

SIXTY
BRICKS

SIXTY BRICKS

**10 Year Business Plan
July 2021 – July 2031**

CONTENTS

EXECUTIVE SUMMARY

1. CHAIRMANs INTRODUCTION

2. SIXTY BRICKS – BACKGROUND AND STRUCTURE

2.1 COMPANY FORMATION

2.2 MISSION, VISION and BUSINESS VALUES

2.3-2.6 GOVERNANCE, STRUCTURE and CONTROLS

- Governance and Organisation
- Risk
- Sixty Bricks Board Appointments
- Executive Team recruitment
- Company Organisational Structure
- Establishing a Registered Provider Subsidiary

3. MARKET ANALYSIS OUTLOOK AND PLANNING

4. BUSINESS PLAN PERFORMANCE IN 2020-21

DEVELOPMENT PROGRAMME

- Phase 1 Programme/Scheme Delivery
- Phase 2 Programme/Scheme Delivery
- Social Value
- Fire Safety
- ESG Framework

5. DELIVERING NET ZERO 2021 - 2031

- Programme Commitment to Net Zero
- Planning and Net Zero Strategy
- Specialist Advisors
- Procurement of specialist suppliers
- Cost Vs Value
- Health and Well Being

6. BUSINESS PLAN PRIORITIES FOR 2020-21

- Phase 1 Completions and Sales
- Phase 2 Design, Planning and Starts on site targets

- Growing firm pipeline beyond Phase 1 and 2

7. GROWING THE PIPELINE TO 4,000 HOMES

- Scaling up pipeline vision
- Company new homes target 4,000 homes over 10 year period
- Annual new homes target. 2021 – 2024 / 2024 – 2031
- Growth and Development Strategy
- Solutions to increase scale of delivery

8. CLIENT COMMENTARY

9. FINANCIAL PERFORMANCE

PHASE 1 PROGRAMME – 2020-21 and BEYOND

- Programme Construction Expenditure – Impact of Covid 19
- Multi-Year Cashflow Forecast
- Profit and Loss Forecast
- Return to Shareholder

PHASE 2 PROGRAMME – 2020-21 and BEYOND

- Initial Financial Viabilities
- Investment Required
- Multi-Year Cashflow Forecast
- Profit and Loss Forecast
- Return to Shareholder

COMPANY LEVEL – 2020-21 and BEYOND

- Consolidated Multi-Year Cashflow Forecast
- Consolidated Profit and Loss Forecast
- Consolidated Return to Shareholder

PRIVATE RENT SECTOR INVESTMENT

OTHER FINANCIAL MATTERS

- Sensitivity Analysis and BREXIT
- Banking, HMRC and VAT
- Tax Modelling and Company Legal Structure
- Audit

10. CONCLUSION

EXECUTIVE SUMMARY

The Sixty Bricks Business Plan is to be agreed and approved by board and shareholders on an annual basis. The first 2019-24 Business Plan was first endorsed by Shareholder Committee and the Company Board in May 2019. An updated plan was again approved in July 2020.

Remodelling the Business Plan. Key changes since July 2020 Business Plan:

This 10 Year Business Plan sets a new trajectory for the company. Core elements of the business plan that have changed since previous iterations include:

- **Business Plan Timeframe:** 10 Year Business Plan 2021 – 2031
- **Scale of Delivery:** Ambitious new homes targets with a range of tenures
- **Sustainability Standards:** An ambition to achieve Zero Carbon Homes on all new projects

Our new objectives which are integral to all aspects of our business:

- Be Waltham Forest Council's housing developer of choice
- Deliver 20% to 25% of the housing growth strategy in the Borough over the next 10 years, the Sixty Bricks target will be 4,000 new homes
- Become an award winning, national leader in achieving a net zero carbon development business and providing net zero carbon, environmentally positive, social housing schemes
- Excellence in tender blind design to create mutually supportive mixed communities with shared infrastructure
- Maximise opportunities for residents to gain employment, apprenticeships and training through our investments in the Borough and through these gain skills in building zero carbon developments.
- Promote the 15 minute neighbourhood, by working with the Council to ensure appropriate facilities and infrastructure are available.

This Business Plan is structured as follows:

Section 1 Chairman's Introduction

An introduction from our Chair Paul Lowenberg. This highlights the Company's successes in 2020-21 and the plans for 2021-31 onwards including the new company objectives around exponential growth and our new sustainability standards.

Section 2 Sixty Bricks – Background and Structure

This section reaffirms the Company's mission, vision and business values which underpin the Business Plan as well as its governance and control arrangements and organisational structure as at spring 2021. Changes include the creation of two new sub committees as well as new appointments to our board of directors.

Section 3 Market Analysis Outlook and Planning

This section we provide a review of the current market outlook. Including the impact from the pandemic on costs, values and tenure products.

Section 4 Business Plan Performance in 2020-21

This section provides an update on the excellent work in 2020-21 to continue delivery of a Phase 1 development programme of c300 housing units, c225 of which are affordable at Centenary House, Essex Close, South Grove, Sansom Road and Hylands (phase 1 and 2). All of which are on site with planned handovers throughout 2021 – 2022.

Section 5 Sixty Bricks Delivering Net Zero 2021 -2031

This section sets out our commitment to delivering zero carbon homes and why we have taken steps to ensure it forms a fundamental part of our business planning. In this section we review the planning, cost/value impacts, specialist resource and potential construction methods to deliver quality housing at these standards.

Section 6 Business Plan Priorities for 2021-31

This section sets out the Company's long and short-term priorities including our new 4,000 homes target as well as the year ahead 2020-21. We outline the accelerated construction work scheduled for the Phase 1 programme as well as progress on the Phase 2 "pipeline" and wider new homes targets, including 50% affordable homes.

Section 7 Growing the Pipeline to 4,000 Homes 2020-21

This section sets out our ambitious new homes target of 4,000 homes over the BP period. We show our year on year targets, ways in which we may increase our pipeline and our current firm and indicative programme forecasts.

Section 8 Client Comments

This section includes our client commentary from the Council. It covers the importance of Economic recovery and increasing affordable housing delivery in the Borough as well as bringing forward 15 Minute Neighbourhoods, a core priority of LBWF new Public Service Strategy.

Section 9 Financial Performance

The final section of the Business Plan clearly sets out the Company's financial performance at the end of 2020-21 compared to what was presented in July 2020; and then re-sets the cashflow, profit and loss forecasts for future years based on the priorities for both our firm and indicative programme.

Section 10 Conclusion

1. CHAIRMAN'S INTRODUCTION

As Chair of Sixty Bricks I am pleased to introduce this new 10 Year Business Plan on behalf of the Board Directors, Managing Director and every colleague working for the Company.

I was appointed as the first independent Chair of the Company in October 2020. Joining me were two other independent non-executive directors, John Anderson, formerly Director at Berkeley Group and Sarah Wall, a risk specialist previously at Aviva and consultant at ARA Venn. Alongside our three other nonexecutive directors who are Finance, Development and Housing directors from Waltham Forest Council, we form a strong, unified team.

Our start-up phase was managed by an executive team comprising Interims and officers seconded from the Council. Despite the pandemic, we have our first five schemes on site, which will deliver approximately 300 homes, 220 of which will be bought by the Council adding to the Council's housing stock. Our first scheme is scheduled to be completed in July this year, with the remainder of the phase 1 programme having phased handover dates in 2021 and 2022. A pipeline of 10 sites is currently being evaluated and prepared for planning permission. This will produce a further 500 homes with starts on site in 2022 and 2023, 50% of which will be social housing. Our aim is to grow the business over the next three years enabling us to have 400 house starts per year.

Over the past year the Covid-19 pandemic has created new and unprecedented challenges - but ones that have re-emphasised the important contribution the Company can, and will continue to make, to the delivery of the Council's (and Shareholder's) Economic Recovery Plan.

Three key objectives for the company over this new 10-year business plan:

1. Provide circa 4,000 new homes across a range of tenures helping to significantly contribute to the local plan's target of 27,000 homes over 15 years in the Borough.
2. Provide Zero carbon homes on all future schemes identified within our Sixty Bricks pipeline. Responding to the climate emergency declared in Waltham Forest in April 2019 and providing better quality homes for our customers. Our homes will reduce running costs and promote health and well-being.
3. Deliver social objectives including maximising resident employment, apprenticeship and training opportunities, design solutions that promote supportive mixed communities and support for the Council's 15-minute neighbourhood vision.

By spring 2026 the Company's current Phase 1 and the planned Phase 2 housing development programmes set out in this Business Plan are forecast to deliver a number of substantial benefits to the Shareholder and local community:

- C800 new homes, 50% of which will be affordable
- C400 new Zero Carbon Homes in Waltham Forest
- c£20m of Affordable Housing Grant to support the building of affordable homes
- c£200m of supply chain expenditure to design and build new homes
- c£100m income from the sales of private homes

- c£250m of new Council housing assets (in 40 years' time).

Delivering these benefits requires the Company, Client, Shareholder and supply chain partners to remain absolutely focused on delivering a substantial new homes programme in Waltham Forest on time, to high quality and with a continuous focus on securing value for money.

This updated Sixty Bricks Business Plan sets out how the financial investment, homes constructed, supply chains sustained and financial returns generated by Sixty Bricks business activities directly support the Council priorities and reinforce again the positive contribution the Company can make as *a business with a social purpose that provides practical, sustainable and affordable housing solutions to the local community.*

Paul Lowenberg

Chair – Sixty Bricks

June 2021

2. SIXTY BRICKS – BACKGROUND AND STRUCTURE

2.1 COMPANY FORMATION

Sixty Bricks was established by the Council to deliver both social and economic benefits to the local community and the Council as shareholder. Specifically, Sixty Bricks would:

- Respond to housing need by building quality homes and of these homes a significant proportion will be “affordable” homes for local people in the greatest need
- Create a commercial entity that will deliver a significant amount of new homes on council owned land making better use of council assets
- Retain council control over housing delivery and accountability

On 11 October 2016 the Cabinet agreed the formation of Sixty Bricks Limited as a wholly owned company with the overarching aim:

To develop and subsequently rent and manage properties on a mixture of market and affordable tenures and that the business of the Company extends to the purchase of land and property and allows for the Company to acquire, develop, construct and/or refurbish, and operate residential homes, retail and commercial premises.

Both the Council and the Company recognised the need to use SBL to deliver much needed housing provision in the borough. As a result, on the 26 February 2019 the Shareholder Committee approved an initial Phase 1 development programme of circa £80m investment in hundreds of new homes in the borough over a 5-year period.

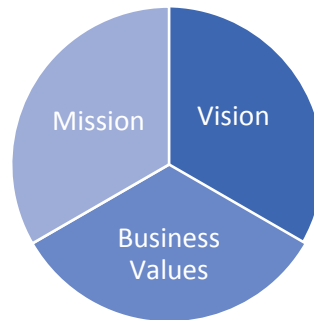
As reported elsewhere in this Business Plan the schemes that make up the Phase 1 programme have now progressed to the construction phase, and a prioritised Phase 2 programme of new sites is being prepared for Shareholder Committee consideration in July 2021.

Since formation our company has considerably grown and alongside this growth expectations and objectives have increased. We are now making a commitment to the number of new homes we will deliver and the highest quality standards in which we set for our customers. During the course of our new 10-year business plan we will become:

- Council housing developer of choice
- Deliver 4,000 new homes (@25% of the LBWF 10 year new housing target)
- Deliver a new homes programme of Net Zero homes
- Offer affordable housing solutions across a range of tenures.

2.2 MISSION, VISION and BUSINESS VALUES

The Company's Board of Directors have adopted three interlocking and practical statements that articulate the organisation's purpose, and vision and business values, as follows:



Our Mission Statement:

To be the net zero carbon developer of choice in Waltham Forest, maximising the social housing provided in a financially sustainable manner ensuring profits are used to bring forward further housing and community benefits in the Borough.

Our Vision is to become:

"The trusted provider of affordable homes for rent and sale in Waltham Forest delivering 20% to 25% of the housing growth strategy in the Borough over the next 10 year period (@ 4,000 additional homes) by delivering value, managing risk and providing excellent service in a commercially aware and socially responsible manner."

