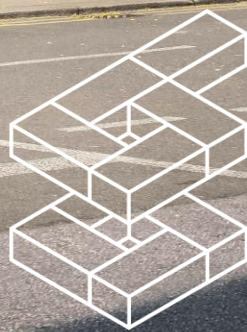


# Sixty Bricks

## Business Plan

### 2023-203



**SIXTY  
BRICKS**

Building communities by  
Waltham Forest Council

# SIXTY BRICKS

## BUSINESS PLAN 2023-37

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# EXECUTIVE SUMMARY

The Sixty Bricks Business Plan is agreed and approved by the Company Board and Shareholder. The first Business Plan was endorsed by Shareholder Committee and the Company Board in May 2019. Updated plans were again approved in July 2020 and 2021.

This Business Plan includes the period of performance from July 2021 until December 2022 and the future outlook from January 2023 until 2037.

## Key updates since July 2021 Business Plan include:

- **Sixty Bricks contribution to wider Council corporate objectives.** Our planned contribution to the new Council 's pledge to deliver 1,000 Council social rented homes
- **Social Value Delivery:** Significant social value added through our delivery programme
- **Sustainability Standards:** A new Zero Carbon Home Strategy and Implementation Plan
- **Business Plan Performance:** Summarising performance against objectives through our new ESG Balanced Scorecard performance framework.

## Our 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 5,000 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
- 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 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 2021-22 and its plans for 2023-37 onwards including new growth objectives and net zero 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 December 2022. Changes include the creation of two new sub committees as well as new appointments to the Executive team.

### **Section 3 Market Analysis Outlook and Planning**

This section provides a review of the current market outlook, including the impact from the pandemic, rising build costs, labour shortages, war in Ukraine, market values and tenure products.

### **Section 4 Business Plan Performance in 2021-22**

This section provides an update on the excellent work in 2021-22 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). Excluding South Grove all have now complete and are handed over to housing.

### **Section 5 Sixty Bricks Delivering Net Zero 2023 -31**

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 2023-31**

This section sets out the Company's long and short-term priorities including our new 5,000 homes target as well as the year ahead 2022-23. We outline the construction work scheduled to complete 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 5,000 Homes 2021-22**

This section sets out our ambitious new homes target of c5,000 homes over the Business Planning period 2022 to 2037. Delivering this programme will contribute c20% of the Council 's target of 27,000 new homes in the next 15 years, with 1.000 new homes starting by spring 2026.

### **Section 8 Client Comments**

This section includes the Client commentary from the Council. It covers the importance of the new administration housing manifesto pledge, economic recovery and increasing affordable housing delivery in the Borough as well as bringing forward 15-Minute Neighbourhoods, a core priority of Waltham Forest's new Public Service Strategy.

### **Section 9 Financial Performance**

This section clearly sets out the Company's financial performance at the end of 2021-22 compared with what was presented in July 2021; and then re-sets the cashflow, profit and loss forecasts for future years based on the priorities for both our firm and indicative programmes.

### **Section 10 Conclusion**

The final section reiterates the Company's key objectives, achievements, and future priorities as set-out throughout the Business Plan.

# 1. CHAIRMAN'S INTRODUCTION

I am pleased to present this updated and revised 15 year business plan for the period January 2023 – March 2024. The period we have just completed from April 2021 has been an extremely challenging one, coping first with the pandemic and over the recent period the rapid increase in interest rates and uncertainty this has created in the housing market.

The Sixty Bricks team working closely with Council partners have achieved excellent results. Four of our five phase 1 schemes have been completed and the final one will be handed over before Christmas. We will have delivered 300 homes, 225 of which are social housing rentals being added to the Council's housing stock. We are on target to achieve our financial as well as social value objectives.

We are now progressing five further sites at various design and planning stages which are targeted to deliver approximately 300 homes, 50% of which will be social housing. As part of our strategic commitment to be a leading net zero carbon developer, these are all being designed to this standard with ultra low energy requirements for residents. These schemes are planned for starts on site in late 2023 through mid 2024.

We have reviewed how the Company can best support the Council strategic growth, climate emergency and housing objectives.

First, the Council's Local Plan targets to achieve 27,000 additional homes over 15 years. As the housing developer of choice, we have set ourselves a target to deliver at least 20% of these homes, so through the period to 2037 this sets us a target of approximately 5,000 homes. Over the life of the current Council to April 2026 – we are seeking to achieve a minimum of 1,000 new housing starts, with 600 on site by April 2025.

