time. Land registry data shows the trend on Croydon property values had nudged towards 0% (with some months showing negative performance). It had also been a particularly challenging year for flats and maisonettes, with prices for these types of home coming under the most pressure.



BBB's previous analysis of the Croydon market (undertaken in 2017) had indicated that a forecast HPI of 4.5% was a reasonable medium-term expectation to 2021. This projection was supported by analysis across the sector. However, ongoing uncertainty surrounding Brexit has had a demonstrably larger bearing on the performance of the local property market than had been anticipated 2 years ago, which has led to much slower increases in 2018 (as described above).

There is a general expectation that the property market will pick up post-Brexit once the precise terms of a deal have become clearer and consumer confidence starts to return on the basis of improved economic clarity. Knight Frank[10] analysts, for example, are now projecting much more modest indices for London and the UK between now and 2022 (see below), but are still projecting that modest price inflation will return from 2020.

Year	**2018** (actual)	**2019**	**2020**	**2021**	**2022**
UK HPI (Knight Frank)	1.3%	2.0%	3.0%	3.5%	4.0%
London HPI (Knight Frank)	(0.7%)	1.0%	3.0%	3.5%	4.0%
Croydon HPI (BBB Forecast)	1.9%	0.0%	3.0%	3.5%	4.0%

BBB have taken a much more prudent position in terms of their projections for Croydon. The evidence from Carter Jonas, which has been used to value the company's first homes to launch for sale, indicates that the local market is likely to continue to stagnate. In fact, one of the main factors that is helping to hold the market firm for new build properties is the government's Help to Buy scheme (which BBB are signed up to). This suggests that Croydon values for new builds should stabilise at current values for 2019 at least.

Impact on BBB

With the Construction Price Index running at 3.0% for new housing as at September 2018 (see 4.11 above) and HPI forecast to drop to 0% for Croydon, BBB faces a challenging market context over the next 18 months.

However, a number of mitigating factors should be considered in terms of the durability of the BBB business model. Firstly, most of the existing BBB programme is either in contract or have already received tenders from contractors. This removes much of the exposure to construction price inflation. Secondly, and perhaps more importantly, BBB scheme viability appraisals are always conducted using current prices and with no expectation of property value inflation factored into proposed schemes. This insulates much of the existing programme given that the initial viabilities can now be considered to contain fairly conservative unit values (given that there has been value growth to the end of 2018).

Secondly, the wider availability of grants to support the delivery of affordable housing will provide important support to the BBB programme. The GLA has increased the grant it offers for shared ownership homes to £38k for starts on site over the next two years (from £28k). This will be extremely beneficial for the BBB programme, aiming as it does to deliver at least 50% affordable housing.

Thirdly, unlike many other developers BBB has considerable potential to use tenure as a means of addressing any potential reduction in property values. This could include altering the proportions of private, shared ownership and affordable rent elements across the programme, or introducing new temporary tenures such as private rented, to address major value shifts. This is possible due to the established nature of the

[10] Knight Frank, *Residential Research: UK Residential Market Forecast*, May 2018

relationship between BBB and Croydon Affordable Homes, and also the non-cyclical nature of demand for affordable tenures in Croydon and London more widely.

It can therefore be surmised that the key risks present in the market analysis outlined in this section are most relevant to the BBB pipeline programme. However, the company's scheme gateway procedures and viability assessments ensure that schemes are only progressed where there is absolute confidence that they can be delivered. The design led nature of BBB schemes means that the panel of architects that help to deliver BBB schemes are fully involved in viability and cost efficiency considerations and are incentivised to bring forward schemes that maximise the development potential of BBB sites and which have already been rigorously tested for financial viability.

Finally the 2019 Programme, which is currently at pre-planning stage as of January 2020 (see next section), is not forecast to deliver completed homes in the second half of 2021. The market analysis conducted above indicates that there remains an expectation across experts in the sector that HPI in London (and Croydon) will recover from 2020 onwards and the new BBB pipeline schemes can be expected to benefit from this bounce.

5. Planned Programme Activity

Our development programme can be broadly split into the following areas of activity:

Existing Programme (started in 2016)– consisting of 43 schemes which either have planning consent already (38) or have been submitted to planning (5).

College Green – including the work on Fairfield Halls, Fairfield Homes, Fairfield Car Park and the associated public realm improvements

The 2019 Development Programme – covering the second tranche of 40 Croydon smaller sites. These schemes are due to be submitted to planning in Spring 2020.