Our Business and Social Values are to:

- Operate a financially sustainable business model
- Produce net Zero carbon schemes and promotion of biodiversity
- achieve excellence in tender blind design to create mutually supportive mixed communities with shared infrastructure
- Maximise opportunities for residents to gain employment, apprenticeships and training through our investments in the Borough and through these gain skills in building zero carbon developments.
- Promote the 15 minute neighbourhood, by working with the Council to ensure appropriate facilities / infrastructure is available.

LBWF Public Service Strategy

LBWF have developed a new Public Service Strategy. This strategy focuses on the most pressing challenges in the Borough and allows the Council to quickly respond to the issues Covid-19 has brought to the borough. The new strategy has been split into four key priorities:

1. Connecting People with Jobs
2. Safe and Healthy Lives
3. 15 Minute Neighbourhoods
4. Confidence in our future

Our new business plan will certainly help the Council deliver on these priorities over the next ten years. Delivering 4,000 new homes in the borough of high sustainability standards with a carefully planned design to minimise our carbon footprint will help contribute to all four core priorities and will be demonstrated throughout this plan.

2.3 COMPANY GOVERNANCE, STRUCTURE and CONTROLS

Governance and Organisation

A governance structure has been established that maximises delivery and tax efficiency while also maintaining the level of control and influence the Council as shareholder wishes to retain over the housing delivery programme and its delivery trading companies.

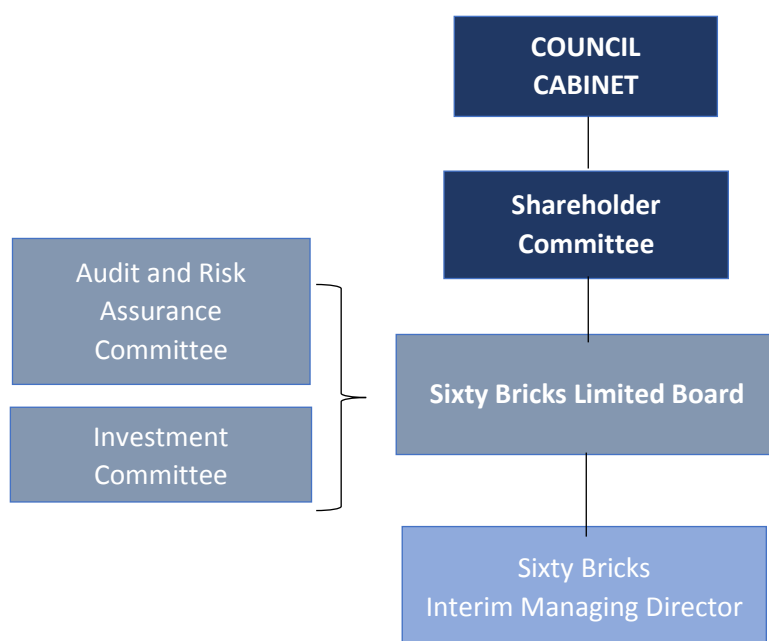
Changes since July 2020

Our structure has changed since our last Business Plan update in July 2020. We have now set up two sub committees of board:

Audit and Risk Assurance Committee – Established early 2021 at the request of our board. This sub committee meets quarterly and reviews our corporate risk register, annual audit work plan, regulatory updates and our approach to financial reporting within the company. Terms of reference have been agreed for this committee and were set in line with guidance from the financial reporting council. The Committee also reports to the Board any non-compliance or Financial Convenience requirements.

Investment Committee – Established May 2021 at the request of our board. This sub-committee reviews our project scheme appraisals prior to being presented at board. This provides board members confidence and assurance of each scheme business case before schemes are progressed to planning submission. Terms of reference have been agreed for this committee.

The governance structure is subject to change however we will ensure that the Company is governed by the Board, while the Shareholder Committee approves the business plan and Cabinet approves financing. As at spring 2021 the governance structure is as follows:



Risks (Append latest JCAD Risk Register)

The Risk management strategy for the Company is headed up by the newly formed Audit & Risk Assurance Committee (A&RAC), which meets and reports back to Board on a quarterly basis. Amongst its duties, are the responsibility to appoint and oversee external and internal audits, as well as approving the risk reporting frameworks.

The Company maintains a risk register with a formal process of regular review and reflection at A&RAC, Board, and LBWF senior management meetings. Cabinet in approving the establishment of the Company in October 2016 considered the risks and benefits of doing so. Establishing development companies for housing and other activity can be a tried and tested route for local authorities to deliver challenging housing targets set by Government.

The Council has taken independent legal and financial advice and followed best practice in the establishment of SBL. Ongoing risks associated with the Company and that of individual schemes are managed in a process driven approach with appropriate risk registers, risk management and escalation supplemented with ongoing external advice and support as required. All these issues are monitored on an ongoing basis by the Board and Shareholder.

There are risks associated with conducting a property development business, such as increasing construction costs, changes in interest rates, legislation, Brexit and changes in the property sales and rental markets. However, the ownership of property over the medium to long term can be considered a strong investment and with a growing demand for affordable housing nationally there is no reason to suggest this will change. The business model benefits to the Council are considerable and compelling; the risks will be managed through preventative due diligence undertaken and the governance and controls in place.

2.4 SIXTY BRICKS BOARD

The Governance and Controls are set out in the Memorandum and Articles of Association, and through the established Board and Shareholder committee. Until October 2020 the Sixty Bricks Chair and Board Directors were senior Council officers nominated by the Council. In the spring of 2020, the recruitment of an independent Chair and Non-Executive Directors (NEDs) was initiated by the Shareholder

This demonstrates significant progress in building the companies leadership team with 3 new board members appointed to our board. Our new Chairman alongside two new Non-Executive Directors were appointed in October 2020.

- **Paul Lowenberg, Chairman**
- **Sarah Wall, Non-Executive Director (and Chair of Audit and Risk Committee)**
- **John Anderson, Non-Executive Director (and Senior Independent Director)**

As at May 2021 the Chair and Directors of the Company are as follows:

Paul Lowenberg	Chairman
Joe Garrod	Company Director
Rob Manning	Company Director
Sarah Wall	Company Director
Darren Welsh	Company Director
John Anderson	Company Director / Senior Independent Director

Company Organisational Structure

Since formation Sixty Bricks have been predominantly operated by dedicated interim and directly employed resources seconded from the Council. The planned approach to recruitment when the company was established:

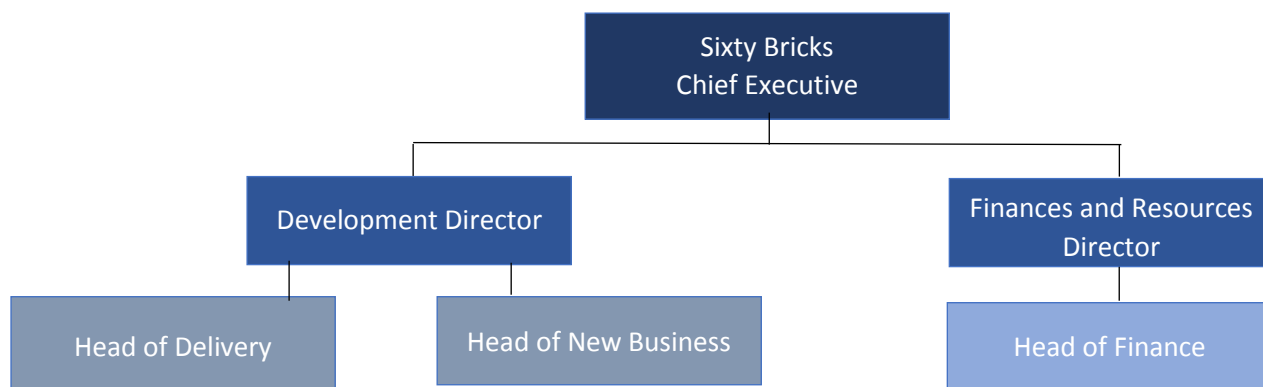
- Build a strong development programme and pipeline where staffing costs can be capitalised against project costs where possible.
- Recruit Independent Directors and Chair to our board
- New Chair and board of directors to appoint the new permanent Executive Team
- The new Sixty Bricks Executive Team begin recruitment of permanently contracted workforce within the company.

2.5 NEW EXECUTIVE TEAM

Following an executive search campaign in spring 2021 the permanent Chief Executive, Development Director and Director of Finance and Resources should start with the company by autumn 2021. Working with the Chair the Chief Executive and her/his new senior team will ensure the company is resourced and ready to plan and execute the strategic priorities and growth objectives set-out in this Business Plan.

It is envisaged that the Chief Executive and executive team will commence and complete recruitment campaigns for permanent senior professional and delivery experts in the second half of 2021-22, so that by spring 2022 the company is predominantly resourced with permanent employees operating under the company’s own terms and conditions of employment and HR arrangements.

The senior leadership organisational structure of the Company is as follows:



The Board have agreed the total benefits packages for the executive team, both cash and non-cash, including a performance related bonus scheme and approved the overall employment policies for the company. At present the majority of the costs of the Company's workforce are charged to development schemes with the residual element funded by working capital.

2.6 Establishing a Registered Provider Subsidiary

Background

As the company expands longer term plans for the Company include creating an appropriate structure that enables GLA and other grants and potentially right to buy receipts to pass through the Company to accelerate housing delivery and improve scheme viability.

To build capacity and retain ownership of our affordable homes programme the company and shareholders may consider the establishment of a Registered Provider "RP" subsidiary.

Why would we form a RP: Sixty Bricks would only consider this if the Council were unable to acquire the affordable homes provision on future sites within our new 10-year programme. Our preferred option would be to always dispose affordable homes back to the Council.

Establishing a RP would be one option and part of a wider review, assessment and solution approved by board and shareholders and would be subject to a business case approval by the Shareholder.

One of several possible solutions for review: Options if LBWF were unable to acquire affordable homes on future pipeline

1. Dispose affordable to an already established RP (several with significant stock sizes already in the borough)
2. Create our own RP
3. Buy a dormant and already established RP

The company board and executive team will be examining the high-level rationale and options regarding Sixty Bricks establishing a Registered Provider of Social Housing subsidiary entity.

Some advantages to forming a RP subsidiary:

1. Direct access to grant from GLA
2. Retain affordable homes within a Council wholly owned company
3. Shared Ownership first tranche capital receipts and ongoing rental income
4. RP's can compete favourably for section 106 opportunities
5. As an "approved provider" RP's are looked upon favourably as strategic partners and within potential joint ventures
6. Potential to de risk some exposure on a larger more complex development.

Possible Challenges and considerations:

1. Registration with regulator: Timeframe for approval and requirements. Significant criteria to achieve in order to become a regulated and approved RP.
2. Cost and governance. Creation of independent board and management team and appropriate positioning of an RP within the Shareholder group
3. Once registered requirement to supply a number of quarterly and annual returns
4. The Regulator has enforcement powers

Future Actions and next steps:

The logical next step is to determine if this entity would be required and if so, how best to create, govern and operate.

If we were to pursue this the company would need to clearly define its expectation from an RP in terms of mission, values, long term strategic priorities and operational benefits. Once in place this will better enable assessment of how to deliver these priorities.

Sixty Bricks executive team alongside company board and Council client team will work throughout 2021 to explore options on why, how and when the company may create a RP and will update in the next iteration of the Business Plan.

We will also begin early engagement with the existing RP operators in the area. While ultimately it may be decided that an entity within the group is the most advantageous option. proactive engagement could provide valuable insight into how a new entity and its intended purpose would potentially compliment or conflict with the intentions of others.

3. MARKET ANALYSIS OUTLOOK AND PLANNING

The Property market has traditionally been a strong investment and whilst there are always periods of challenge and uncertainty there is no reason to suggest this will not be the case going forward in the long run.

Whilst acknowledging that property investment always carries an element of risk given the current pandemic environment further uncertainty has been placed around products, design, services, and business models. Additional risk modelling has taken place within the company to ensure the company can respond in the most appropriate way to market fluctuations and demands.