Over the past year we have developed a net zero carbon strategy and an ESG scorecard (environmental, social and governance). We are now committed with the support of the Council to deliver our future schemes at, or as close as possible to, net zero.

We will continue to maximise the overall social value contribution that we make to the community both through employment, training and apprenticeship opportunities, and also through social value infrastructure required on specific scheme to promote the Council's 15 minute neighbourhood vision.

This plan will deliver by spring 2026:

- Approximately 1000 new housing starts, with 50% being affordable units (c500 homes)
- The great majority of these homes will be net zero carbon
- A combined profit on the Phase 1 and 2 development programmes of c£9.2m, and,
- Generate c£12m Social Value benefits for the local community from c£200m of investment in the Phase 1 and 2 development programmes

The Company has been recruiting to fill key positions over the past year to move from a team that was largely interim to a permanent one. We have recruited a new Chief Executive, Emma Osmundsen, who starts on the 3<sup>rd</sup> January. She was previously MD of Exeter City Living Group Ltd. Also over the past year we have recruited a new Development Director, Jennifer Currier (who came from Guinness), and a new Operations Director, Eleanor Bowden (who came from Homes England). They join our Finance Director, Jahangir Mannan so we now have the complete executive team.

On behalf of myself and the Board I want to thank James Briggs our CE, who will be leaving the Company in January. Much of the success of the Company has been the result of the exemplary performance he has achieved over his five years at Sixty Bricks. We wish him the best in his future endeavors.

Finally, over the year we have had one change in Board Membership. Darren Welsh resigned from the Board in July, when he was appointed as Corporate Director of Housing at Waltham Forest Council . Darren was the original Company Chair from start-up until I started in October 2020. He has played a crucial role on the Board. He has been replaced by Jonathan Martin, who is the Director of Inward Investment at the Council .

Sixty Bricks success is based on the exceptional working relationship with have with the Council at both officer and member level. We are committed to strengthening this yet further in the coming period, to ensure that we secure continuous improvement to deliver timely, high quality, value for money results.

This plan sets out how Sixty Bricks will contribute to Council and community priorities as a business with a social purpose providing practical, sustainable and affordable housing solutions.

Paul Lowenberg  
Chair – Sixty Bricks  
November 2022

## 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 number 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 Sixty Bricks 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.

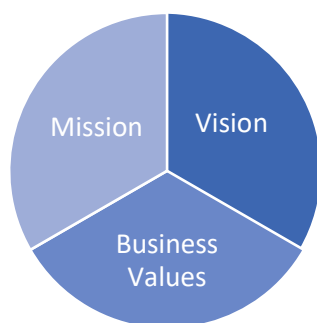
The c£100m Phase 1 programme mobilised in late 2019 and by late 2022 following the handover of Centenary House in August 2021, both the Sansom Road and Essex Close schemes were handed over in October 2022. In early November, the first block of the Hylands scheme was handed over, with the remaining homes being handed over by late November. It is expected that the South Grove (The Jazz Yard) development will hand over by early December 2022. By the end of 2022, the Company will have handed over 300 homes, of which 74% are affordable and 68% are social rent.

As set-out in this Business Plan, in response to the new Council’s manifesto “pledges” the Company intends to submit a number of Phase 2 development programme schemes for planning determination during the winter of 2022-23 with start on sites scheduled for summer 2023 onwards.

### 2.2 MISSION, VISION and BUSINESS VALUES

The Company’s Board of Directors has adopted three interlocking and practical statements that articulate the organisation’s purpose, 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 15 year period (c5,000 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 tenure 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 are available.

**Council “Pledges”:**

Local elections took place in May 2022. The Labour Party Manifesto made five pledges that underpin the new Council’s priorities for the four years from 2022 until the next local elections in spring 2026:

**Pledge 1**  
Invest in community's future with university campus,  
new health centres and new youth hubs

**Pledge 2**  
Best place to grow up and age well

**Pledge 3**  
Safer, cleaner and greener Borough

#### **Pledge 4**

Help community through pandemic  
and cost of living crisis

#### **Pledge 5**

Ensure a decent roof over everyone's head  
and 1,000 new council homes

The importance of the Company's positive contribution to the delivery of Pledge 5 is clear. However, throughout this Business Plan Sixty Bricks is able to demonstrate how its business priorities support the delivery of all five of the Council's pledges.