The 2020 Development Programme **–** the third tranche of smaller sites which will seek to deliver circa 500 new homes will commence site due diligence studies in Spring 2020 with a view to develop feasibility studies and commence pre-application conversations in Summer 2020.

Acquisitions and Collaborations – we continue to investigate and progress viable acquisition opportunities, both in Croydon and beyond, to add to our future pipeline of development sites. Similarly we are constantly looking at the potential to undertake development in collaboration with others with whom our commercial aims and qualitative aspirations align.

Existing Programme

The planned activity with the existing programme will be primarily focused on taking schemes through to completion throughout 2020/21. By April 2020, X schemes will have achieved practical or partial completion (marked with asterisks below). A total of X schemes are under construction, with a further X either out to tender or already at pre-contract stage with an expectation that they will start on site before the end of the 2020/21 financial year.

The key programme deliverable for 2020/21 is the completion of X sites. In order to address we address local housing needs first, all sites are offered on a first refusal basis to Croydon Council prior to any launch by Brick By Brick, and Brick By Brick subsequently operate a local prioritisation policy for all homes.

The projected completions are those starred in the table below, where a full breakdown of planned activity on the existing programme is provided.

Phase	Scheme	Total Units	Affordable Units	% Affordable	Estimated PC[11]
1	Auckland Rise*	57	19	33%	Q4 19/20
1	Cheriton House (Flora Court)*	27	27	100%	Q4 19/20

[11] Date is for completion of entire scheme and does not take into account phased completion and handover of individual buildings within schemes which may have happened earlier.

1	Homefield House (Windmill Place)*	24	0	0%	Q4 19/20
1	Kingsdown Avenue	34	6	18%	Q1 20/21
1	Malton House	9	5	56%	Q1 20/21
1	Marston Way	12	0	0%	Q1 20/21
1	Northbrook Road	11	0	0%	Q1 20/21
1	Ravensdale (Ravensdale Gardens & Rushden Close)*	31	0	0%	Q1 20/21
1	Regina Road	19	19	100%	Q3 21/22
1	Tollers Lane	40	18	45%	Q3 20/21
2	Academy Gardens	9	0	0%	Q2 21/22
2	Chertsey Crescent	7	7	100%	Q1 20/21
2	Coldharbour	8	8	100%	Q1 21/22
2	St Ann's and Drummond Rd	28	0	0%	Q1 20/21
2	Eagle Hill	8	0	0%	Q1 21/22
2	Heathfield Gardens	20	0	0%	Q1 20/21
2	Hermitage Gardens (Faithful Court)*	9	0	0%	Q4 19/20
2	King Henry's Drive	7	7	100%	Q1 21/22
2	Longheath Avenue*	53	53	100%	Q4 20/21
2	Oxford Road	9	0	0%	Q1 20/21
2	Station Road (Pump House)*	14	0	0%	Q4 19/20
2	Thorneloe	10	0	0%	Q3 20/21
2	Tollgate	42	15	36%	Q1 20/21
2	Uvedale Crescent	6	6	100%	Q1 20/21
2	Warbank Crescent	36	36	100%	Q3 20/21
3	Avenue Road	12	7	58%	Q1 21/22
3	Coombe Road	9	0	0%	Q4 20/21
3	Coulsdon Community Centre	33	16	48%	Q4 22/23
3	CALAT	0	0	0%	Q3 21/22
3	Queens Road (Ashby Walk)	9	0	0%	Q2 21/22
3	Queens Road (Tirrell Road)	9	9	100%	Q2 21/22
3	Queens Road (Windmill Road)	6	6	100%	Q2 21/22
3	Shrublands	26	26	100%	Q3 21/22
3	Warminster	6	0	0%	Q4 20/21
3	Lion Green Road	157	79	50%	Q4 21/22
3	Wandle Road Car Park	128	60	47%	Q3 21/22
3	Belgrave & Grosvenor	102	50	49%	Q3 21/22
4	Sanderstead Car Park	14	4	14%	Q2 21/22
4	Tamworth Road	8	0	0%	Q3 21/22
4	Arkell Grove	9	9	100%	Q3 21/22
4	Bedwardine Road	22	16	73%	Q3 21/22

4	Kennelwood Close	6	5	100%	Q3 21/22
TOTALS		**1,095**	**522**	**48%**	

2019 Development Programme

We are actively developing proposals for over X sites across the borough with a view to submitting planning applications for these in Spring 2020. Through detailed analysis of these sites, we have been able to increase our original capacity prediction of 561 new homes from these sites to c800 homes.