Whilst reviewing the market outlook for the company it is difficult to set aside the current pandemic which has impacted the industry so heavily over the past 15 months.

Since the first lockdown in March 2020 construction costs, project programmes and values (Land and Property) have been difficult to predict. Longer term planning has required several scenario-based tests to ensure a variety of eventualities can be modelled to establish appropriate risk mitigation and planning.

Market reaction to COVID

We must continually monitor the sector to ensure we are in strong position to react when opportunities or challenges arise. Generally, the market has reacted well to many challenges the pandemic has placed on the sector, supported by public sector interventions to support construction and consumer demand. At the time of writing a renewed confidence in the market has been seen.

Positive ways the industry has reacted include:

- New site safe operating procedures issued by the Construction Leadership Council and in place for schemes on site
- More emphasis on virtual viewings of homes for sale and flexible sales approach
- New design briefs emphasizing a growth in home working provision
- New Affordable Homes Programme

Public Sector Response:

- Virtual planning process
- SDLT reduction due to Pandemic
- Continuation of Help to Buy

Challenges facing Sixty Bricks in both short and long term:

- Availability of land. Potential to see an increased number of deferred land purchases until better clarity of longer-term position emerges.
- Increase in construction costs due to shortage in both skilled labour and materials
- The ability to predict project values with confidence
- Ongoing uncertainty around Covid lockdowns and Brexit red tape
- Consumer confidence
- SDLT incentives end

Availability of Land

Sixty Bricks are fortunate in our position to secure land directly from our partnering Local Authority however to deliver an ambitious new homes target of 4,000 homes we will need to secure sites competitively within the market.

With vendors potentially deferring land purchases and uncertainty around values as we have outlined this makes land acquisition challenging but not impossible.

We will monitor the market closely; ensure we have access to the best advice both locally and nationally and mitigate risk and exposure. The Sixty Bricks Development strategy will outline how we identify, engage and source land on the open market in partnership with, and support of, the Council's growth strategies for Waltham Forest

Product incentives, increased demand

At the height of the pandemic in 2020 many predicted a property price fall in 2021 and a slow down in property sales resulting in a reduction in values. To assist the UK recovery, several incentives have been introduced by the Government. Some of which include stamp duty holidays, mortgage guarantee schemes and new low-cost home ownership models.

Due to these new incentives and strong demand in the Waltham Forest housing market, we are currently seeing a strong demand for homes across our homeownership tenures marketed to date (Shared Ownership and Market Sale). For example, Centenary House our first project marketed to date (due for completion at the end of July 2021) we have a steady increase of reservations with all of the Shared Ownership and nearly half of the market sale homes under offer.

Whilst this is good news for the sector we must continually monitor the market moving forwards and regularly receive updated sales advice to ensure we pitch our homes for sale at the right point in the market. There is no certainty this will continue longer term.

Cost and Values

Due to the unpredicted increased in demand for new homes across the sector we have recently seen challenges around the availability of skilled labour and product materials.

Whilst our Principal contractor operating on our schemes on site mainly has fixed price agreed with sub-contractors this could still prove a challenge with our new phase 2 and pipeline sites. We will ensure this risk is managed during our design, procurement and appointments of contractors to ensure we mitigate this risk by obtaining assurances through the procurement process and prior to tender award. Our appraisal process has clear gateway thresholds at each key stage of the development process, through this we will ensure schemes remain financially viable.

Private Rented Sector

The rental sector demand over the next 5-year horizon was expected to outperform capital growth rates. Due to the product incentives around home ownership it is not yet certain whether this will take effect. The market in Waltham Forest appears to have stayed strong with approx. 40,000 privately rented properties in the Borough.

With many still unable to access the home ownership market even with the new incentives it appears a tenure which Sixty Bricks could contribute to in the future in support of the Council's aspirations are well managed private rented sector in the borough.

With nearly 40,000 private rented homes in Waltham Forest and unemployment rising there is a real fear many of these rented tenants could fall into arrears and a possible eviction process once the Government's eviction ban comes to an end.

This could place greater emphasis on the delivery of additional affordable homes in the borough, a better quality private rented product and an accessible low cost home ownership will prove vital to the market.

Outlook and Summary

We have taken time during this part of our business plan to provide a brief overview of the market outlook. Several elements we have reviewed here are assessed again within our wider business plan.

We have looked at both the current short and longer term outlook for the company analysing important factors facing both the industry as a whole, Waltham Forest and Sixty Bricks:

- Covid impacts to date, positive outlook and future influence within the housing market
- Supply, Demand and future uncertainty
- Cost and Value impacts to programme both on site and pipelined

The Company will work with the Council, GLA, Central Government and industry governing bodies to best position itself to maximise such opportunities and respond to market changes.

4. BUSINESS PLAN PERFORMANCE IN 2020-21

2020-21 was a year marked by the company's growing maturity. Additional senior managerial, programme and project delivery leadership and expertise were added to the company in the first quarter of 2020. This created the capacity for the organisation to simultaneously manage the on-site delivery of its Phase 1 programme, initiate and mobilise new schemes on its Phase 2 development "pipeline" as well as implement new delivery assurance and business improvement arrangements needed by a development company building 300 new homes with an annual turnover in excess of £30m. The following paragraphs outline the company's corporate and operational delivery achievements in 2020-21.

4.1 PHASE 1 ON-SITE DELIVERY

2020-21 was the first full year of construction site activity for the company's Phase 1 development programme. The following paragraphs summarise the scope and scale of activity across five "live" construction sites at Centenary House, Essex Close, South Grove, Hylands I and II and Sansom Road.



300 new homes
under construction



£31.8m construction
investment



c£7m Social Value
contribution forecast

Centenary House

2020-21 was a busy year for the Centenary House scheme and project team. The main contractor, Engie, achieved the "Certificate of Excellence" after scoring highly in a Considerate Constructors audit which found high levels of excellence - beyond statutory requirements - to the neighbour, workforce, and environment. Tremendous progress was made on site during the year with the completion of the external façade and fitting of the sprinkler system, solar panels and lifts. The plastering commenced and mechanical and electrical first fix was achieved in every flat. Following their appointment as Sales and Marketing agent, Red Loft started to work immediately preparing for the sales launch in April 2021. Scheme completion is scheduled for July 2021 and over half of the total sales and shared ownership properties are already reserved.



(Centenary House – spring 2021)

“The Brickworks” - Essex Close

By March 2021 progress on the site’s superstructure, including steel column, masonry works, structural beams, gable walls from roof plate level to ridge, metal decks, lift shaft and roofing work was well underway.

In parallel, the following work on the new buildings’ substructure including piling, ground beams, waterproof membrane and below ground drainage was also completed by spring 2021.

Finally, as the next Sixty Bricks scheme to complete in 2021-22, the internal project team started preparatory planning work with Red Loft to ensure the lessons learnt from the sales and marketing activities at Centenary House were picked-up at an early stage for Essex Close.



(Essex Close – spring 2021)

“The Jazz Yard” @ South Grove

Significant construction progress was made at The Jazz Yard last year despite Covid restrictions. Engie, our contractor, laid the foundations and all groundworks were completed by late March 2021. The frame of the building started to go up at a rate of one floor every 2.5 weeks and the project team worked closely with Council’s Planning service and Bell Philips Architects to select the windows, balcony panels and bricks for the new building. The main contractor also registered with the Considerate Constructors Scheme and awaits the results of the first audit.



(“The Jazz Yard – South Grove, March 2021)

Hylands I and II

Good progress was made at the company's largest and fully affordable, Phase 1 scheme, Hylands I and II. By late March 2021 concrete work was completed across the site, while progress on the individual blocks was as follows:

- Block 1: scaffolding complete at all levels and installation of Steel Frame Systems (SFS) progressing
- Block 2 scaffolding to building in progress. Ventilation, drainage, and ground floor blockwork commenced on two blocks, and,
- Block 3 scaffolding and SFS, drainage and ventilation ducting is progressing at the lower levels



(Hylands I and II – spring 2021)

Sansom Road

By spring 2021 construction progress with the scheme's superstructure included installation of steel columns and structural beams, masonry walls, reinforced concrete slabs and metal decks. Substructure works including piling works, ground beams, tower crane installation, scaffolding, lift shafts floor slab, waterproof membrane and below ground drainage were also completed by March 2021.



(Sansom Road – spring 2021)

4.2 PHASE 2 DEVELOPMENT and MOBILISATION

In parallel with the significant increase in construction activity the Phase 1 programme – outlined above – the company and Council Client work tirelessly to build a “pipeline” of future development opportunities. In July 2020 a refreshed Business Plan was presented to the Sixty Bricks Board, Shareholder and Cabinet. This contained nine priority sites identified for development feasibility studies and Priory Court that comprised the company’s Phase 2 housing development programme. The scale of the programme is graphically illustrated below and the following paragraphs set-out the company’s work since summer 2020 to develop and mobilise a number of the priority Phase 2 sites.



500 new homes
Pipeline Ph2
(50% affordable)



£100m construction



£5m GLA Grant



£60m forecast
sales revenue



£20m forecast
profit before tax

Programme Start-Up

Following Shareholder Committee and Cabinet endorsement of the company’s revised Business Plan in July 2020 considerable progress was made by late March 2021. A comprehensive governance and stakeholder engagement process was implemented by the Council Client for the nine priority Phase 2 sites. This resulted in the following work being completed:

- Shareholder approval for £3.2m to fund multi-disciplinary fees for RIBA Stages 1-3 – July 2020
- Thorough Client Development Briefs issued to the company – October 2020
- Initial schematics commissioned for priority sites by the company – October 2020
- Updated sales and market research reports commissioned by the company – November 2020
- Updated costing reports commissioned by the company – November-December 2020
- Financial modelling review - December 2020/January 2021
- Joint Client and company stakeholder engagement and feedback with Councillors and senior council officers – December 2020/March 2021
- Final RIBA 0 proposals responding to Client Brief prepared by the company – February 2021
- RIBA 0 scheme proposals and viabilities presented to company Board for approval to proceed with detailed design (RIBA 1-3) – March 2021
- Board approval granted to proceed to RIBA 1-3 on Vicarage Road, Osborne Grove, Church Lane Car Park, Chingford Hub, Priory Court and, if the Council’s work to identify a preferred investment approach with residents at Hylands identifies development as the preferred option, Hylands Phase III

- Procurement and commissioning of multi-disciplinary services for RIBA 1-3 for approved schemes, incorporating the company’s zero carbon and sustainability requirements for the Phase 2 development programme – March, spring 2021

Client Requirements

The development of the Phase 2 programme was shaped by the company’s response to the Client’s strategic policy objectives documented in the Client Development Brief. These were issued to the company in October 2020 and articulated both the policy framework and outcomes the Client wished to secure from the redevelopment of each scheme.

The Briefs established a framework of statutory, national, London and local requirements which informed the development of the company’s initial concept designs, including the following:



(50% of new homes are affordable)

Priority Schemes – RIBA 0 Concept Design and Mobilisation

Following receipt of the Client Development Briefs the company completed an intensive period of activity to prepare its RIBA 0 Concept Design proposals for consideration by the Client before seeking formal governance sign-off by the Sixty Bricks Board to proceed with detailed design (RIBA Stage 1-3) in March and May 2021. The following paragraphs summarise the preferred concept designs developed by the company which have received Board and Client approval to proceed to detailed design.

Vicarage Road

The site is a former nursery and is currently vacant. Located to the west of High Road Leyton, Vicarage Road has access to good transport facilities. The surrounding properties are predominantly 2-3 storeys, although some isolated buildings in the locality are significantly taller. The site extends to approximately 0.2 hectares, is level and consists of several buildings of 1 and 2 storeys which the Council identified as suitable for redevelopment.

Of particular interest to the company was the Client’s requirement for 50% affordable housing resulting from any redevelopment, as well as the need to deliver high quality homes at increased height and density. Importantly, the company was fully cognisant of the Client’s intention to achieve net zero carbon homes (across the Phase 2 programme) and the need to future proof the design with increased provision of both flexible floor layouts/play space within dwellings as well as useable external communal amenity space.

