Appendix 1

BRICK
BY
BRICK

2020-21 Business Plan

February 2020

Brick By Brick Croydon Limited
Registered Number: 09578014

Contents

Please think before you print

1. Our Mission Statement

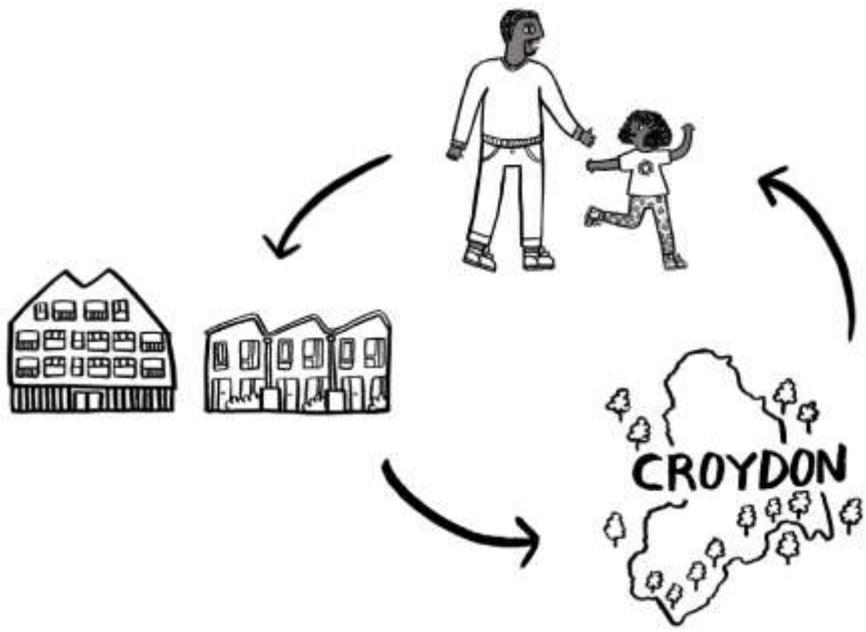
This is a borough of many parts. Urban, suburban and rural, rolling hills to terrace-end murals. It's where every kind of people have made their home.

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 our 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 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:

- Launching sales on 5 schemes across the borough, and achieving c60% off-plan sales reservations
- Completing our first homes across all tenures across the borough

- Welcoming our first tenants to a number of sites (Flora Court, Auckland Rise, Ravensdale Gardens, Windmill Lane)
- Completing the wholesale refurbishment of the Fairfield Halls on behalf of Croydon Council
- Progressing our 2019 pipeline programme ready to submit planning applications in spring 2020 that will create c1200 new homes.
- Collaborating with Crystal Palace Community Land Trust and Croydon Council on the first community-led housing scheme to be delivered in the borough (The Lawns, Crystal Palace)
- Our architecture practice Common Ground Architecture completing their first two projects; Pump House at Station Road, South Norwood and our head offices at 62 George Street, Croydon.

So, despite wider challenges, it’s been a year of real achievement for us and we’re ready to build on this in 2020/21. Our key aims for the coming year include:

- Achieve planning consent on 32 schemes including c800 homes of which more than 70% will be affordable
- Achieve planning consent on our Fairfield Homes scheme, including more than 400 homes alongside new employment space and town centre uses.
- Start on site on 12 new sites
- Acquisition of new sites for development
- Start on site on the community-led housing scheme at The Lawns, Crystal Palace, and the introduction of another scheme into the programme.
- Progression of several schemes designed by our architecture practice Common Ground.
- Continue our active sales programme on various sites throughout the borough
- Adoption of the ‘One Planet Living’ sustainability principles and working towards becoming a ‘One Planet Leader’

2. Our One Planet Living Action Plan

We at Brick By Brick believe the climate emergency is the most pressing challenge facing our generation. Alongside our colleagues across all sectors of the built environment, have feel we have an urgent responsibility to act.

In that light, we have established an in-house Climate Action Group, consisting of employees from all across the organisation who want to make a difference. The group have commissioned Bioregional[1], 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 which will be published online.

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

The ten key principles are:

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

2. **Equity and Local Economy:** all 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:** all 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:** our 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:** our homes 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**: our residents will be supported to adopt a diet high in healthy, low-impact food.

7. **Travel and Transport**: our schemes will work with the council on strategic projects to improve public transport access and pedestrian and cycle route

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

access and support residents to choose active and low-carbon modes of transport over private vehicles run on fossil fuel.

8. **Materials and Products**: all of our developments 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 our 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 developments 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. Consultation, Engagement, Aftercare

At Brick By Brick we believe that collaborative and open engagement is key to promoting sustainable development and strong communities. We seek to engage with local residents from the very the outset of our development processes, and continue to do so through the design, planning and construction stages. Our engagement with local residents, old and new, also continues after construction ends through our ongoing management and resident liaison processes.