We are aiming for 50% affordable housing provision across this tranche of which approximately half will be affordable rent and half shared ownership (in line with planning policy). Based on our development programme timescales, we are aiming to start these schemes on site in Q2 2021 with a view to completions being staged across the Q4 2021/22 and Q1 and Q2 2022/23.

Site Ref No.	Scheme	RIBA Stage	Est Practical Completion
27(b)	Warren Avenue	Stage 2	Q3 2022
48	Kempsfield House	Stage 2	Q3 2022
201	Corner of Covington Way and Crescent	Stage 2	Q3 2022
212	Crystal Terrace Garages	Stage 2	Q3 2022
216B	College Green - Garage site to rear of 78 College Green	Stage 2	Q3 2022
216C	College Green - Garage site to rear of 44 College Green	Stage 2	Q3 2022
216D	College Green - Garage site adjacent to 24 College Green	Stage 2	Q2 2023
216E	College Green - Garage site adjacent to 24 College Green	Stage 2	Q2 2023
221	Atlanta Court Parchmore Road	Stage 2	Q1 2023
229	Holmesdale Road Estate	Stage 2	Q3 2023
257	Grasmere Road	Stage 2	Q3 2022
265A	Greenland on corner of Wontford Road and Roffey Close	Stage 2	Q1 2023
271	Hawthorn Cresent - Green Space	Stage 2	Q3 2022
275	Monks Hill	Stage 2	Q1 2023
276D	Milne Park East Garages	Stage 2	Q3 2022

276 G & S	Redstart Close Garages (North) & Redstart Close greenspace	Stage 2	Q3 2022
276J	Windham Avenue	Stage 2	Q3 2022
276K	Fairchildes Avenue / Corbett Close Green Space	Stage 2	Q3 2022
276M	Fairchildes and King Henry's Drive	Stage 2	Q1 2023
276T	Arnhem Drive flats	Stage 2	Q3 2024
276U	King Henry's Drive / Gascoigne Road Flats	Stage 2	Q1 2023
278B	Fieldway South - Castle Hill Avenue North derelict garage site	Stage 2	Q3 2022
278C	Fieldway South - King Henrys Drive green space between 27-121	Pipeline	Q1 2023
278J and K	Fieldway South - Headley Drive green space adj. to 156	Stage 2	Q2 2023
278M	Fieldway South - Alford Green	Stage 2	Q3 2022
282 and 283	9 Bramley Hill	Stage 2	Q2 2023
237	Factory Lane/Theobald Road green space	Stage 2	Q3 2022
276 A	Thorpe Close North	Stage 2	Q3 2022
278G	Fieldway South - Dunsfold Way Garages and adjacent green space	Stage 2	Q3 2022
278N	Fieldway South - Merrow Way Garages	Stage 2	Q3 2022
280	Selsdon Road Flats (at approx 158 Selsdon Road)	Stage 2	Q3 2022
285	Duppas Hill Terrace	Stage 2	Q2 2023
291 A	Bracken Avenue	Stage 0	TBC
291 B	Broom Gardens	Stage 0	TBC
291 C	Erica Gardens	Stage 0	TBC
291 D	Border Gardens	Stage 0	TBC
291 F	Border Gardens	Stage 0	TBC
291 H	Fir Tree Gardens	Stage 0	TBC
291 G	Laurel Crescent	Stage 0	TBC

A further eight or so sites have been identified as potential opportunities for Community Led Housing and we are in active discussions with Croydon Council regarding the delivery of these sites.

2020 Pipeline Programme

In order to secure a robust pipeline of work for the medium-term business outlook, we will also be progressing the next tranche of sites from feasibility through to Design Stage 2 (towards planning submission) in the next 12 months. The current programme of activity should sustain our completions over the next 2 years, and the new tranche will enable us to continue to meet this target for the next 12 months beyond that. We intend to progress a tranche of c40-60 sites (with capacity for c500 homes) on an annual basis over the duration of this Business Plan period.

Given that these schemes are at an early feasibility stage, the exact detail for each scheme has yet to be fully worked out. However, we will continue with our strategic aspiration of 50% affordable housing provision across this tranche of which half will be shared ownership and half affordable rent.