In response to these requirements Sixty Bricks developed a preferred concept design comprising 23 new homes of which 12 would be affordable and retained by the HRA. This represents a significant increase in density on the site. With regard to height, scale and massing, the preferred option offers a solution of a tandem development of two blocks, one rising from 3 to 4 storeys in height at the road frontage as illustrated below and a second towards the rear of the site rising from 2 to 3 storeys.



(Vicarage Road - CGI of preferred concept design, as seen from Vicarage Road)

The preferred design included an extensive inventory of specification upgrades to support the Client and Shareholders aspiration to deliver net carbon zero homes, including air source heat pumps, fabric upgrades, electric charging points, rain gardens, solar shading, triple glazing, green roof, enhanced PV provision and grey water harvesting. In addition, the concept design made provision for a Home Zone amenity area between the two blocks that will provide a shared amenity area for residents and essential vehicle access when needed.

The preferred concept design and scheme viability were considered by the Sixty Bricks Board in spring 2021, and authority to proceed with detailed design (RIBA 1-3) was granted.

Osborne Grove

The site is conveniently located to the rear of the pedestrianised Walthamstow High Road with good transport facilities including Walthamstow Central Station within 10 minutes' walk. The surrounding properties are predominantly 2 - 3 storeys and there are some isolated buildings locally which are taller in height. A railway cutting adjoins the eastern boundary. The site is approximately 0.15 hectares and comprises 12 Palmerston Road, numbers 1-2 Osborne Grove and the market storage yard located off Osborne Mews.

Of particular interest to the company was the Client's need to provide commercial space and a new meeting, office and kitchen space for the LBWF street trader team. The client also has a requirement for 50% affordable housing resulting from any redevelopment, as well as the need to deliver high quality homes at increased height and density. Importantly, the company was fully cognisant of the Client's intention to achieve net zero carbon homes (across the Phase 2 programme) and the need to

future proof the design with increased provision of both flexible floor layouts/play space within dwellings as well as useable external communal amenity space.

In response to these requirements Sixty Bricks has developed a preferred option comprising 43 new homes of which 22 would be affordable housing to be retained by the HRA. With regard to height, scale and massing the preferred option offers a solution of the tandem development of 2 blocks, one rising to 5 storeys in height at the road frontage and a second at the rear of the site of 6 storeys adjoining the railway cutting. The division of the scheme into 2 blocks permits the retention of vehicular rights of access to the rear of the properties fronting the High Street and allows the creation of a 'mews' courtyard between buildings.



(Original view of 4 storey proposal as seen from Palmerston Road below)

The preferred design included an extensive inventory of specification upgrades to support the Client and Shareholders aspiration to deliver net carbon zero homes, including air source heat pumps, fabric upgrades, electric charging points, rain gardens, solar shading, triple glazing, green roof, enhanced PV provision and grey water harvesting. In addition, the concept design made provision for a "Mews Courtyard" between the two blocks that will provide a shared amenity area for residents and essential vehicle access when needed.

The preferred concept design and scheme viability were considered by the Sixty Bricks Board in spring 2021, and authority to proceed with detailed design (RIBA 1-3) was granted.

Church Lane Car Park

The site is a prominent site located within Leytonstone District Centre and is a 1-minute walk from Leytonstone underground and bus station and approximately 9-minutes' walk from Leytonstone High Road Station. It runs parallel to the A12 and the Central Line embankment. Along the embankment there are several mature trees that form part of a designated greenway. The site area is approximately 0.25 Hectares and comprises a Council owned car park, MUGA, play area, cycle-hub, and a Community Garden on lease to the Church Lane Community Group.

Church Lane Car Park is identified as a site for development in the Council's site allocations document that is capable of supporting residential development. The Council has included this site within its masterplanning for South Leytonstone and identified the careful attention that would need to be given to ensuring that high quality amenity space is well integrated into any development that comes forward, whilst improving connectivity, surveillance and supporting the Council's ambitions to promote cycling and safe streets. The Masterplan identifies the potential for 629 sqm of Community use at the ground floor with scope for c100 new homes on this site. The Council also has a requirement for 50% affordable housing and the re-provision of the MUGA, cycle hub and play areas which may be included as part of the wider public realm regeneration to the North of the site. Importantly, the company was fully cognisant of the Client's intention to achieve net zero carbon homes (across the Phase 2 programme) and the need to future proof the design with increased provision of both flexible floor layouts/play space within dwellings as well as useable external communal amenity space.

In response to these requirements Sixty Bricks has developed a viable concept design that responds to the Council's Masterplan, with the potential to provide double height community space at the ground floor that opens out onto a new public square, with supporting residential development above and to the south, as envisaged in the Council's Masterplan.

The preferred concept design includes an extensive inventory of specification upgrades to support the Client and Shareholders aspiration to deliver net carbon zero homes, including air source heat pumps, fabric upgrades, electric charging points, rain gardens, solar shading, triple glazing, green roof, enhanced PV provision and grey water harvesting.

The preferred concept design and scheme viability were considered by the Sixty Bricks Board in May 2021, and authority to proceed with detailed design (RIBA 1-3) was granted to enable the company to work with the Council to further understand the scope to deliver a scheme on this site

Chingford Library

The site is located within the North Chingford Conservation Area at the western end of the North Chingford shopping centre on the A1069 Station Road. Chingford Overground Station is approximately 0.5 km and 5 minutes' walk to the east and there are bus stops immediately adjacent to the site. The site area is approximately 0.30 ha and comprises Council owned land which is currently used as a Library and Assembly Hall with an open car parking area which also offers access onto Mornington Road at the rear. The existing buildings are of varying height, predominantly of 2 and 3 storeys but rising in parts to 4 storeys.

Of particular interest to the company was the Client's proposal to create a new Chingford Hub which will provide a variety of facilities to meet Community needs. The new Hub would see a replacement for the existing Library, a multi-purpose flexible space for cultural uses to re-provide the outdated assembly Hall together with provision for a retail café/social arena.

The client also has a requirement for 50% affordable housing resulting from any redevelopment, as well as the need to deliver high quality homes at increased height and density. Importantly, the company was fully cognisant of the Client's intention to achieve net zero carbon homes (across the

Phase 2 programme) and the need to future proof the design with increased provision of both flexible floor layouts/play space within dwellings as well as useable external communal amenity space.



Image shows 5 storey option as it relates to the public realm

In response to these requirements Sixty Bricks has developed a preferred option that features a 6 storey block comprising 43 units. The new library and Assembly hall will occupy the ground and first floor fronting Station Road. An alternative design has however been prepared which addresses community concerns by reducing the overall height to 5 storeys and comprises 39 units. Both schemes remain Subject to Planning and Financial Viability and these aspects can be further addressed during to the RIBA 2-3 design process. The preferred design will include an extensive inventory of specification upgrades to support the Client and Shareholders aspiration to deliver net carbon zero homes.

The preferred concept design and scheme viability were considered by the Sixty Bricks Board in spring 2021, and authority to proceed with detailed design (RIBA 1-3) was granted.

Hylands III

The Council is working through its preferred investment approach for the homes surrounding Hylands Phases 1 and 2. If, following on from detailed assessments and engagement with residents, development is the preferred option for Hylands, this site could form the third site in a phased masterplan to redevelop the existing council housing estate on Hylands Road, Walthamstow. Phases 1 and 2 (120 Affordable social rented units) are adjacent to the site and are currently under construction as part of the company's Phase 1 development programme. The site extends to approximately to 3 hectares, and currently comprises nine blocks of residential units. The site fronts Forest Road to the north, Epping Forest to the east and allotments to the south of the Phase 1 and 2 site.

Of particular interest to the company was the Client's need to address the Council's observations on height, scale and massing that creates a solution on the relationship with Phase 1 and 2 to the site.

The Client confirmed the need to deliver high quality homes. Importantly, the company was fully cognisant of the Client's intention to achieve net zero carbon homes (across the Phase 2 programme) and the need to future proof the design with increased provision of both flexible floor layouts/play space within dwellings as well as useable external communal amenity space.

In response to the requirements Sixty Bricks has developed a viable concept design that creates a relationship with phase 1 and 2 to the site. The concept design includes an extensive inventory of specification upgrades to support the Client and Shareholders aspiration to deliver net carbon zero homes.

The concept design and scheme viability were considered by the Sixty Bricks Board in spring 2021, and authority to proceed with detailed design (RIBA 1-3) was granted, to enable the company to work with the Council and residents to determine their preferred investment approach to the estate

Priory Court

Following on from extensive feedback from residents relating to this scheme, work has been undertaken to re-design the project with a view to:

- Reducing the scale of the proposals
- Maintaining the provision of 50% affordable housing
- Enabling public realm improvements.

A viable concept scheme has now been identified and engagement with the community will recommence on the redesigned scheme prior to a planning submission.

MASSING - SITE A AND SITE C



A: Street Frontage of Site A and Nursery



Option 1: Southern Corner of Site B



B: Looking North to Site C from Priory Court Road

4.3 DELIVERY ASSURANCE and BUSINESS IMPROVEMENT

The company's parallel work on Phase 1 and Phase 2 outlined in paragraphs 3.1. and 3.2 above was facilitated and sustained by concerted efforts to enhance the organisation's delivery assurance and business improvement initiatives during 2020-21. The schematic below and paragraphs that follow outline the wide range of organisational initiatives implemented in the past year.



Board Governance

The strength of the company's Council appointed Board of Directors was further enhanced in October 2020 with the appointment of an independent Chair and two independent non-executive Directors (NEDs) following a thorough search and selection campaign by the Shareholder:

- **Paul Lowenberg** was appointed Chair. Paul is an experienced Non-Executive Chair and Director, and NED on Islington Law Centre and Rightsnet. Paul has also run a public service management consultancy practice for over 25 years.
- **John Anderson** was appointed Senior Independent Director focusing on development and delivery. John is also Chair of Curtin & Co a public affairs company as well as NED at Platform Housing Group. John is a Fellow of the RICS with 40 years' experience in the development industry.
- **Sarah Wall** was appointed NED focused on funding and risk management and she is also currently serving as a NED on the Board of Saltaire Housing. Sarah has spent more than 20 years funding and risk managing investments in affordable housing, property, and energy.

To strengthen its strategic oversight and governance of a growing housing development company, in early 2021 the Board established an Audit and Risk Assurance (ARA) sub-committee. Chaired by Sarah Wall and with Committee members Board Directors Rob Manning and Joe Garrod. The inaugural ARA took place in March 2021 and the focus of its work will be compliance with policy and statutory requirements, internal costs and safeguards, effective governance, risk management and assessing the effectiveness of the external audit.

Covid and Brexit - Business Continuity

Similar to so many organisations during 2020-21 the company spent significant time planning, mitigating, and managing the changing impact of Covid and Brexit on its staff, operations, supply chain, Client, and customers.

The company's Phase 1 construction site were closed in the first national Covid lockdown from late March 2020. Due to the need for Covid secure measures sites remobilised at c80% capacity from spring 2020 and remained open throughout the local and national lockdowns in the rest of 2020-21. The supply of some on-site trades people was constrained in the winter as infection rates and the need to self-isolate rose. This led to some rephasing and resequencing of on-site work – but not wholesale difficulties. Importantly, throughout the pandemic the company construction programme contributed to the Council's Covid Recovery Plan objective of delivering a strong and resilient local economic recovery that benefits local people.

During 2020 the company actively engaged with its key supply chain partners to manage business risks during the post Brexit transition period and the new trade agreement in January 2021. Broadly the key risks to the supply of labour, materials as well as price inflation were effectively mitigated by the company's suppliers; although difficulties in sourcing some materials from EU plants were identified in early 2021 shortly after new trading arrangements were implemented. These have since abated.

Finally, although often overused the term “unprecedented” is apt to describe the unique challenges posed to the company in 2020-21. However, despite these challenges, and working remotely since March 2020, every member of the company redoubled their efforts to ensure the continued success of the Phase 1 construction programme and the development of the Phase 2 “pipeline” schemes.

Supplier Governance

Supplier governance was strengthened in 2020-21 to underpin the first full year of on-site construction for the company's Phase 1 programme. A Sixty Bricks Senior Project Manager client's the professional team for each scheme, led by company's Employer's Agents (EA) – NPSL, Arcadis and Pellings – and Phase 1 construction partner, Engie. The company's project lead met regularly with the EA, who also chair's a virtual monthly site meeting with representatives from Engie and the multi-disciplinary team.