Our pre-planning engagement strategy is specific to the site and constantly evolving. What might be appropriate for one site may not suit others. Typically, we hold public engagement events which are supported by innovative online engagement tools such as the Commonplace platform.

Residents within the immediate vicinity are notified by way of a leaflet drop and updates are also posted to our website and social media accounts. We also engage with local community groups and ward councillors through individual meetings and dialogue. We carry out door-knocking exercises in areas that are difficult to reach or where community events have been poorly attended. This enables us to understand, early on, resident concerns or queries relating to each development site.

For larger sites, our public engagement events usually follow a two-stage process. Initially, we seek to introduce the Brick By Brick team to the local community and explain what we do. At this stage we will usually have undertaken a high-level capacity study so that we can understand what could be developed on the site, and we may have some outline designs. These plans and drawings are intended to start a discussion which will help guide the design evolution. We also try to learn as much about the area both from our own research and from feedback from residents, including how residents perceive the development may affect the local environment. This helps us mitigate any adverse impact though the design process.

Having taken on board the initial feedback received, we undertake a detailed design process and present our revised proposals at a second engagement event. The architects responsible for the scheme and any other relevant consultants are on hand to answer any questions and gather feedback which will further influence the designs.

We endeavour to demonstrate how we have applied the feedback to the designs or, where this has not been possible, provide clear explanations as to why. For example, our local engagement processes on our Auckland Rise development led to significant reductions in the sizes of several of our proposed blocks, and the complete removal others, following feedback from local residents about how the estate operates on a day-to-day basis.

Following the second engagement event, assuming that we still intend to take forward the scheme, we undertake a further detailed design process, having considered all of the feedback received, with the aim of submitting a planning application. A Statement of Community Involvement is produced to support the planning application which summarises the feedback and our responses to it.

Once the planning application has been submitted, residents have a further opportunity to comment on the scheme through the statutory planning consultation processes which are administered by the local authority.

Pre-allocation

Through our engagement activities we also want to ensure that we create the types of homes that genuinely address local housing need. For example, on our New Addington and Fieldway programme we sought to establish a 'pre-allocation' approach to identify people in housing need – ie households who may have outgrown their homes or need to downsize; people who want to move out of temporary accommodation and put down roots; people who want to get on the property ladder etc. Our intention is to work with these residents to identify sites which may suit them and then engage in a collaborative design process for their potential future homes leading up to the submission of a planning application. In this way we intend to cater for local need at the same time as strengthening local communicates both now and in the future.

Post Planning

Once a scheme has been granted planning permission, we continue to engage with local communities by keeping them informed of the next steps throughout the development process. Anyone that attended our public engagement events will receive updates by letter or email, and local residents will receive updates by way of newsletters or local meetings.

There is usually a period of relative inactivity on site between the planning permission being granted and a contractor being appointed. During this time, we tend to be conducting surveys, obtaining tenders and vetting suitable contractors. All of our contractors are required to be registered with the Considerate Constructors scheme and this accreditation also means that engagement with local residents forms a key part of their role.

As soon as we know when works are likely to start on site, we inform residents and invite them to a 'Meet the Contractor' event which our main construction partners host. Once appointed, our residents receive regular newsletters from the contractor giving details of progress on site and upcoming works, along with details of who to contact in the event of any concerns. Notices are also displayed on site noticeboards. On larger schemes, the contractor will appoint a dedicated 'Resident Liaison Officer' who will work with us to ensure the residents are kept informed of progress on site and any specific matters affecting them.

We really do appreciate that construction can cause disruption and while we always try to minimise this, it is not always possible to avoid. We, along with our contractors, are always willing to meet with residents to discuss and resolve any specific issues.

We also work collaboratively with our contractors and the councils 'Croydon Works' initiative as part of the local employment, training and skills agenda to improve and encourage links with schools and colleges. We do this by promoting and hosting work experience opportunities and apprenticeships, as well as creating local employment opportunities directly in relation to our developments. This is often enshrined in our

Section 106 Agreements and monitored by both ourselves and the Local Authority through the quarterly LETS forum.

Similarly, we also encourage sustainable modes of transport through our Travel Plan Co-Ordinator by holding community events such as Bike to School Week, Catch the bus week, Croydon's Get Active Day, Autumn Step Count Challenge, Cycle to Work Day, European Mobility Week: Car Free Day, National Commute Smart Week, The Big Pedal, On Your Feet Britain to name a few.

Aftercare

Our engagement doesn’t stop once we’ve completed our developments. People who move into one of our new homes can expect an ongoing high level of contact and service from us and our managing agents to ensure that from handover onwards, living in one of our homes is as trouble-free as possible. Our internal handover procedures focus on ensuring that the attention to detail that we place on construction carries through to the domestic spaces. The homes we build are only handed over once they have been through a detailed certification, snagging and de-snagging process with our Development Manager and external Clerk of Works.

4. Market Analysis

A great deal of information is available providing analysis of the housing market in the capital and beyond. In general, commentators continue to report a mixed forecast for house prices in the medium term, with a range of different interpretations available concerning the impact of a number of key market factors.