6. Financial Projections

BBB has been established to be wholly financially self-sufficient, with all costs relating to the operation of the business ultimately covered by the proceeds of development. Initial analysis work on potential sites takes the form of a desktop capacity study by the internal Design and Development teams, followed by more detailed site due diligence (title, planning, geotechnical, utilities, etc) as necessary. This work informs a detailed financial appraisal and the appraisal is updated through each design stage via a series of detailed 'gateway' meetings which incorporates input from internal and external expertise (eg finance, cost, development, design, sales, marketing etc). Periodically, the Board formally decides, subject to viability, funding and conformity with the Business Plan, whether to approve development work through the design stages.

One of the key aims of the company is to bring forward land with the potential for development and a number of suitable sites have been identified in Croydon, the majority of which are in Council ownership. Sites which are suitable for development are purchased by BBB at market rates, often via an option agreement which is subject to a number of conditions including planning related clauses and overage arrangements which allow the council as landowner to fully capture any unexpected land value uplift.

The company also purchases land from the private sector, both strategically and speculatively, where there is a business case for doing so. Such purchases are reported to the Board for approval along with a financial appraisal which details the financial reasoning for the acquisition.

The full cost for each development site (including land, financing, construction and all associated fees) is appraised against revenue generating potential with the aid of specialist consultants. Each appraisal also includes an amount to cover corporate overheads and management costs (e.g. finance, company admin, etc).

Revenue for each scheme takes the form of sales values from private, affordable rented and shared ownership homes, and rental value from any retained residential homes and non-residential uses. Sales and rental values are calculated with reference to achieved sales values for similar homes and an analysis of market trends in that location. In general, our margin hurdle for development is approximately 15% profit on cost for private schemes.

Currently, the Council provides the vast majority of development finance. Repayment of our debt provides an additional revenue stream to the council as it has the ability to borrow at competitive rates to service this lending. All of our borrowing is site specific and subject to an individual loan agreement. The borrowing is secured against land and includes numerous pre-conditions on drawdown as well as ongoing performance measurements. These terms are reflected in the cost inputs to each site appraisal.

All of this information feeds into the our financial planning process which allows us to make detailed projections as to the levels of planned expenditure and likely revenue from sales. The gap between the two, which will largely be driven by timing (given the intention to generate returns on all sites), provides an estimate of the company's financing requirement which will need to be met in order for it to commence activity. Each element of the overall financial projection is summarised in detail below.

These estimates are monitored and reviewed regularly as part of a robust financial management cycle in order to provide a periodic review of actual spending on a site-by-site basis against the granular elements of the detailed financial appraisals. A change process is initiated in the event that appraisals need to be adjusted as estimates crystallize, and all key variations and exceptions are reported upwards (including a periodic Board report). All of this information is also integrated into detailed cash flow projections to give the company sufficient Treasury control.

Projected Development Costs <19/20 figures, to be updated with latest figures Feb 20>

BBB development expenditure has been projected based on the programme activity outlined in Section 4 of the Business Plan. It has therefore been split according to the 3 different areas of the programme identified.

The 43 schemes that make up the existing programme are all at a sufficient stage of maturity for detailed cost estimates to be known. A full financial viability appraisal has been prepared for each of these schemes and approved by the Board. The expenditure projections for this element of the programme has been prepared based on an amalgamation of the detailed information contained within each viability appraisal.

The College Green scheme operates slightly differently. The Fairfield Homes element of the project is a standard residential scheme and therefore has a financial viability like any other BBB scheme to capture expenditure, revenue and expected profit. The Fairfield Halls and Public Realm elements are purely expenditure (with no profit element) and are therefore based on a set of detailed cost plans. Finally, the Fairfield Car Park is a revenue generating project but is modelled differently to a standard residential scheme, necessitating a bespoke financial appraisal. Each of these elements has been combined to generate a summary of College Green as a whole.