At programme level a Core Group has been established for Phase 1. Meeting bi-monthly and attended by senior EA, Engie and Council Client representatives the Core Group reviews matters of programme wide importance including, Covid, Brexit, Social Value, supply chain management, materials standardisation and cashflow forecasting. In addition, regular bilateral meetings take place between the company, EAs and Engie.

Finally, the company worked closely with the Council's joint venture company, NPSL in the second half of 2020-21, to develop partnership working on the emerging Phase 2 programme. This work generated a revised and improved fee structure as well as greater clarity on the future service offer, delivery assurance arrangements and resourcing of multi-disciplinary services provided by NPSL to the company.

Transition to a permanent workforce

To date the company has been resourced predominantly by interim delivery experts and secondments from the Council. The Board expressed its intention to transition to permanent resources and significant steps to meet this objective took place in 2020-21. During the year the structure of the company was consolidated with an executive team of Chief Executive and two Directors, supplemented by Heads of New Business and Delivery and their teams of senior project managers.

In the second half on the year work to design the company’s Benefits Package for its future permanent workforce was completed. The Benefits Package developed responded to the Board’s strategic intent to move towards more market orientated benefits while remaining cognisant that Sixty Bricks was a wholly owned local authority trading company. The Benefits Package was endorsed by the Board in early 2021 and subsequently supported by Shareholder Committee in February 2021.

Finally, in March 2021 following governance approval, the executive search campaign to appoint a permanent Chief Executive, Development Director and Finance and Resources Director commenced. These campaigns are scheduled to make appointments by late June / July 2021 with the company’s new executive team being in place in the late summer/autumn 2021.

Social Value

The financial value of the company’s housing construction investment in the borough is significant, with the Phase 1 programme totalling £80m, with a further £125m investment for Phase 2. The company made significant progress during 2020-21 to ensure a meaningful financial metric is applied to the social value return secured for the local community and businesses from Sixty Bricks house building programme.

Working collaboratively with a senior Engie representatives and the Council’s Social Value lead in the second half of 2020-21 the company has quantified a range of social value benefits that will be generated during the Phase 1 programme. This information has not been available previously, and although it needs to be verified the table below summarises the scope, scale, and projected value of the social value Engie will generate through best endeavours on each Phase 1 scheme:

Scheme	Estimated Social Value	Primary sources of Social Value
<i>Hylands Road</i>	£3,200,000	Local supplier spend, apprentices, paid work placements and government <i>Kickstart</i>
<i>Sansom Road</i>	£60,000	Apprentices, paid and unpaid work placements
<i>Essex Close</i>	£620,000	Local labour, local supplier spend and apprentices
<i>Centenary House</i>	£850,000	Local labour and local supplier spend
<i>South Grove</i>	£2,400,000	Local supplier spend, apprentices and paid work placements
Total	£7,130,000	

The Social Value contribution arising from the Phase 1 is forecast to be equivalent to just under 10% of the construction investment; and this investment is likely to increase as proposals are verified in the second half of 2021-22. The Social Value returns from the Phase 1 and the emerging Phase 2 programme will form an important part of the company’s ESG Balanced Scorecard Performance Framework.

Sales and Marketing

In preparation for selling its first homes – for outright sale and shared ownership - in 2021, the company put in place a substantial programme of activity in 2020-21 that delivered the following:

- Procurement and appointment of Red Loft as sole sales agent for both tenures
- Standard shared ownership and outright sale leases
- A sales specification for new homes
- Appointed Bevan Brittan as plot sales solicitor, and put in place an independent financial advisor and plot sale lawyers for purchasers
- Successfully completed Help to Buy grant application
- Sales procedures and KPIs, and,
- Handover and Management Protocols.

In addition to the above, the focus in the past year has been on the sale of properties at Centenary House which completes in July 2021. By spring 2021 a social media marketing campaign was “live” and a virtual soft launch event for prospective purchasers took place in April. In addition, the wheelchair accessibility of the new homes was promoted in specialist media and preparations for formal opening in summer 2021 – including a show home – were well advanced. Finally, at the time of writing the sales position as Centenary House prior to the formal launch was very positive with a significant number of people expressing an interest and 7 offers with reservations on homes for sale with Shared Ownership homes also under offer. (these numbers are different from those in an earlier section of the report, please ensure they are consistent)

Fire Safety

Fire Safety has been and will remain a priority for Sixty Bricks. In response to the Grenfell fire tragedy, the Hackitt Review and government consultant “Building a Safer Future” the company took the following action in 2020-21 and key outcomes included:

- Amended the design of all Phase 1 schemes to include fire sprinklers
- Specified the appropriate use of Non-Combustible Materials for designed “tall buildings”
- Commissioned and completed an independent Fire Safety Audit of all Phase 1 schemes to review schemes for compliance and best practice against the emerging regulatory regime around building safety.
- Commissioned External Wall Safety1 forms for Centenary House
- Specified additional on-site monitoring of fire safety work across Phase 1
- Allocated fires safety responsibility within the company, and,
- Amended the Employers Requirements to reflect current regulations and good practice

Development Agreements

The Development Agreement (DA) is a core document expressing the relationship between the Council and individual Sixty Bricks development schemes. The agreements define the funding, lease structures, delivery expectations, profit share and performance requirements the company must deliver. The first DA was signed for Centenary House in 2020-21 and performance reporting arrangements implemented. These arrangements will be extended to the company’s other Phase 1 sites as DA’s are signed early in 2021-22.

Portfolio monitoring and reporting

The growth of the company’s activities in 2020-21 drove improvements in internal monitoring and more comprehensive reporting to the company Board, Client and Shareholder. Effective internal monitoring and reporting at project and programme level has been put in place. This information is consolidated for monthly Client review meetings as well as presented bi-monthly as Programme Dashboard updates to the Board. A more thorough Finance Dashboard was also introduced at the start of the financial year which provide information on the financial status of schemes and programme in delivery, profit and loss, debt, returns to the Shareholder and the impact of the latest scheme appraisals.

Operating Procedures

Working with Altair Consulting ,the company finalised the development of a suite of Standard Operating Procedures covering the end-to-end development cycle. Subject matter experts from Altair and the company generated fit-for-purpose operating procedures that set the operational arrangement from site identification, acquisition, feasibility, pre-planning design, on-site delivery, and post completion as well as governance and project administration arrangements. These will be implemented in 2021-22.

Lesson Learnt

At the end of 2020 the company initiated a lessons’ learnt review of the Phase 1 and 2 programmes. Senior representatives from Engie the EAs and the Client were initially consulted before holding an all staff workshop which discussed areas of strength to be built on, opportunities for improvement and things the company had initially overlooked. This work is ongoing at the end of 2020-21 and will provide very helpful information for the new Chief Executive and his or her executive team.

4.4 ESG BALANCED SCORECARD

In the second half of 2020-21 the company developed a balanced scorecard performance framework that integrated aspects of the Shareholders Return on Investment model with the *Sustainability Reporting Standard for Social Housing* launched in November 2020. As a result, the Board adopted an ESG Balance Scorecard comprising the following four components of performance.



For 2021-22 the Board is establishing a core number of specific finance, social, environmental and governance performance objectives and measures that collectively form the company's ESG Balanced Scorecard. This is to be approved at the July 2021 Board meeting. These measures apply corporately, and will be cascaded to the Chief Executive, executive team, and operational delivery specialists to ensure the entire company is focused on meeting the agreed strategic priorities. The Asset and Risk Assurance sub-Committee will report progress throughout 2021-22 to the Board, while the Chief Executive will ensure the operational management and monitoring of the Balanced Scorecard drives the assessment of employee's performance and bonuses payments (where applicable) and in line with company policy.

5. DELIVERING NET ZERO 2021 – 2031

5.1 OUR COMMITMENT

In April 2019, the council declared a 'Climate Emergency' and committed to launching a Commission "to help shape our local response to this global challenge and to produce a set of policy 'asks' for our regional and national politicians".

The Council is in the process of preparing a new Local Plan for the borough. When adopted it will set out the Council's planning policy for the next 15 years. The council are using the New Local plan as a mechanism to address the climate emergency for New Build developments.

In partnership with LBWF, as a wholly owned company and in response, Sixty Bricks plan to deliver Zero Carbon homes on all sites from the phase 2 programme onwards. This aspiration has been agreed by board.

Net Zero Planning, Strategy and Delivery

The UK government has committed to achieving zero emissions by 2050. The previous target was a 80% reduction by 2050. We believe that a focussed effort should begin sooner and are developing our programme to match our aspirations and our promise on what we see as one of the highest priorities for the company.

Zero Carbon Solutions are being reviewed and considered by our Board, executive team and company as a whole. Sixty Bricks will develop a comprehensive strategy (including a vision of zero carbon housing developments). This strategy will be a key tool in demonstrating how we plan to action on our promise and deliver hundreds of new homes achieving zero carbon emissions. The company is committed to delivering schemes that enable net zero carbon in use as a core deliverable. We are also seeking to achieve as close as possible, net zero carbon build schemes.

We believe this sets apart our company from others in this area. Few developers appear to be making a commitment such as this across their development programmes. We plan to be the first wholly owned company to deliver a fully zero carbon compliant scheme by 2024.

Specialist Resource and Advice

Once the commitment was made by our Board we have taken on specialist advice from sector leading consultants. These consultants have provided training for board and staff members, advice, and direct involvement in setting procurement packages for potential suppliers.

- Developing an understanding of not only what it takes, but also how crucial it is, for us to meet these ambitious goals in partnership with the Council.
- We will aim to procure suppliers, both consultants and contractors, who have experience and proven track record in delivering net zero carbon housing solutions.
- We will be leading the way in this area in comparison to other wholly owned development company's and therefore strengthen reputation and branding of the company.

Cost Vs Value

All of our Sixty Bricks appraisals now include a provision for Net Zero standards. This is built into our procurement packages and scheme business cases taken through our Board for approval. We are ensuring our appointed QS services are including costing for Net Zero uplift and have assumed adequate cost increases as advised.

It is important when examining added costs for zero carbon to balance this with the added value achieved. We are considering three components: direct additional outturn value (e.g. higher sales price), lower energy costs and enhanced health and well-being.

In future schemes we will also be examining whether modern methods of construction including off-site elements may reduce cost while increasing build standards.

6. BUSINESS PLAN PRIORITIES FOR 2021-22

6.1 PHASE 1 – CONSTRUCTION INVESTMENT, COMPLETIONS and SALES

2021-22 will be the peak year for on-site construction investment, coupled with the company's first practical completion – at Centenary House in July 2021, followed by Essex Close (the “Brickworks”) in March 2022. This work will generate greatly increased sales and marketing activity with our partner Red Loft leading to forecast sales revenues of £50m by spring 2022. The schematics below and following paragraphs summarise the key priorities for the Phase 1 development programme in 2021-22:



299 homes under construction



£100m construction investment



65 new homes due for completion 2021



£50m Sales income

Centenary House

The Centenary House development will be the first of the Sixty Bricks developments to complete in July 2021. The scheme will provide 45 one, two and three-bedroom apartments of which 50% will be affordable, including social rented and shared ownership. In the first quarter of the new year the main contractor will be finishing installing fixtures and fittings to all flats and the snagging process will begin. In May 2021, one of the private sales homes will be fully fitted-out as a show home and available to view by prospective buyers. The external landscaping and children's play area will be the last of the work to complete on site before new tenants and home-owners can move into their new homes.

“The Jazz Yard” @ South Grove

The scheme will deliver 83 new quality homes with tenure blind design; 50% of the new homes will be affordable with 20 homes for social rent. By March 2022, the entire frame of the building and roofing works will be complete. All external windows and doors will be fitted, and the building will be fully watertight.

Work will have commenced on the external façade brickwork and work will begin on the internal walls of each of the flats. The project team will also have agreed kitchen and sanitaryware specifications. On sales and marketing, the team will start to work with Red Loft on the sales and marketing strategy for The Jazz Yard, with hoarding designs and marketing material being produced.