Undoubtedly, the ramifications of Brexit remains the key driver of uncertainty across the property market, as it does across the wider economy. In many ways the challenges posed to the development industry are consistent with those in other business sectors and relate to the availability of labour and the potential for cost inflation throughout the supply chain.

The more unique challenge is likely to be the specific impact Brexit has on the UK property market in terms the international investment demand for housing and the attendant impact on values.

In addition to information on macro-economic trends, 2019/20 has seen our commencement of sales in earnest and we are increasingly starting to develop our own local sales expertise from our estate.

The greater demand for our homes has thus far come from first time buyers, specifically young couples and new families purchasing through either Help to Buy or Shared ownership. We anticipate that this will continue following the Government's plan to restrict the Help to Buy scheme in 2021 to first time buyers only, before it's proposed withdrawal in 2023.

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

This section examines a number of key property market indicators and draws together evidence and forecasting which is relevant to the ability of Croydon residents to access housing. This comparison of costs and values over time is crucial to the overall viability of our business model, and we maintain a continuing detailed perspective on the Croydon and London markets in order to help make an informed assessment of demand, 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] were 2.1% higher in November 2019 than at the same time last year.

However, this goes against more recent evidence of sellers being forced to become more competitive in asking prices in order to increase the chances of attracting buyers

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

in 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 is prudent.

Whilst Brexit has been in the minds of many purchasers, the level of market deterrence this creates has not necessarily been linear. Broadly speaking, there has tended to be a fluctuation of interest and sales reservations and this type of market uncertainty has pervaded through the entire sales process. For example, there is evidence that the market is experiencing a higher number of withdrawals than would ordinarily be the case.

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] suggests 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 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).

Outlook for 2020

UK house prices are influenced by many factors. A significant recent influence has been the resolution of the general election which has provided purchasers with a greater clarity of expectation around investment decisions. This is turn has begun to stabilise market demand, boosting activity and providing a platform of growth.

Many surveyors reported rising numbers of new buyer enquiries for homes in December 2019, a net balance of +17%, up from -5% in November, according to the latest RICS[7] survey. Sentiment in the land market has also improved following the election, with a net balance of opinion of +53% as reported by Savills[8] agents this quarter, compared to +35% in Q3 2019. Share prices for many of the major housebuilders have also risen since 12 December, suggesting a greater confidence in the housebuilding market generally.

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[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

[7] RICS UK Residential Market Survey

[8] Savills UK Residential Development Land, Feb 2020

However, many analysts continue to maintain their prediction that London will underperform relative to the rest of the country. For example, Savills estimate that house prices in London will grow by 4% over the next five years, compared to an estimate of 15.3% for the UK as a whole. JLL[9] predicts house price growth across Greater London at 1% in 2020 this year and 2.5 per cent in 2021, before it jumps to 4.5% in 2022.

The table below summarises forecasts on house price growth for 2020 in London from a range of sources across the sector.

Organisation	2020
JLL	1%
Savills	1%
KPMG	1.3%
Zoopla	2%

Longer term forecasts are made more difficult by the volatility of the market immediately post Brexit, but many commentators suggest moderate growth in the short term, with more rapid growth from 2021 onwards. For example, JLL forecasts for Greater London are as follows[10]:

	2020	2021	2022	2023	2024
HPI	1%	2.5%	4.5%	4.5%	3.5%
Housing starts (000s)	13	16	19	21	22

The other crucial macro-economic indicator for 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 from Q3 in 2019.

	All Work	New Work	New Housing
Year to Sept 2019 Construction Price Index[11]	3.0%	3.7%	3.3%

This data covers a wide range of construction activity, but a particularly important measure is the one for new housing activity which shows that annual 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, requiring even more innovation in our design process to ensure that costs are controlled (see below).

The Croydon Market

[9] JLL 'Living with 2020 Vision'
[10] JLL 'Living with 2020 Vision'
[11] Office for National Statistics (ONS), *Construction Output Price Indices (OPIs) Quarter 3 2018*, 14 November 2018

With the market more optimistic following the election, there is potential for a return to significant annual house prices rises in Croydon, alongside an increase in the pace of sales. During January 2020, the market saw a 2.1% monthly surge in value and since then has been predicted to inflate further. This follows on from an increase in the number of sellers bringing properties to the market, leading to a rise in the number of transactions.

In the table below, Rightmove[12] lists monthly London borough house price changes alongside average property values for January 2020.