## **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 2021**

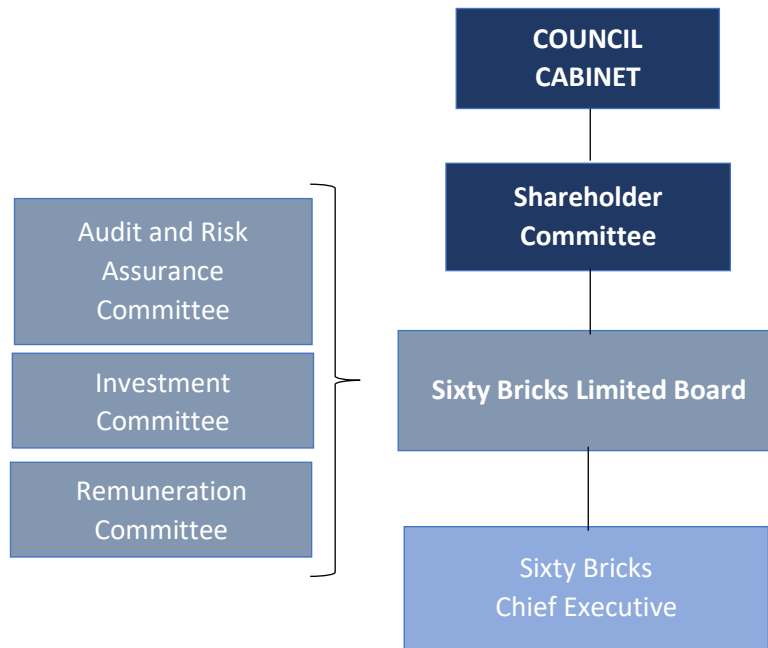
2021-2022 was the first full year of operation for three sub-committees of the Company Board:

**Audit and Risk Assurance Committee** - 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** – this sub-committee reviews our project scheme appraisals prior to being presented at Board. This provides Board members with confidence and assurance of each scheme's business case before schemes are progressed to planning submission. Terms of reference have been agreed for this committee.

**Remuneration Committee** – this sub-committee reviews the annual performance bonus scheme for the Chief Executive and executive team as well as considering the Company's provision for CPI inflation. Terms of reference have been agreed for this committee.

With these revisions, the governance arrangements have been strengthened to ensure the Sixty Bricks Board undertakes best practice, while the Shareholder Committee approves the Business Plan and Cabinet approves Company financing and individual projects. The governance structure is as follows:



**Risks**

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, is 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 Council 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 activities 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 Sixty Bricks. 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 strong and ever-growing demand for affordable housing in Waltham Forest 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. During 2021-22 the composition of the Company's Board remained stable and resilient following the appointment in October 2020 of a new Chair alongside two new Non-Executive Directors as follows:

- **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 autumn 2022 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
Jonathan Martin	Company Director
John Anderson	Company Director / Senior Independent Director

Darren Welsh has been replaced by Jonathan Martin as a Council nominated Director with effect from the Board meeting in September 2022.