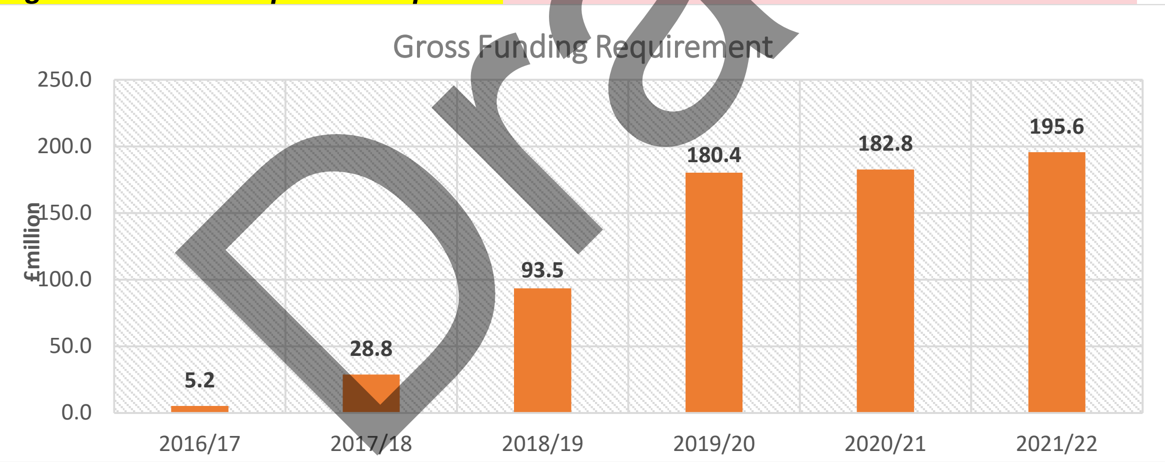
Finally, the new pipeline sites are at a much earlier stage of development than the other residential schemes in the BBB programme. Without any detailed design work having been undertaken, it is not possible to create detailed cost estimates for these schemes. However, broad capacity studies have been prepared and the company is therefore able to project what it expects to spend on these schemes based on average cost rates across the existing programme.

A summary of the forecast expenditure for the business as a whole over the medium-term is provided below (based on the projection methodologies described above):

Activity	**Existing Programme (£m)**	**College Green (£m)**	**Pipeline Programme (£m)**	**Total Development Expenditure (£m)**
Land & Construction Costs	264.40	150.05	168.01	**582.46**
Fees & Contingency	41.46	17.84	26.34	**85.64**
Planning Costs	9.44	1.01	6.00	**16.45**
Capitalised Interest	10.91	17.38	6.93	**35.22**
Sales Costs	5.54	3.63	3.52	**12.69**
Working Capital	3.67	1.44	2.33	**7.44**
Grant	(10.86)	(13.84)	(6.57)	**(31.27)**
TOTAL	**324.56**	**177.51**	**206.56**	**708.63**

This combined development activity will be delivered over the next four years to 2022/23. Figure 1 shows the overall expenditure profile for the company over the period covered by this business plan (and the 3 previous years) based on the projections included within each element of the programme above.

Figure 1 – Gross expenditure profile



Projected Revenues

Each of the sites included in the programme of development has been appraised by comparing the projected cost of development against the income generating potential of the scheme. Only projects that can demonstrate a sufficient level of return are taken forward.

The company is projecting revenue streams to be achieved from the sale of private and shared ownership homes, as well as the transfer of affordable rent properties to Croydon Affordable Homes. Ongoing rental income will be generated from shared ownership homes and rents on non-residential homes, as well as ground rent on private flats. Anticipated revenues have been calculated based on market expectations and trends in each site location.

The current portfolio of projects (excl. Fairfield Homes) is projected to deliver total receipts of £364m, with a further £231m to be generated by the pipeline sites (based on an extrapolation of values from the existing programme). Overall, this would generate a profit of c£65m on the total investment in the BBB residential programme detailed in 5.14.

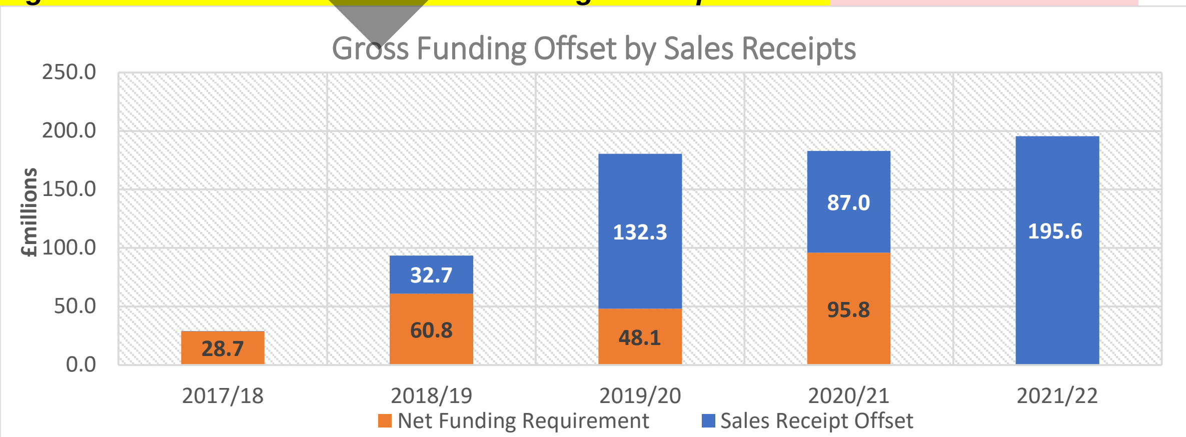
A summary of projected sales income is shown below.