Borough	Avg. price January 2020	Monthly change	Annual change
Hounslow	£531,759.00	1.6%	4.0%
Tower Hamlets	£598,751.00	1.3%	3.8%
Barnet	£622,784.00	-2.5%	2.9%
Islington	£754,755.00	0.1%	2.7%
Lambeth	£628,249.00	0.0%	2.7%
Sutton	£460,274.00	-0.2%	2.3%
Newham	£414,064.00	0.7%	1.3%
Southwark	£632,388.00	-2.5%	1.2%
Waltham Forest	£480,643.00	0.3%	1.2%
Barking and Dagenham	£312,010.00	-1.1%	0.7%
Harrow	£548,571.00	0.5%	0.6%
Hackney	£622,468.00	0.0%	0.4%
Lewisham	£458,302.00	0.1%	0.4%
Havering	£405,981.00	-0.2%	0.3%
Croydon	£423,341.00	-0.9%	0.2%
Bromley	£533,716.00	-0.1%	0.1%
Westminster	£1,447,028.00	1.8%	0.1%
Redbridge	£448,553.00	-0.7%	0.0%
Hammersmith and Fulham	£910,063.00	-0.5%	0.0%

This is a positive sign of market recovery in the capital, and further evidence that both buyer and seller are beginning to gain confidence. This is particularly relevant for boroughs, like Croydon, which are forecast for significant population growth. According to the ONS, Croydon's population was 385,346 in 2018 and is forecast to reach 455,000 by 2031, a 14% increase.

[8]Rightmove, House Price Index - https://www.rightmove.co.uk/news/content/uploads/2020/01/Rightmove-House-Price-Index-20th-January-2020-London.pdf, 2020

With the borough deemed to be one of the three most affordable places to buy in London, and with major infrastructure improvements already underway this suggests a continuing high level of interest from first time buyers and renters looking to position themselves until they are ready to buy in the borough. This is particularly relevant for us as we specialise in multi-tenure, affordable housing[13].

Impact on Brick By Brick

With the Construction Price Index running higher than House Price Inflation, we clearly face a cost and value challenge over the next 12-18 months. However, a number of mitigating factors should be considered in terms of the durability of our business model.

Firstly, most of the existing development programme is either in contract or has already received tenders from contractors. This removes much of the exposure to construction price inflation and creates ongoing construction relationships which can lead to cost efficiencies in the future.

Secondly, our scheme viability appraisals are always cautious, 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 since project inception).

Thirdly, we continuously update our residential specification to ensure that we get best value for money. This process is undertaken on a whole life costing basis and includes product research, engagement with suppliers and feedback from customers and our sales team. The ultimate aim is to ensure we maintain the design quality that Brick By Brick has become known for, while maximising our potential for cost efficiency.

Fourthly, the wider availability of grants to support the delivery of affordable housing will provide important support to the our programme. The GLA has increased the grant it offers for shared ownership homes for certain starts on site and we have also been successful in attracting grant from other GLA funding programmes.

Finally, Brick By Brick has considerable potential to use flexibility of tenure as a means of addressing any potential demand fluctuations. We offer first refusal on all of our homes to the local authority in order to help address local housing need. This means

[13] Zoopla - House prices in Croydon, https://www.zoopla.co.uk/house-prices/london/croydon/, 2020

there is potential to, for example, increase the proportion of affordable housing across our programme to best meet demand. Croydon Council has a continuing demand for strategic property acquisitions and is also planning to continue its existing street property purchasing programme for new affordable housing to be managed both within and without the HRA. This is a key area of demand for Brick By Brick.

The ongoing analysis of viability is a core part of our decision-making process. Our scheme gateway procedures are incredibly thorough and our viability assessments include input from internal and external experts to ensure that schemes are only progressed where there is absolute confidence that they are financially sustainable.

5. Planned Programme Activity

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

Existing Programme (started in 2016)– consisting of c43 schemes which either have planning consent already or are awaiting planning decision.

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

The 2019 Development Programme – covering the second tranche of c32 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, in Croydon, London 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 qualitative aspirations and commercial aims 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, 8 schemes are due to have achieved practical or partial completion (marked with asterisks below). A total of 17 schemes are under construction, with a further 11 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 13 sites. The projected completions are those asterisked 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[14]
1	Auckland Rise*	57	19	33%	Q4 19/20
1	Cheriton House (Flora Court)*	27	27	100%	Q4 19/20
1	Homefield House (Windmill Place)*	24	0	0%	Q4 19/20
1	Kingsdown Avenue (Montpelier Road)	34	6	18%	Q1 20/21
1	Malton House	9	5	56%	Q1 21/22
1	Marston Way	12	0	0%	Q1 20/21

[14] 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	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%	Q1 22/23
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%	Q3 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%	Q2 20/21
2	Uvedale Crescent	6	6	100%	Q1 21/22
2	Warbank Crescent	36	36	100%	Q3 20/21
3	Avenue Road	12	7	58%	Q2 21/22
3	Coombe Road	9	0	0%	Q1 21/22
3	Coulsdon Community Centre	33	16	48%	Q4 22/23
3	CALAT	0	0	0%	Q4 22/23
3	Queens Road (Ashby Walk)	9	0	0%	Q3 22/23
3	Queens Road (Tirrell Road)	9	9	100%	Q3 22/23
3	Queens Road (Windmill Road)	6	6	100%	Q3 22/23
3	Shrublands	26	26	100%	Q3 21/22
3	Warminster	6	0	0%	Q1 21/22
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%	Q1 22/23
4	Sanderstead Car Park	14	4	14%	Q1 22/23
4	Tamworth Road	8	0	0%	Q3 22/23
4	Arkell Grove	9	9	100%	Q3 21/22
4	Bedwardine Road	22	16	73%	Q4 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 c32 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 c550 new homes from these sites to c800 homes.