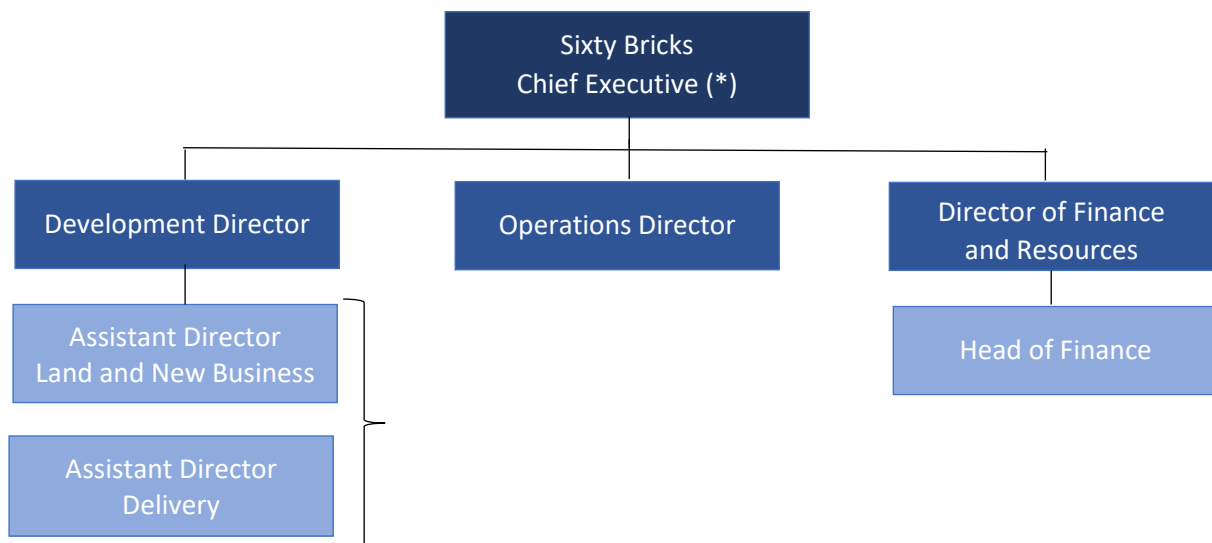
## 2.5 DEVELOPING THE COMPANY ORGANISATIONAL STRUCTURE

The Company strengthened its executive and wider leadership team during 2021-22. In summer 2021 a permanent Director of Finance and Resources commenced, and the rest of the Company's finance team was resourced by late 2021.

In late February 2022 the Company welcomed a permanent Development Director to the executive team, followed in spring 2022 by a recruitment campaign to appoint two Assistant Directors of Land and New Business and Delivery. The successful candidates commenced permanently in autumn 2022.

In parallel with this work, the capacity and resilience of the Company's executive team was further strengthened by the establishment and appointment of a permanent Operations Director, who commenced in autumn 2022.

As a result of this work, by autumn of 2022, the Company's executive team and wider leadership group will, as planned, have transitioned from a predominantly interim workforce to a permanent one as follows:



(\* in early January 2023 James Briggs departs as Sixty Bricks Chief Executive, to be replaced by Emma Osmundsen)

## 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 of 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 the Council were unable to acquire affordable homes on future pipeline:

1. Dispose of affordable housing to an already established RP (there are 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 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 there will be a 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 2023 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 complement or conflict with the intentions of others.

## 3.MARKET ANALYSIS OUTLOOK AND PLANNING

### 3.1 INTRODUCTION

The housing market is experiencing a period of uncertainty due to many factors. High interest rates not seen in decades, rising build costs and a period of political uncertainty all have impacted the housing sector. These challenges have been exacerbated by global factors including, supply-chain pressures, demand, labour and materials shortages driven by the Covid-19 pandemic; transport, storage, delivery as well as tariff challenges following the UK's exit from the EU and rising inflation and the war in Ukraine.

As a result, and due to these unprecedented pressures, we have seen works, materials and labour costs increase significantly across the construction sector. Much uncertainty about the medium-term impact on mortgage rates also remains.

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

In the current climate 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.

### 3.2 CHALLENGES FACING SIXTY BRICKS

In the short and medium-term the Board, Chief Executive and leadership team are and will continue to respond strategically and flexibly to a number of market challenges, including:

- *Interest rates* impacting affordability for purchasers to meet monthly mortgage payments and borrowing costs for Sixty Bricks.
- *Consumer confidence*. Loss of Help to Buy from which 90% of Phase 1 development purchases were funded
- *Availability and price of land*. Potential to see an increased number of deferred land purchases until better clarity of longer-term position emerges, while recognising that there may also be short term opportunities if developers need to raise finance.
- *Increase in construction costs* due to shortage in both skilled labour and materials
- *Operation costs increase* passed on to clients due to rising fuel prices
- *Supply chain* and transportation challenges due to war in Ukraine
- *The ability to predict project values* with confidence
- *Increase in Force majeure clauses* due to Russia/Ukraine conflict relieving parties from performing contractual obligations due to circumstances beyond their control.

### **Interest rates and consumer confidence**

Since our 2021 Business Plan the Company has been fortunate in seeing an upturn in the housing market following the Covid-19 pandemic. The majority of programmed homes for sale were sold more quickly than predicted and off plan. Many of these homes sold through the Help to Buy product with eleven homes for private sale remaining unsold (as at early November 2022) at the last remaining Phase 1 site in Walthamstow.

### **Mini budget and Government uncertainty**

Most recently due to changes in Government and the impacts of the September 2022 mini budget interest rates have become the highest seen in decades in the UK. This has led to uncertainty in consumer confidence and affordability. Depending on future products, actions and fiscal plans delivered by government it is difficult to predict how the market may look in the short term.

Many predict that the drop in buyer confidence may be reflected in the number of homes purchased in the short term being a precursor to a drop in property values in 2023. With rising build costs this is a significant risk all property developers and house builders will be facing.