Type of Sale	Existing Programme (£m)	College Green (£m)	Pipeline Programme (£m)	Total Development Revenue (£m)
Private	218.43	140.52	133.21	**492.16**
Shared Ownership	93.89	22.62	52.28	**168.79**
Affordable Rent	45.50	0.00	44.26	**89.76**
Commercial	3.47	12.03	0.00	**15.50**
Other	3.05	2.34	1.64	**7.03**
TOTAL	**364.34**	**177.51**	**231.39**	**773.24**
ESTIMATED PROFIT	**39.78**	**-**	**24.83**	**64.61**

BBB revenues started to be generated from mid-2018 when income from Croydon Affordable Homes (CAH) for the delivery of affordable rent homes commenced based on construction starting. Sales will ramp up significantly from March 2019 when the first schemes containing private and shared ownership homes are forecast to part-complete (Auckland Rise and Ravensdale Gardens).

Revenue from sales will be used to offset development expenditure and reduce borrowing in order to minimise the levels of debt interest accrued (as demonstrated in Figure 2).

Figure 2 – Estimated offset of revenue to gross expenditure

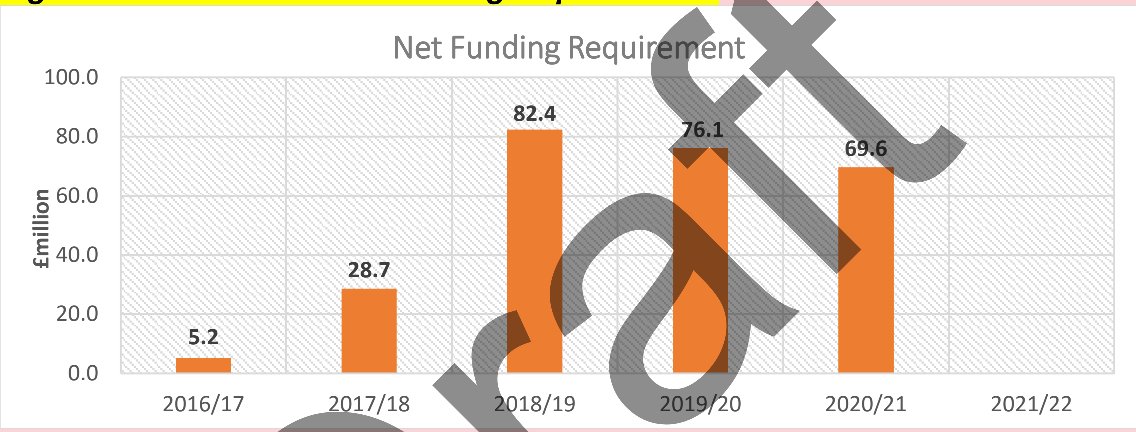


Financing Arrangements

Initially, the Council will be the sole provider of development finance. Repayment of interest on this debt (and return on equity investment) by BBB will therefore generate a revenue stream for the Council given its ability to borrow at competitive rates to service this lending.

Given the expected offset of development expenditure against revenue as BBB starts to commence sales activity (see Figure 2), a total net financing requirement of £262m is currently projected for BBB. This takes into account the profile of expenditure versus income, and considers where sales receipts are available to offset expenditure and also allow debt to be run down (if required). This will be profiled over the next five years according to Figure 3 below, with peak borrowing shown as August 2021 in Figure 4.