We are aiming for more than 70% affordable housing provision across this tranche of which the majority will be social/affordable rent. Based on our development programme timescales, and subject to planning consent, we are aiming to start these schemes on site from 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 22/23
48	Kempsfield House	Stage 2	Q3 22/23
201	Corner of Covington Way and Crescent	Stage 2	Q3 22/23
212	Crystal Terrace Garages	Stage 2	Q3 22/23
216B	College Green - Garage site to rear of 78 College Green	Stage 2	Q3 22/23
216C	College Green - Garage site to rear of 44 College Green	Stage 2	Q3 22/23
216D	College Green - Garage site adjacent to 24 College Green	Stage 2	Q2 23/24
216E	College Green - Garage site adjacent to 24 College Green	Stage 2	Q2 23/24
221	Atlanta Court Parchmore Road	Stage 2	Q1 23/24
229	Holmesdale Road Estate	Stage 2	Q2 23/24
257	Grasmere Road	Stage 2	Q3 22/23
265A	Corner of Wontford Road and Roffey Close	Stage 2	Q1 23/24
271	Hawthorn Crescent - Green Space	Stage 2	Q3 22/23
275D	Farnborough Avenue	Stage 2	Q4 22/23
275F	Corner of Shepherd’s Way	Stage 2	Q3 22/23
276D	Milne Park East Garages	Stage 2	Q3 22/23
276 G & S	Redstart Close Garages (North) & Redstart Close greenspace	Stage 2	Q3 22/23

276J	Windham Avenue	Stage 2	Q3 22/23
276K	Fairchildes Avenue / Corbett Close Green Space	Stage 2	Q3 22/23
276M	Fairchildes and King Henry's Drive	Stage 2	Q1 23/24
276T	Arnhem Drive flats	Stage 2	Q3 2024
276U	King Henry's Drive / Gascoigne Road Flats	Stage 2	Q1 23/24
278B	Fieldway South - Castle Hill Avenue North derelict garage site	Stage 2	Q3 22/23
278C	Fieldway South - King Henrys Drive space between 27-121	Stage 2	Q1 23/24
278J and K	Fieldway South - Headley Drive green space adj. to 156	Stage 2	Q2 23/24
278M	Fieldway South - Alford Green	Stage 2	Q3 22/23
282 and 283	9 Bramley Hill	Stage 2	Q2 23/24
237	Theobald Road	Stage 2	Q3 22/23
276 A	Thorpe Close North	Stage 2	Q3 22/23
278G	Fieldway South - Dunsfold Way Garages and adjacent green space	Stage 2	Q3 22/23
278N	Fieldway South - Merrow Way Garages	Stage 2	Q3 22/23
280	Selsdon Road Flats	Stage 2	Q3 22/23
285	Duppas Hill Terrace	Stage 2	Q2 23/24
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) over the next 12 months. The current programme of activity should sustain our model over the next 2 years, and the new tranche will enable us to continue to meet our targets for the next 12 months beyond that.

Broadly speaking we intend to progress a tranche of c30-40 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 for a blended rate of 50% affordable housing provision across the programme.

6. Financial Projections

Brick By Brick operates an ongoing, a financially sustainable model, 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 our 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 (e.g. finance, cost, development, design, sales, marketing etc.). Periodically, the our 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. We purchase sites which are suitable for development from the council 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.

We also purchase land from the private sector, both strategically and speculatively, where there is a business case for doing so. Such purchases are reported to our 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 the 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 and a blended rate of 8% for affordable schemes.

Currently, the Council is the primary source of development finance. All of our ongoing borrowing is site specific and subject to individual loan agreements. 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. 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 this information feeds into 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 our financing requirement which will need to be met in order to commence activity. Each element of the overall financial projection is summarised 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

Our development expenditure has been projected based on the programme activity outlined earlier. The 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 our Board. The expenditure projections for this element of the programme has been prepared based on an amalgamation of the detailed information contained within each individual viability appraisal.

Newer pipeline sites are at a much earlier stage of development than the other residential schemes in our programme. A number of these schemes have been submitted for planning and they have all undertaken capacity studies so we are able to project what we expect to spend on these schemes based on average cost rates across the existing programme and detailed cost plans for the more mature schemes.