(“The Jazz Yard” – CGI of completed scheme)

“The Brickworks” - Essex Close

The scheme is due to complete in March 2022 and will deliver 20 new tenure blind homes, including 50% for social rent and shared ownership; with a landscaped communal garden and play area also delivered.

During the final year of on-site construction, the roof will be insulated, lift installed, and fire safety arrangements implemented. Internal plumbing/soil stacks for kitchens and bathrooms will be completed as well as kitchens (with appliances) fully fitted and tested. Wall and floor tiling/finishes and internal decoration will also be finalised. Common areas and staircases will be finished as well as the scheme external landscaping.

The on-site work will be matched by planning and execution of the sales and marketing programme for the new homes with our sales agent Red Loft. The details of this programme are to be finalised, but the key planning milestones are for marketing of private and shared ownership homes will commence in September 2021, show home will be available in December 2021 with practical completion in March 2022.

Hylands I and II

Completing in late 2022 the regeneration of parts of the estate will provide new Social Rented Homes with 23, 72 and 25 units in Blocks A, B and C respectively. The scheme will deliver 13 fully wheelchair purpose-built homes with 9 dedicated Blue Badge car parking spaces and two Electric Car charging points. Landscaped communal gardens, as well as a new play area for pre-school children and improved estate signage will be delivered. When complete the scheme will provide new homes for 409 people



(Hylands I and II – CGI of completed scheme)

During 2021-22 internal utility connections, and Steel Frame System (SFS) external framing and panelling will be completed to blocks A and C, with B to follow. Further blockwork and external façade brickwork will also proceed with internal SFS partition walls and all external windows and doors to achieve watertight. The first fix, installation of drylining and plaster boarding will be followed by second fix, internal finishing and landscape works at the end.

Sansom Road

The scheme will provide 31 new homes at social rent for people on the Council's housing waiting list. A mix of one, two, three, and, four-bedroom properties are being built as well as three fully wheelchair accessible homes.

During 2021-22 the roofing and wall installation work will be completed, and the structure will be watertight. The external and internal brickwork will be finished as will the plant room lift installation. Façade and balcony cladding will also be completed by spring 2022 and numerous roof works will be finalised, and others will be underway. The roof terrace on the 5th floor will be completed, scaffolding removed, lift installed, and water commissioned; while mains services utilities, drainage and landscaping will be finalised.

The project team will continue to work closely with the Client's operational housing management teams. Site visits with Client stakeholders will commence in early 2022 with a completion and handover date agreed to allow the new properties to be let on completion with the minimum delay.



(Sansom Road – CGI of completed scheme)

6.2 PHASE 2 – DETAILED DESIGN, PLANNING and START-ON-SITE

In spring 2020 six schemes, Vicarage Road, Osborne Grove, Church Lane, Chingford Library, Hylands III and Priory Court delivering circa 500 new homes secured approval from the company Board to proceed to RIBA Stages 1-3 and complete detailed design work of the preferred schemes set out in paragraph 3.2 above, subject to necessary Council approvals. The commentary below outlines the milestone dates, RIBA Stage 1-3 priorities and enhancement procurements the company plans to deliver in 2021-22

Top level Milestone Plan

Approval to proceed with detailed design is the first decision point in a programme of work in 2021-22 that is intended to submit six further schemes for planning approval in the autumn/winter, accompanied by procurement of suitable construction partners – culminating in phased start-on-sites in April, July and September 2022. The schematic below illustrates the top-level milestone priorities during 2021-22 for the three high priority Phase 2 development programme schemes, the remaining schemes are subject to further engagement with the Council and residents and programmes will be forthcoming once finalised:

Phase 2 Development Programme	2021-22												2022-23						
	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mch	Apr	May	Jun	July	Aug	Sept	Oct
Vicarage Road	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Chingford Library	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Osbourne Grove	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
RIBA 1-2 - preparation of design and report		RIBA 2 - Sixty Bricks Board /Client governance				RIBA 3 - Planning Submission/Consent				Construction partner procurement				RIBA 4 - Construction phase start-on-site					

Detailed Design – RIBA Stages 1-3

In line with the milestone plan outlined above, during 2021-22 the Sixty Bricks New Business team will lead the work to develop detailed scheme designs that meet the Client and company’s objectives. Subject to further governance approval by the Client and Board, prior to formal planning submission, the New Business team will manage the six schemes as a coherent programme incorporating the following delivery assurance arrangements:

- Commissioning and appointment of relevant multi-disciplinary services
- Programme and project governance established with multi-disciplinary teams
- Enhanced reporting arrangements implemented with the Client and to company Board
- Pre-planning engagement established with the Council’s Planning Service
- Co-ordinating public engagement and consultation with the Client
- Approval of RIBA Stage 2 and 3 cost reports, design presentations and sustainability requirements

- Preparation and completion of Design Review Panels
- Senior stakeholder, including Councillor, engagement activities, and,
- Governance approval by company Board and Client of final design and financial viability prior to Planning Submission

Enhanced Procurement Capability

Since late 2020 the company has been working to enhance its procurement and commissioning capabilities for the Phase 2 development programme. This work will gain traction and deliver high quality outcomes for the company in 2021-22 as the priority Phase 2 sites progress through detailed design, Planning and towards start-on-site in spring 2022, as follows:

- Separate appointments will be made for multi-disciplinary and architectural/sustainability consultants to maintain a healthy creative tension
- Zero carbon and sustainability requirements have been thoroughly integrated into the company’s specifications, evaluation criteria and scoring metrics
- Bundling of Phase 2 schemes to stimulate market interest
- Developed comprehensive baseline specifications and Client Brief templates which are repeatable across the Phase 2 programme
- As outlined in paragraph 3.3 above the company has agreed an enhanced service offer with the Shareholder’s joint venture NPSL London
- Reaching out to local SME suppliers to explore how they can bid for relevant work
- Assessed a number of national frameworks and procurement platforms that provide a flexible range of procurement solutions that respond to the company’s diverse development portfolio

6.3 GROWING THE “PIPELINE” BEYOND PHASE 2

In addition to the confirmed Phase 2 schemes referenced above in paragraph 4.2 the company is working with the Council to assess the development potential of sites in its ownership as part of the Council’s Strategic Asset Management Plan (SAMP) process. The information provided to the Council is used to inform an assessment against other potential uses for the Council’s land assets. Where the Council determines that it is appropriate for Sixty Bricks to bring forward development on these sites, they will form part of the Company’s pipeline and will be taken through public consultation and RIBA design stages. It is highly unlikely that all sites that the company is asked to assess will be deemed appropriate for residential development. To date, the company has identified potential for 410 homes across assets that have been examined.

The final determination of these sites’ status could make an important contribution to the strategic objectives set-out in this Business Plan – by creating a “pipeline” of future development opportunities beyond the Phase 2 programme in the mid 2020’s. In aggregate the scale of development investment and new homes that could potentially be built on these sites is as follows:

Estimated Development Cost	Estimated New Homes
£143m	c413

At present, there are a number of indicative sites being examined in this indicative “pipeline”.

7. GROWING THE PIPELINE TO 4,000 HOMES

2021 – 2031

7.1 GROWING THE FUTURE “PIPELINE” BEYOND IDENTIFIED SITES

The current “firm” programme (Phase 1, Phase 2) shows a combined number of homes circa 800 with the potential for 410 additional homes contained within the assets currently under consideration by the Council, bringing the total to 1200 homes

- **Phase 1** = c383 Homes
- **Phase 2** = c400 Homes
- **Identified SAMP potential** to date= c410 Homes
- **Total circa 1200** identified homes within the pipeline

The company’s new homes targets set out within this Business Plan aligns with the LBWF Housing Strategy and deliver circa 20-25% of the 18,000 new homes target totalling circa 4,000 new homes. Therefore, we have an indicative programme ask of circa 2800 new homes yet to be identified.

Development Strategy focussed on scale

The indicative part of our programme (c2,800 homes) will be sourced and acquired using a robust growth and development strategy which will be developed by the new company Executive team and approved by board Summer 2021.

Within this strategy the company will set out and agree the approach and resourcing required to deliver this ambitious development programme working in conjunction with the Council. A dedicated land management team may be required.

A mixture of Council and Non-Council owned Land

Whilst the Council remains committed to providing the Company with land to bring forward for development, the company must consider that it can not be solely reliant upon a steady flow of current Council owned sites to meet its delivery targets. The company will need to become highly active in the Borough (with the support of and in conjunction with the Council)with landowners, developers, contractors and agents to ensure the company are building a brand and reputation as commercial developer who can act quickly when the opportunity arise.

Within the new Development Strategy an approval process will be outlined which will ensure the new executive team can act quickly in a competitive market when needed to maximise opportunity and build the pipeline from a largely indicative to a more firm identified programme of sites.

Large strategic sites (many of which are identified as the major master planning sites in the Council’s local plan) will be high priority and an active focussed approach in conjunction with LBWF client will be developed during 2021 to ensure the company are in a strong position to act quickly when opportunities arise.

Annual start on sites required to achieve 4,000 homes

Subject to design, planning and any other unknowns the current identified pipeline should service the companies 2021-2024 programme targets as set out below.

Given the potentially long lead in time from securing large scale development sites, design, planning approval and start on site we must identify sites quickly to ensure we can service our post 2024 programme of 450 homes per year.

Key New Homes Targets 2021 - 2031

- 2021 – 2024 – 300 homes per year (largely Identified within current programme)
- 2024 – 2031 – 450 homes per year (Indicative schemes yet to be identified)
- Aspire to deliver 50% affordable homes on all Council owned land.
- Generate a financial return reflecting the principle that development schemes will secure a 10% profit before tax
- Focus on acquiring sites in collaboration with the Council’s strategic development plans.

Building the pipeline to 4,000 homes

Growth at this level requires working with other partners, landowners/acquirers, S106 opportunities and engaging and encouraging the Council to release larger General Fund (GF) and Housing Revenue Account (HRA) sites. For longer term success and sustainability Sixty Bricks will need to build a pipeline which includes sites that are not within Council ownership.

Further growth opportunities may arise from supporting the development of other Housing Companies and consultancy services, however where possible Sixty Bricks will look to secure growth by partnering with other public bodies to deliver their needs in a structure that returns value to both Sixty Bricks and the partnering public body.



Strategies to be developed for delivery and sustainability group objectives:

1. Marketing and Communications Strategy. To be developed by early 2022.
2. Delivering Net Zero Strategy. To be in place by end of 2021.
3. Growth and Company Development Strategy. To be in place by the end of 2021.

All of the above company strategies will be developed in partnership with LBWF client team, approved by our Board in conjunction with our Shareholder.

8. CLIENT PRIORITIES

Economic recovery and increasing affordable housing delivery

The past year has brought with it unprecedented challenges for our residents, businesses and communities, who have been grappling with not just the direct health impacts of COVID-19 but also the challenges of employment uncertainty and the consequences that this can bring. The housing challenges that were present before the pandemic remain, with thousands of households in temporary accommodation and on the Council's housing waiting list. We do not believe that we have seen the full impact of the pandemic on housing demand just yet, and expect that more households will require the Council's support as the Government halt on evictions and support for employment through the Furlough scheme come to an end.

The Council remains committed to using its assets to continue to bring forward the homes that our residents need. Sixty Bricks has a key role to play in this, growing the number of affordable homes that the Council can let to residents in need and enabling residents to get a foot on the housing ladder through shared ownership homes. Over the past year the Council has worked to develop an investment approach for affordable homes that will enable the Council to continue to commission Council homes through Sixty Bricks. The Council will continue to work through its Strategic Asset Management Plan to identify sites to support the Company's ambition to build a pipeline of 4,000 homes over the next 10 years.

The Council launched its Economic Recovery Plan in 2020, identifying within it over £0.5 billion of investment that the Council will be making in the borough to drive economic recovery. Of pivotal importance in this is ensuring that Council investment is used to support local supply chains and create training and job opportunities for our residents so that social value in the round is achieved through these investments.