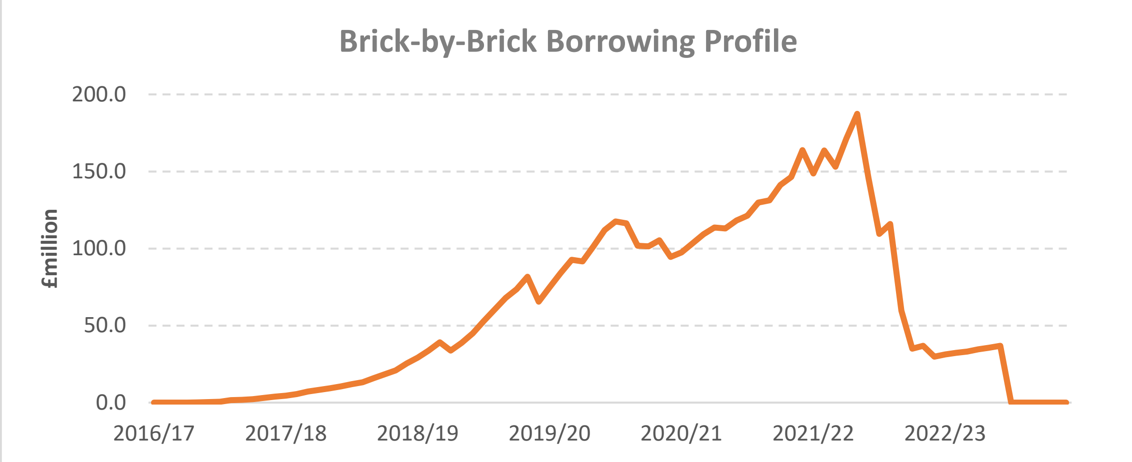
Figure 3 – Profile of net financing requirements



All borrowing is defined by comprehensive loan agreements for each site which ensure that financing is secured against land and is subject to stringent pre-conditions. A regular financing schedule is shared with the Council to give it sufficient notice to arrange and funds will be drawn down on a periodic basis according to these programme projections. From a BBB perspective, the profile of borrowing is optimised to provide maximum cash flow security while also minimising interest costs.

BBB has agreed with the Council that financing will be arranged on a 75:25 split between borrowing and equity. On this basis, BBB borrowing is expected to peak at £196m. The repayment of principal will be reviewed annually, and will be largely dependent on how the company's development activity is expanding, as well as its access to other forms of financing. The current profile of accumulated debt shown in Figure 4, and demonstrates an assumption that BBB will repay all borrowing by October 2022 (accruing interest of c£35m over this period).

Figure 4 – Cumulative borrowing balance



Financial Targets

Based on the figures included in the overall BBB financial projections detailed above, the Board has decided to set a series of annual targets for the business to achieve in terms of the value generated for the shareholder (i.e. LB Croydon). These targets are summarised below:

Target	2019/20 (£m)	2020/21 (£m)	2021/22* (£m)	TOTAL (£m)
Profit	10.32	5.51	15.03	30.86
Land Value Released	3.04	2.21	3.86	9.11
Debt Repaid	0.00	0.00	118.80	118.80
Interest Accrued	6.44	7.91	8.46	22.81

*the 2021/22 projections exclude the pipeline programme (until more detailed financial viability assessments have been undertaken), although an expected projected profit margin is included at 6.18

These targets are intended to act as the key financial performance indicators for BBB as a whole, and will be monitored closely on a monthly basis and regular reports to the Board. The Board has set the 2019/20 figures as fixed targets for the forthcoming financial year. The 2020/21 and 2021/22 targets are indicative at this stage and will be reviewed and set annually when the business plan is published prior to each financial year.

Common Ground Architecture

Common Ground Architecture (CGA) is the trading name for our internal design team which has been set up to operate as an architectural practice. It is a trading arm of the business (with its own internal profit and loss account) that is able to charge commercial fees and is expected to generate a profit. The practice currently consists of a team of ten architects which take instructions from either Brick By Brick (for internal projects) or external clients, with fees charged for both.

The practice is currently delivering on the following instructions:

- Site finding, due diligence and capacity analysis for acquisitions.

- Design review and compliance for Brick By Brick projects (including brief writing, design review and provision of design expertise and guidance throughout the development process)
- Construction compliance monitoring across the BBB portfolio. The CGA team provides a service to BBB reviewing Contractor Design Documents from the construction team monitoring compliance with the contract documents. This includes attending site visits and reviewing construction documentation.
- Acting as the lead architect on a number of BBB schemes
  - Pump House, 24 Station Road.
  - Avenue Road
  - Coombe Road
  - BBB Offices at 62 George Street.
  - Block E as part of the Fairfield Homes development.
  - Six new sites as part of the 2019 development programme.
- Providing architectural services to external clients including local authorities and private individuals.