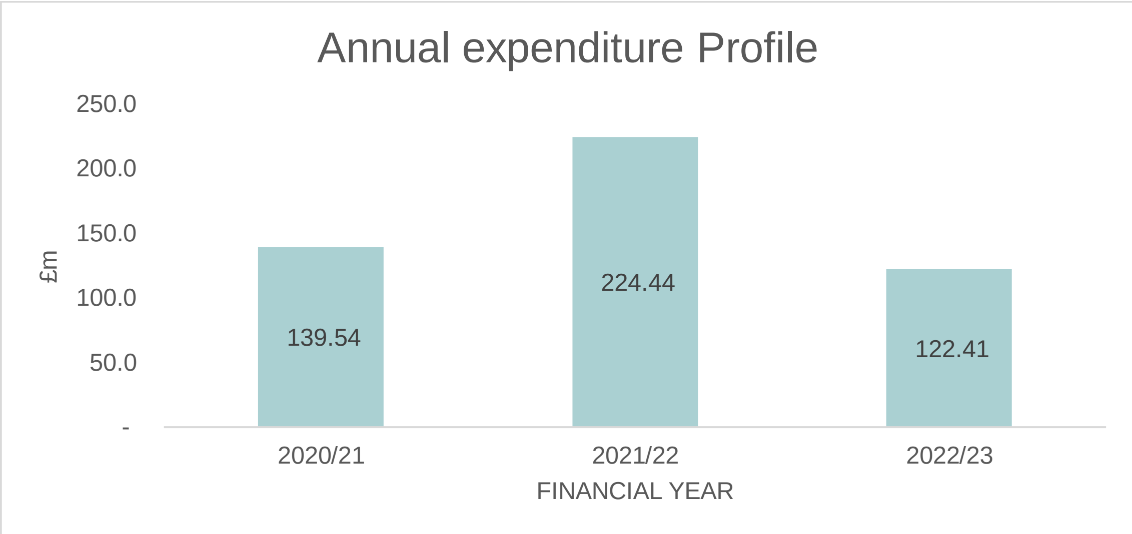
A summary of our forecast expenditure for the business as a whole over the full-term of the existing and pipeline programme is provided below (based on the projection methodologies described above):

Activity	Existing Programme (£m)	Pipeline Programme (£m)	Total Development Expenditure (£m)
Land and Constructions costs	431.91	163.79	595.70
Planning Costs	17.06	3.17	20.23
Fees and Contingency	87.61	23.97	111.58
Working Capital	9.78	3.38	13.16
Capitalised Interest	33.89	5.21	39.09
Grant	-22.60	-4.79	-27.39
Total	557.64	194.73	752.40

This combined development activity will be delivered over the next four years to 2023/24. It should be noted that within that period, it is likely that new schemes will be introduced into the programme and this will obviously alter this financial analysis.

Figure 1 shows our annual funding requirement over the period covered by this business plan based on the projections included within each element of the programme above.

Figure 1 - Medium-Term Expenditure Profile



Working Capital

To deliver a development programme of the scale that is outlined in this Business Plan, we have a staffing structure which provides us with a sufficient level of delivery capacity across all key work areas such as Design, Development, Property, Finance, Engagement, Operations, Marketing, Sales and Management.

Our working capital is currently provided for by a percentage allowance that is included within every individual scheme viability appraisal. This ensures 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).

A provision of £13.16m is included within the current financial modelling for the existing and pipeline programme. This allowance has been used to cover our operations over the last three financial years (since we began trading in 2016) and will sustain the company for the period of the programme presented herein.

The operating allowance included in the programme is therefore estimated to be sufficient to cover our estimated cost up to 2023/24 (which includes all operating expenditure to date as noted above). This underlines the importance of bringing forward the next tranche of schemes to generate sufficient allowance to cover our operational expenditure beyond the period covered in this plan.

Common Ground Architecture

Common Ground Architecture 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 Brick By Brick (with its own internal profit and loss account) which is able to charge commercial fees and is expected to generate a profit. The practice currently consists of a team of c10 architects which take commissions from either Brick By Brick (for internal projects) or from external clients.

The cost of running Common Ground Architecture is not included in the Brick By Brick operating allowance. Instead, where Common Ground Architecture acts as architect for a Brick By Brick scheme it charges a fee to the scheme under the design fees allowance. Similarly, where it performs client-side design monitoring on behalf of Brick By Brick, its fee is charged to a different element of the scheme viability (e.g. professional fees).

This means that Common Ground Architecture actually provides a contribution towards corporate overheads, and this is offset against the overall Brick By Brick operating cost projections.

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
- 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.

In general, this model is considered to be beneficial for us because the profit generated by the practice is returned to the Brick By Brick annual profit and loss account. This means that a 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 our wider programme.

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 sale of social/affordable rent properties to the council's Housing Revenue Account or Croydon Affordable Homes structure. 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 is projected to deliver total receipts of £597m, with a further £210m 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£54m on the total investment in our current residential programme. The blended profit rate associated with this programme reflects the delivery of a higher proportion of affordable homes.