15 Minute Neighbourhoods and safe, high quality, climate resilient design

The Council has led the way for many years in promoting walkable, cyclable neighbourhoods well served by amenity space as a means of creating healthier places that people want to live in. During the past year we have seen just how important this has been to our residents. To build further on this, the Council has identified the creation of 15 minute neighbourhoods as a key priority within our new Public Service Strategy. In addition to bringing forward homes and spaces that will support these principles, we will also be working with Sixty Bricks to bring forward homes that can support trends towards increased home working and schooling.

The Council declared a Climate Emergency in 2019, and convened an independent climate commission which reported last year on the range of actions required to enable the Council to meet its zero carbon ambitions. The Council wants to set the standard for future development within the borough and will work towards bringing forward zero carbon development with Sixty Bricks. This will result in not just lower carbon emissions but also lower energy costs for our residents.

As part of the move towards bringing forward high performing homes, the Council is mindful of the 'performance gap' that often exists between scheme design and scheme delivery. We are keen to work to promote Modern Methods of Construction as a means to reducing waste on site, improving

building air tightness and accelerating the delivery of homes. We will work with Sixty Bricks to bring forward volumetric and panelised building system pilots as part of their Phase 2 pipeline.

Following on from the tragic events at Grenfell and the progress of the Building Safety Bill, the Council has reviewed, and continues to review, not only its existing housing stock, but also its forthcoming housing design to ensure that the homes being brought forward meet regulatory requirements and to the extent possible, are future proofed for likely future requirements. We will continue to work with Sixty Bricks to ensure that this is the case.

9. FINANCIAL PERFORMANCE IN 2020-21 and FUTURE YEARS FORECASTS

9.1 PHASE 1 PROGRAMME – 2020-21 and BEYOND

Programme Construction Expenditure 20-21 (movement since July 20)

The value of works delivered during the year totalled £31.7m. Including deferred development interest of £444k this totals £32.2m against the budget forecast of £35m, (92%). This is a significant achievement considering the backdrop of Covid-19 which impacted all sectors during the year, including the construction industry. The actual spend by scheme in 2020/21 is listed below:

Table 9.1.1: 2020/21 Scheme Expenditure

2020/21 Actual Spend on Schemes	Original Forecast £'000	Construction Spend £'000	Deferred interest £'000	Total Spend vs Budget £'000	Variance £'000	%
Centenary	6,426	6,833	179	7,012	586	109%
Hylands	13,664	10,716	0	10,716	(2,949)	78%
South Grove	7,419	7,910	186	8,096	677	109%
Essex Close	2,202	2,187	56	2,243	42	102%
Sansom	3,777	3,301	0	3,301	(476)	87%
Phase1 TOTAL	33,488	30,947	421	31,368	-2,120	94%
Priory Crt (now moved to Phase 2)	1,513	690	22	712	(800)	47%
Other Phase 2 Schemes RIBA 0-3	0	99	0	99	99	n/a
Phase2 TOTAL	1,513	789	22	811	-701	n/a
OVERALL TOTAL	35,001	31,736	443	32,179	-2,821	92%

Multi-Year Cashflow Forecast 21-22 and beyond (movement since July 20)

The multi-year cashflow forecast for the entire Phase 1 programme is summarised in the table below. This shows that c£30m of construction related expenditure, accounting for c32% of the entire programme, was completed in 2020-21. The most significant portion of expenditure c41% is planned for 2021/22 when three phase 1 schemes will achieve or be close to practical completion.

With regard to income and sales receipts, the HRA component of these (c£66m) are broadly fixed and subject to limited movement, with a further c£35m estimated to be achieved through private sales. Any risk or variation to sales market will be subject to comprehensive review by the Board, with mitigating options such as additional sales to the HRA, increase of Shared Ownership units, and /or switching tenure to private rented to be considered.

In aggregate the forecast cashflow for the Phase 1 programme shows a positive net position, or surplus, of c£6.6m over the programme's five-year lifecycle between 2020 and spring 2024.

Table 9.1.2: Phase 1 scheme cashflow forecast

Sixty Bricks Phase 1 Programme	Prior Years £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Total Construction Spend	(13,715)	(29,840)	(38,638)	(9,480)	(635)	(92,308)
Development interest	(67)	(421)	(832)	(913)	(70)	(2,303)
Expenditure	(13,782)	(30,261)	(39,470)	(10,393)	(705)	(94,611)
Sales		0	7,848	22,526	4,539	34,913
HRA Commission			299	691	0	990
HRA Cost Share	9,157	20,920	29,419	5,399	458	65,353
Income/Sales	9,157	20,920	37,566	28,616	4,997	101,256
Net Cash Flow	(4,625)	(9,341)	(1,904)	18,223	4,292	6,645

Profit and Loss Forecast (actual V July 20 forecast)

The net profit from the Phase 1 programme after overheads, interest and tax liabilities (approx. £4m in total) are included, is forecast at £2.6m (from the gross of £6.6m in the previous table 9.1.2). The forecast in the Business Plan of July 2020 was higher at £7.7m but the movement primarily reflects changes to the scope and timing of the Priory Court scheme, which has been moved to Phase 2 of the programme, as well as accommodating new fire safety related costs within the programme. The costs of the additional works required the approval of an additional £1.6m in loan drawdown across the programme, although the financial impact was partly mitigated by higher sales forecasts.

Table 9.1.3: Phase 1 Profit forecast and change from previously reported position

Phase 1 Programme	Previous Years 2017/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	TOTAL £'000
July BP forecast	(1,891)	2,519	704	3,197	3,229	0	7,758
Revised forecast (April 2021)	(1,483)	(533)	1,315	4,375	(896)	(185)	2,593
Change	408	(3,052)	611	1,178	(4,125)	(185)	(5,165)

The forecast Group benefit from Phase 1 programme was reported in the Business Plan of July 2020 and has been updated in the table 9.1.4 below. This shows an interest return to the Council's General Fund of £1.2m, assets to be held by the HRA valued at c£66m, in addition to the estimated profit the Company will generate.

Table 9.1.4: Forecast Group return from Phase 1

Phase 1 Programme	Council Loan Interest £000	Company Profit £000	Value of HRA Assets in YR 40 £000
July BP forecast	£1,670	£7,758	£79,000 rising to £113,000
Revised forecast (April 2021)	£1,174	£2,593	£65,000 rising to £88,000

9.2 PHASE 2 PROGRAMME – 2021-22 and BEYOND

The nine priority sites (now including Priory Court) comprising the Phase 2 “pipeline” and the top-level milestone programme are set below indicating total number of units and tenure mix of each scheme. In aggregate the Phase 2 programme is currently seeking to deliver a total of c522 homes, 234 of which – or c50% - are shown as being affordable on a habitable room basis at this stage of scheme development.

Table 9.2.1: Phase 2 Projected number of homes to be delivered

	Private	SO	GN	Other	Total Units	% Affordable
Cluster A	105	42	64	1	212	50%
Cluster B	110	41	27	2	180	38%
Cluster C	73	25	35	0	133	45%
PHASE 2 PROGRAMME TOTAL	288	108	126	3	525	45%

It should be noted that while the company has undertaken feasibility studies for Cluster C sites, the Council is undertaking wider assessments of the most appropriate use for these sites before they can be confirmed for Sixty Bricks.

This tenure mix has been applied to initial financial viabilities carried out by the Company for each scheme using the agreed appraisal model and incorporating the Client’s latest requirements. The table below summarises the key financial metrics of these initial appraisals. Importantly, at a programme level the nine sites will currently deliver a c11.9% profit before tax (and corporate overheads) totalling c£24.7m. As with the Phase 1 programme each of the Phase 2 schemes are be subject to detailed development and assessment of financial viability before decisions to proceed (or not) are ready for consideration by the Sixty Bricks Board and the Shareholder’s Cabinet.

Funding of the affordable homes in the Phase 2 programme will be secured from the HRA (including GLA Grant). Debt and equity totalling c£98m will be required from the Shareholder (between 2021 and spring 2025) to fund the building of the c288 private sale units in the Phase 2 programme. The peak requirement for this investment is forecast in 2022-24 when c£88m will be required to fund the construction phase of the programme. In addition, funding of c£3.2m has already been agreed with Cabinet to pay professional fees etc to progress the nine Phase 2 schemes through the initial RIBA stages to securing planning consent(s).

Income from the sale of private units is forecast to start in late 2023-24 and then peak in 2024-26 when c£70m of sales income is forecast from the Phase 2 programme. Total receipts of c£109m to repay the debt are forecast by spring 2025/6.

Table 9.2.3: Forecast Borrowing requirement for Phase 2

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Debt	(£360)	(£5,562)	(£30,049)	(£34,655)	(£23,098)	(£778)	(£94,502)
Equity	(£107)	(£91)	(£1,378)	(£1,029)	(£792)	(£333)	(£3,729)
subtotal	(£467)	(£5,653)	(£31,427)	(£35,683)	(£23,890)	(£1,111)	(£98,231)

Repayment	£0	£0	£0	£3,405	£82,394	£12,431	£98,231
						Balance	£0

Multi-Year Cashflow Forecast (movement since July 20)

The multi-year cashflow forecast for the Phase 2 programme is summarised in the table below. This shows a total expenditure, including construction costs, professional fees, and Company overheads, of c£180m between 2021 and spring 2026 to develop the nine priority sites. The period between spring 2022 and spring 2024 is when peak expenditure will occur, with almost £130m spent on the programme's sites.

With regard to income and sales receipts, as with the Phase 1 programme the HRA component of these are broadly fixed and subject to limited movement. However, income of c£125m from the sale of private housing units in the Phase 2 programme is subject to variability and the risk of declining sales values will in part be managed by independent and regular updates on market conditions from independent valuers. Sales income is predominantly forecast to occur between spring 2022 (this not the correct date, revise this to when sales truly begin) and spring 2025 as practical completion of the priority sites is delivered.

In aggregate the forecast cashflow for the Phase 2 programme shows a positive net position, or surplus, of c£24.7m over the programme's six-year lifecycle between the second half of 2020-21 and spring 2026. This figure is net of Company overheads, but before any tax liabilities.

Table 9.2.4: Phase 2 Cash Flow forecast

Sixty Bricks	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Expenditure							
Total Spend	(£1,046)	(£10,470)	(£60,080)	(£66,832)	(£42,594)	(£2,531)	(£183,553)
Income/Sales							
Sales	0	0	£0	£11,952	£97,806	£15,601	£125,359
HRA Commission	0	0	£0	£568	£2,580	781	£3,929
HRA Cost Share	£557	£4,570	£27,249	£28,197	£16,984	£1,420	£78,977
Cash Flow	(£489)	(£5,900)	(£32,830)	(£26,116)	£74,776	£15,271	£24,712

The timing and scale of profit from the Phase 2 programme is driven by the forecast sales of private homes. The table below shows when the sales and marketing activities are forecast to begin and cease for each of the nine sites in the three clusters.

Phase 2 Programme	Sales Start	Sales End
Cluster A		
Priory Court	tbc	tbc
Church Lane car park	tbc	tbc
190-192 Vicarage Road	Nov-23	Feb-24
Cluster B		
Chingford Library	Nov-24	Feb-25
Osborne Grove	Apr-24	Nov-24

Hyland Road	tbc	tbc
-------------	-----	-----

Phase 2 Programme	Sales Start	Sales End
Cluster C		
Cedar Wood House	tbc	tbc
130 Trumpington Road	tbc	tbc
Russell Road	tbc	tbc

As reported above, the sale of private units from the Phase 2 programme are forecast to generate c£125m of income by spring 2026. The table (9.2.5) below shows the annual forecast of profit and loss generated by the programme. The key years are forecast to be 2024 to 2026 when c£20m or c90% of total profit is forecast to be generated. The total profit before tax forecast for the Phase 2 programme is forecast as c£21.7m by spring 2026, which is the £24m programme cashflow less the estimated overhead costs. Subject to agreement of detailed business cases with the Council profit to be recycled back into the business/considered as a dividend payment.

Table 9.2.5: Phase 2 Scheme profit forecast

Phase 2 Programme	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	TOTAL £0
Profit before Tax	(125)	(250)	2,721	19,991	(642)	£21,695

Estimated Shareholder Benefit from Phase 2 Programme

As illustrated in table 9.2.6 below an estimated £4.3m in interest on development loans will be paid in total by the Company to the General Fund. Second, the land value return to the General Fund is forecast at c£13.6m. This excludes the forecast retained profit of the Company.