On an annual basis, CGA prepares a planned programme which details the projects that it expects to work on (both internal and external), the fees generated by these projects and how this will offset the cost of running the practice in order to contribute a profit to Brick By Brick as a whole. This also allows the practice to undertake capacity planning where demand for services is expected to exceed current resourcing constraints, and make provision in the form of short term temporary injections of architectural capacity or permanent recruitment (where the uplift in demand is expected to be more permanent).

The 2020/21 summary Business Plan for Common Ground Architecture is outlined in the table below. This is based on an expectation that the practice has capacity to work on 12 smaller projects each year, alongside the corporate design role for Brick By Brick outlined above.

	2019/20 (£000s) Target	**2019/20 (£000s)** Actual	**2020/21 (£000s)**	**2021/22 (£000s)**
BBB Corporate Design Services	150	200	150	150
Existing BBB Projects	32		0	0
Existing External Projects	62	20	0	0
New Smaller Projects	560	900	650	650
TOTAL INCOME	**804**	**1360**	**800**	**800**
Staff Costs	(511)	(416)	(500)	(500)
Supplies & Services	(20)	(20)	(20)	(20)
Operating Overheads	(150)	(150)	(150)	(150)
TOTAL EXPENDITURE	**(681)**	**(586)**	**(670)**	**(670)**
TARGET PROFIT	**123**	**526**	**130**	**130**
TARGET MARGIN	**15%**	**47%**	**16%**	**16%**

This model is considered to be beneficial for the wider company because the profit generated by the practice is returned to the company’s annual profit and loss position overall. This means that the profit margin that would otherwise be paid to an external practice as part of their fee for undertaking the design of a scheme is actually retained by the business. Furthermore, it allows the company to maintain a level of internal expertise which provides valuable quality control for the wider BBB programme.

Operating Costs <19/20 figures, to be updated with latest figures Feb 20>

To deliver a development programme of the scale that is outlined in this Business Plan, BBB has recognised the need to expand staffing structures in order to create a sufficient level of capacity. As described in Section 3, BBB became an employing entity in its own right in 2018/19. This has allowed it to expand staffing levels across the Development and Construction teams, and within Common Ground Architecture. This expansion will continue into 2019/20 with the ultimate aim of growing the number of staff working for BBB to c37.

The company's operating costs are currently provided for by an allowance that is included within every individual scheme viability appraisal to ensure that a proportion of the revenue generated by each development is used to fund the operating costs of the company (which include staff costs alongside other operating overheads such as office accommodation, legal, ICT, HR, insurance and other corporate functions, some of which are purchased from LB Croydon).

A working capital provision of £7.30m is included within the current financial modelling for the existing programme. This allowance as been used to cover the operation of BBB over the last three financial years since it began trading in 2016 (so 2016/17, 2017/18 and 2018/19).

The annual operating budget for the company is projected to be as follows over the next three years:

Target	**2019/20 (£m)**	**2020/21 (£m)**	**2021/22 (£m)**
BBB Staff	1,811	1,811	1,811
Accommodation	131	150	150
ICT	75	75	75
HR & Finance	20	20	20
Insurance	50	50	50
Legal	100	100	100
Common Ground Architecture Contribution	(123)	(130)	(130)
TOTAL	**2,064**	**2,076**	**2,076**

The operating allowance included in the existing programme is therefore estimated to be sufficient to cover the company's cost to 2020/21 (which includes all operating expenditure to date as noted above). This underlines the importance of bringing forward the next tranche of schemes from the list of pipeline sites in order to generate sufficient allowance to cover the company's operational expenditure from 2021/22 onwards. Paragraph 6.13 demonstrates that each additional 650 homes added to the BBB programme creates a working capital allowance of c£2.3m. The company therefore aims to set an operating budget that is within this level and aims to consistently bring forward enough development schemes on an annual basis to support the organisation.

Common Ground Architecture operates as an internal trading account. This essentially means that it charges fees for all work that it undertakes (whether internal to BBB or for external clients) in the way that an ordinary architecture practice would. This means that the cost of running Common Ground Architecture (CGA) is not covered by the BBB operating allowance. Instead, where CGA acts as architect for a BBB scheme it charges a fee to the scheme under the design fees allowance. Similarly, where it performs client side design monitoring on behalf of BBB, its fee is charged to a different element of the scheme viability (e.g. professional fees). This means that the cost of operating CGA is not included in the figures above (instead a detailed business plan for the practice is included in Section 8 of the Business Plan). However, a contribution towards corporate overheads is factored into the CGA business plan and is offset against the overall BBB operating cost projections.