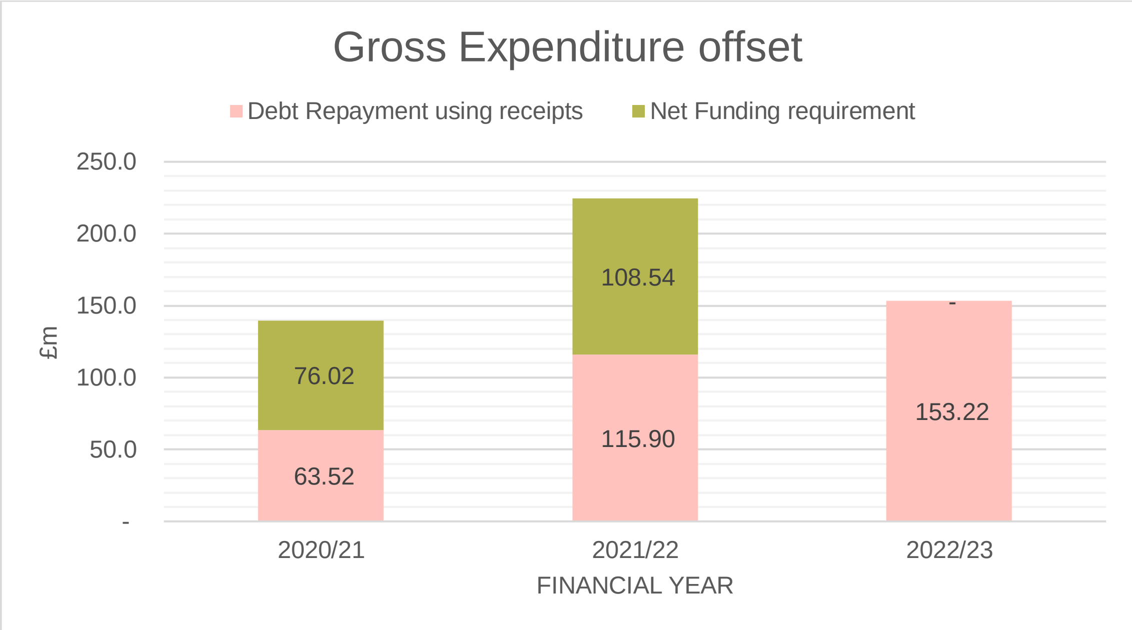
A summary of the key programme metrics is shown below.

Phase	Land Value £m	Total Dev. Costs £m	Gross Dev. Value £m	Units	Afford able	Profit £m	Profit (%)
Existing Programme	34.03	557.61	597.00	1683	49%	39.39	5%
Pipeline Programme	3.32	194.78	209.77	703	83%	14.99	8%
TOTAL	37.35	752.40	806.77	2386	51%	54.37	7.2%

Brick By Brick revenues started in earnest from Q3 2019/20 when affordable rent homes were sold to the LBC's HRA. With sales going live on 5 schemes from Q2 in 2019/20, BBB forecasts a significant number of private sales in this financial year. There are also a number of schemes set for completion in the coming months, so sales activity is expected to ramp up significantly from April 2020.

Revenue from sales will be used to repay the company's loan balance and therefore minimise the levels of debt interest accrued (as demonstrated in Figure 2).