In addition to these returns the HRA will benefit from the additional assets built by the Phase 2 programme. These are forecast to be valued at c£125m after 40 years with a residual debt to the HRA of c£17.2m at the end of the same period.

Table 9.2.6: Estimated return to Shareholder from Phase 2

Phase 2 Programme	Council Interest	Land receipt to Council	Value of HRA Assets in Yr 40	Residual Debt in Yr 40
Cluster A	£2,289,891	£790,105	£54,950,000	£7,800,000
Cluster B	£1,331,038	£5,330,375	£40,540,000	£2,600,000
Cluster C	£686,136	£7,487,158	£29,820,000	£6,810,000
PHASE 2 PROGRAMME TOTAL	£4,307,065	£13,607,638	£125,310,000	£17,210,000

9.3 COMPANY LEVEL – 2020-21 and BEYOND

The consolidated multi-year cashflow forecast for the Phase 1 and 2 development programmes is summarised in the table below (Phase 3 is not included). This shows that construction expenditure is forecast to be most significant in the two years between spring 2022 and spring 2024 when c£140m will be committed on the final stages of Phase 1 in parallel with peak investment in the Phase 2 programme. Total investment in the Phase 1 and Phase 2 programmes is forecast to be in excess of c£278m by spring 2026.

With regard to income and sales receipts, as noted above the HRA component (c£149m) of these items are broadly fixed and subject to limited movement, with estimated private sales income of c£160m.

In aggregate the consolidated cashflow forecast for Phase 1 and Phase 2 programme shows a positive net position, or surplus, of c£30m over the seven-year lifecycle between 2019 and spring 2026.

Table 9.3.1: Consolidate Cashflow forecast

Sixty Bricks	Prior Years £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Expenditure								
Total Spend	(£14,597)	(£32,251)	(£59,047)	(£67,821)	(£65,740)	(£39,112)	£0	(£278,568)
Income/Sales								
Sales	0	0	7,848	22,526	16,491	113,407	0	£160,272
HRA Commission	0	0	299	691	568	3,361	0	£4,919
HRA Cost Share	£9,612	21,409	39,471	31,160	27,647	15,030	0	£144,330
Cash Flow	(£4,985)	(£10,842)	(£11,429)	(£13,443)	(£21,035)	£92,687	£0	£30,953

Consolidated Profit and Loss Forecast

The net profit forecast after overheads and other costs have been deducted from the scheme cashflows are included as below. It is expected that there will be profit reserves of c£24m by 2026.

Table 9.3.2: Consolidated Profit forecast

Consolidated Programme	Previous Years 2017/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	TOTAL £'000
Phase1	(1,483)	(533)	1,315	4,375	(896)	(185)	0	2,593
Phase2		0	(125)	(250)	2,721	19,991	(642)	21,695
Total	(1,483)	(533)	1,190	4,125	1,825	19,806	(642)	24,288

Consolidated Return to Shareholder

The scale of the potential financial contribution made by the Company's Phase 1 and 2 development programmes to the Shareholder is summarised in the table below.

In total the Company will make interest payment of more than £5m to the Council's General Fund, while the combined retained profit (before tax) of the two development programmes is forecast to be in excess of £24m by spring 2026 – subject to usual caveats including business case approvals, gross development values obtained, procurement, tender price inflation etc

With regard to the HRA, the new affordable housing units built by the Phase 1 and 2 programmes are forecast to be valued at c£213m in 40 years' time, with a residual debt of c£73.8m. These figures clearly illustrate the scale of the financial returns the Company will be generating for the Group between now and spring 2026.

Table 9.3.3: Estimated group return from Phase 1 and Phase 2

Programme	Council Interest	Company Profit (£)	Value of HRA Assets in YR 40	Residual Debt in Yr 40
Phase 1	£1,174,000	£2,593,000	£88,000,000	£56,500,000
Phase 2	£4,307,065	£21,695,000	£125,310,000	£17,210,000
COMPANY TOTAL	£5,481,065	£24,288,000	£213,310,000	£73,710,000

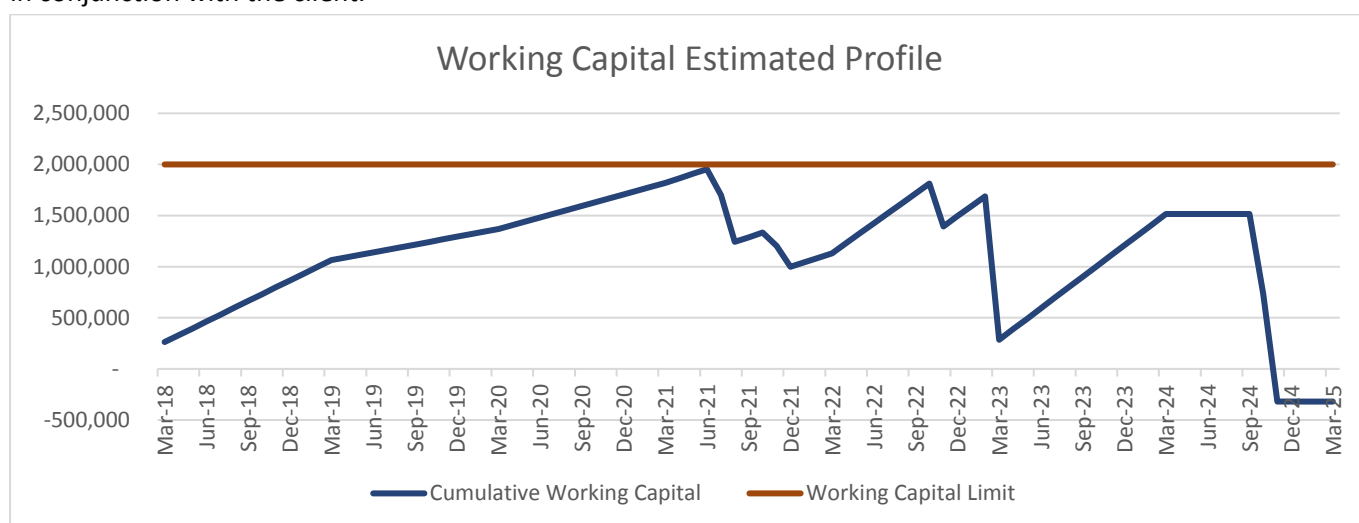
9.4 FINANCIAL COVENANTS

There are two key financial covenants that Sixty Bricks need to adhere to in line with the loan and equity agreements with the client.

- (i) Keep within £2m working capital borrowing limit
- (ii) Equity drawdown to stay within 30% of non-affordable spend.

As a learning organisation, Sixty Bricks is keen to demonstrate these covenants are actively monitored and reported to relevant stakeholders of the Company, including the client monthly client meetings.

The graph below is an indicative illustration of the working capital loan profile and the planned repayment in line with scheme completions. It is expected that Sixty Bricks can operate within its working capital limits, and that for future schemes, Sixty Bricks will manage its own working capital cashflow. There are some mitigating action plans in place in the event of slippage and are reviewed in conjunction with the client.



9.5 PRIVATE RENT SECTOR INVESTMENT

Planned PRS Programme approach

As demand for rental property continues to be strong in Waltham Forest it is appropriate for Sixty Bricks to examine this sector of the property market as a potential component of its future programme. Typically, low-risk and income focussed, the opportunities could be lucrative and deliver an immediate income to the Company. Benefits include an immediate revenue to Sixty Bricks with a variable net yield % depending on the specific scheme, plus a retained asset capital growth which could in turn increase in value over a period of time. To date Sixty Bricks have established close links in the industry and regularly review opportunities when they present themselves. Of course, any scheme of this nature would entail new obligations on Sixty Bricks including management of the stock, tenancy and voids management and high profile tenant communications. These would all be assessed in detail prior to any project recommendation, as would a detailed financial appraisal with threshold performance measures agreed by the Board. Should the company wish to bring forward a PRS scheme the business case would need to be approved by the Shareholder.

Alternative risk mitigation option on Homes for Sale

Early indications suggest that projected values can be achieved on homes for sale. However, the amount sales values could drop could depend on several factors including location, type of housing and type of sale product being offered. Therefore, this is a risk to Sixty Bricks ROI which needs to be monitored.

The Board will continue to assess sales risk and carry out options appraisals to mitigate financial impact. This may include (but not limited to) additional sales units to the HRA, more Shared Ownership sales, and/or switching tenure to PRS.

9.6 OTHER FINANCIAL MATTERS

Sensitivity Analysis and Brexit

To allow the Board to set appropriate tolerance thresholds before allowing schemes to progress through the development gateway process, various sensitivity analysis have been run using a number of scenarios. This include inflating overhead costs, sales values reduced, construction costs increased and mix of units varied, as well as applying different interest rates.

Banking, HMRC and VAT

The company has been working hard to set up the required financial infrastructures to run payment and tax systems smoothly. SBL banking provider is Barclays and the account is now live. The adjustments to SAP are all progressing well.

SBL has registered formally for VAT and the trading and reporting period has been amended to align with the Council financial year of 31 March. VAT and returns are prepared and submitted on a quarterly basis and this along with the accounts which are submitted annually. Any VAT payments are made on a quarterly basis.

Tax Modelling and Company Legal Structure

The Council working with SBL are and will continually review on an ongoing and appropriate basis Tax and structural modelling to maximise efficiencies and returns to the Shareholder and to ensure the Company is continually compliant with any changes in legislation and the Council's overall commercial approach and structure.

SBL recognises the need to scale the business and potential by working with partners that have complementary expertise, objectives and values. SBL will require development sites at competitive rates and recognises that partners can often bring speed of negotiation and completion for sites that would not reach market or agents.

Trowers & Hamlins (TH), as well as PriceWaterhouseCoopers (PwC) have and are providing ongoing advice on the structure of SBL in order to further mitigate financial risk and exposure.

Audit

SBL accounts were audited by Barnes Roffe LLP for 2019/20 and received a positive unqualified audit. The Company is now selecting the auditor for 2021/21 with a view to sign off accounts by July/August 2021.

An internal audit was completed in February 2021 carried out by Price Waterhouse Coopers, and commissioned by the Client (LBWF). The focus was to assess Sixty Bricks risk, controls and governance arrangements. The outcome was also very positive with no significant control issues picked up, and the Company was given an overall 'reasonable assurance'.

The Auditors raised one medium priority risk relating to consistency of risk reporting, and three minor housekeeping recommendations around documentation of roles and responsibilities and data protection. The company, led by Audit and Risk Committee, has put appropriate actions in place in response to the recommendations.

10. CONCLUSION

This new 2021-2031 Business Plan sets out a period of significant change and growth for the company. Changes in the last reporting period to Shareholder and future change which will set a new trajectory of growth and quality standards for the business.

We have highlighted from the outset in our Chair's introduction and detailed in the new Business Plan our vision with the commitments, actions and planning required to deliver it.

Key areas of change we have delivered since our last Business Plan update:

1. New NED and Independent chair appointments
2. New Sub Committees to Board
3. Ambitious new vision and programme to build 4,000 new homes on site
4. New commitment to deliver net zero carbon on all new homes delivered by the Company
5. Recruitment to permanent workforce for the company
6. Performance objectives delivered during 2020-2021 (Phase 1 Delivery and Phase 2 pipeline building)
7. Company turnover exceeding £31m 2020-2021
8. Considerations of establishing a RP

Future Company strategies and development:

1. Development and Growth Strategy
2. Net Zero Strategy
3. Marketing and Communications Strategy
4. Evaluation of a Private rented programme proposal
5. Securing new Acquisitions competitively and building the firm pipeline
6. To be the lead developer of choice for Waltham Forest Council

We will deliver a updated annual Business Plan in Summer 2022.

From the company, board, and our shareholders we are dedicated to delivering on our commitments set out within this business plan.

Not only will we build thousands of much needed housing in the Borough we will work alongside the Council to improve residents lives in Waltham Forest through opportunities in work, health, environment, and housing.