Figure 2 – Net Funding Requirement



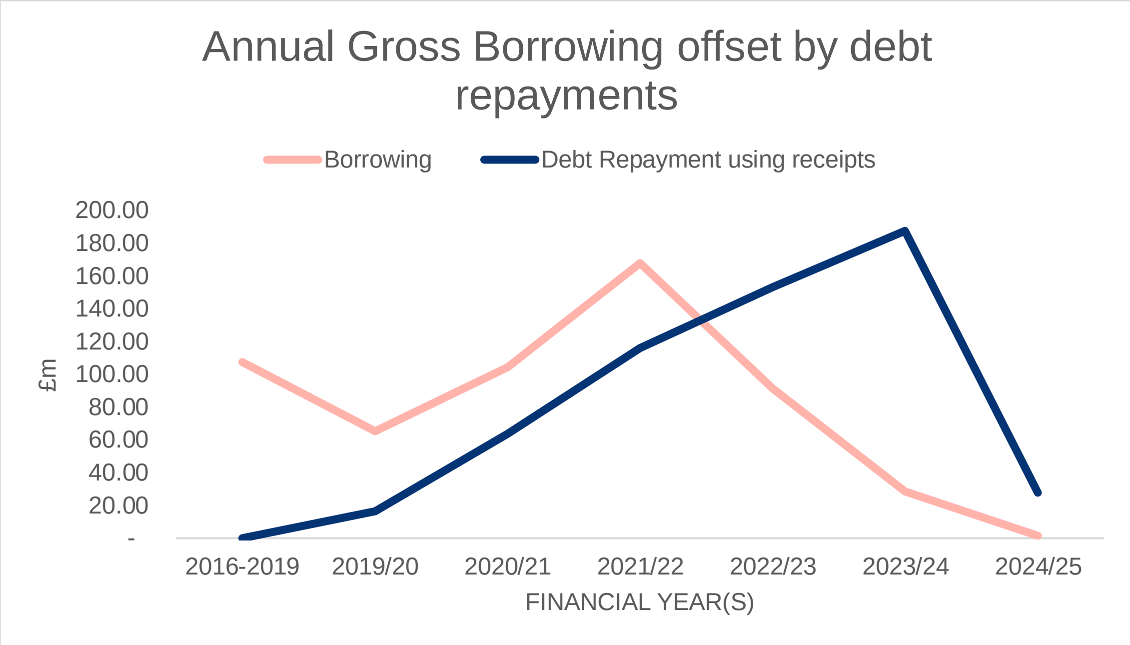
Financing Arrangements

Initially, the Council will be the sole provider of development finance. Our repayment of interest on this debt (and return on equity investment) therefore generates 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 we start to commence sales activity (see Figure 2), a total net financing requirement of £394m is currently projected. 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 in 2021/22 in Figure 4.

As already mentioned, it should be noted that as with any ongoing development programme, when additional schemes are added into the programme in-year or in future years, additional debt will be sought. This will obviously update the debt repayment profile.

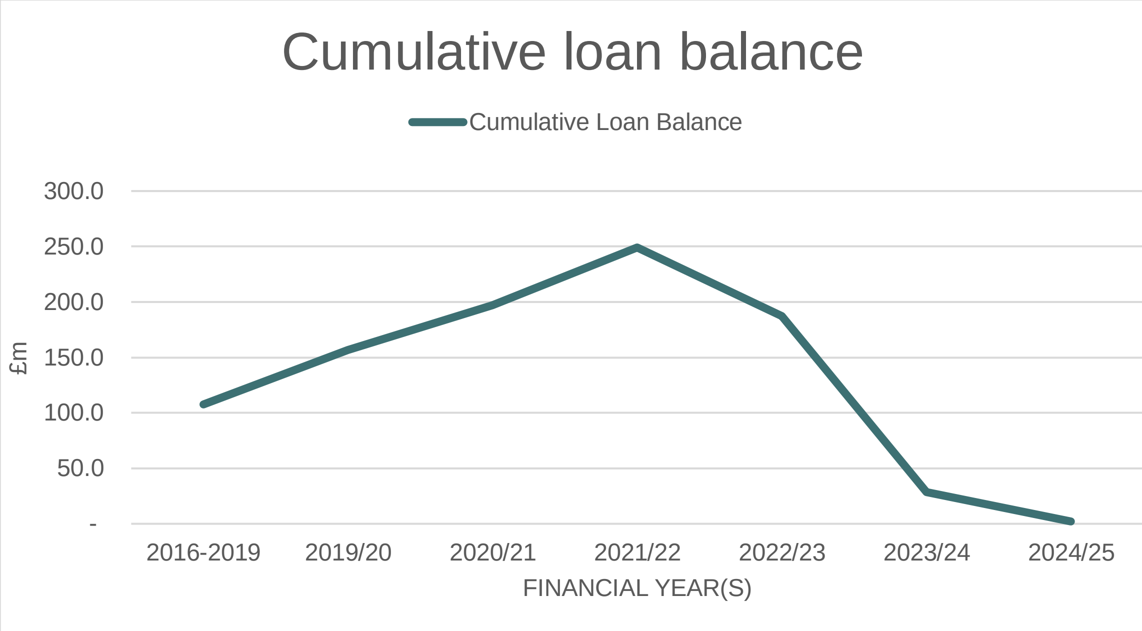
Figure 3 – Profile of net borrowing requirements



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 sufficient notice to arrange funds which are drawn down on a periodic basis according to these programme projections. From our perspective, the profile of borrowing is optimised to provide maximum cash flow security while also minimising interest costs.

We have agreed with the Council that our financing will be arranged on a 75:25 split between borrowing and equity. On this basis, our borrowing is expected to peak at £249m. The repayment of principal will be reviewed annually, and will be largely dependent on how our development activity is expanding, as well as our access to other forms of financing. The current profile of accumulated debt is shown in Figure 4, and demonstrates an assumption that we will repay all borrowing relating to this defined development programme by March 2024 (accruing interest of c£39m over this period).

Figure 4 – Brick By Brick Borrowing Profile



Financial Targets

Based on the figures included in our 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. These targets are summarised below:

	2020/21 £m	**2021/22 £m**	**2022/23 £m**
Profit	7.54	9.61	12.52
Debt Repaid	59.79	109.08	144.21
Interest Paid	3.74	6.82	9.01
Land Value	3.09	1.31	4.54
TOTAL	85.46	126.81	170.29
LBC Equity Share in BBB	21.17	38.63	51.07

These targets are intended to act as prudent financial performance indicators and will be monitored closely on a monthly basis, with regular reporting to the Board. The 2020/21 figures are fixed targets for the forthcoming financial year. The 2021/22 and 2022/23 targets are indicative at this stage and will be reviewed and set annually when the Business Plan is published prior to each financial year.