### **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 5,000 homes we will need to secure sites competitively within the market and may also be in a position to secure package deals and participate in joint ventures. With vendors potentially deferring land purchases and uncertainty around sales as we have outlined this makes land acquisition challenging but not impossible.

Sixty Bricks will monitor the market closely and 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.

### **Cost and Values**

Skill shortages in construction, high inflation costs for materials and often long delivery periods have created uncertainty in the sector.

Whilst our principal contractor operating on our Phase 1 schemes on site mainly has fixed price agreed with sub-contractors, these factors will 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 and 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.

### **3.3 CONCLUSION**

This section of the Business Plan provides a brief overview of the market outlook. Several elements outlined in this section are referenced and responded to elsewhere in the Business Plan. The Company has reviewed the market outlook, analysing important factors facing both the industry as a whole, Waltham Forest Council and Sixty Bricks, including:

- Covid-19, international impacts, risk to date, 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 2021-22

### 4.1 PHASE 1 DELIVERY

2021-22 was an active year for construction site activity for the Company's Phase 1 development programme. Following the handover of Centenary House in 2021, both Sansom Road and Essex Close were handed over in October 2022.

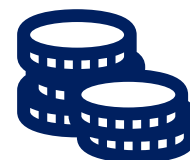
Furthermore, in early November, the first block of Hylands was handed over, with the rest occurring throughout the month. It is expected that South Grove will be handed over by early December. Thus, by the end of 2022, the Company would have handed over 300 homes, of which 74% are affordable and 68% are social rent. The Company will look after customers in a 2-year after care period managing defects within the properties and providing customers with a high-quality defects service. The developments also provide the following benefits.



299 new homes  
74% affordable



c£100m capital  
investment



£5.6m Social Value  
contributions (\*)



Forecasting £46m  
sales revenue



New community  
infrastructure (\*\*)



97 local jobs and  
apprenticeships (\*\*\*)

(\*) Phase 1 forecast, Phase 2 to be confirmed (\*\*) MUGA, health centre and estate/public realm enhancements (\*\*\*) verified for Phase 1 as at 31 March 2022

### 4.2 PHASE 2 DESIGN AND MOBILISATION

In parallel with the significant increase in construction activity associated with the Phase 1 programme – outlined above – the Company and Council Client work tirelessly to build a “pipeline” of future development opportunities. Following the extensive stakeholder engagement throughout 2020-21, in the year 2021-22, the focus was to progress the five priority schemes through the design and planning processes to generate the following benefits:



c280 new homes  
50% affordable



£25m RTB Receipts



£130m construction

## Current Market

Although all five schemes are progressing well through the planning process, the current market has presented a number of variables that have affected viability of the projects. These include:

- Rising construction costs (materials, labour and demand)
- Rising interest rates
- Affordability and mortgage ability for our customers
- End of Help to Buy
- Delivering our Net Zero aims and objectives

The Company and the Council have looked at each project extensively and have agreed a viability approach going forward. This allowed the full package of five sites to be approved by Cabinet for budgetary approval of £130m in early November 2022. Following this approval, each individual scheme business case will be brought to Cabinet for approval prior to planning. It is expected that the first of these, will be Priory Court in January 2023.

Subject to planning approval, construction partners will be procured to facilitate start-on-sites in Autumn 2023. In the meantime, some of the sites will progress with site-enabling works in spring 2023, thanks to grant funding secured via the Brownfield Release fund.

It should be noted that all four out of the five scheme designs (excluding Priory) incorporate the Company and Shareholder's objective of delivering net zero carbon in the design, construction, and ongoing use of the new homes by residents. The only exception is Priory Court, where the design work began prior to the Company establishing this commitment.

## 4.3 ENVIRONMENTAL, SOCIAL and GOVERNANCE (ESG) BALANCED SCORECARD

Over the past year the Executive and Board have developed a corporate performance framework which reflects the strategic priorities of the Company and its Shareholder, the Council. The resulting ESG Balanced Scorecard contained the Company's key financial, environmental, social and governance performance objectives, measures, and targets; and in conjunction with the Business Plan and

Corporate Plan articulates the strategic and operational deliverables which form the key objectives and targets for the Chief Executive and executive team.



2021-22 was the first full year when Sixty Bricks' Balanced Scorecard was operationalised, and performance reported. In total the Scorecard contained 21 performance objectives (each with a series of quantifiable measures), and, in summary, in late spring 2022 the Company's performance against each theme was as follows:

- **Finance theme:** solid progress was made against each of the key performance measures regarding profitability before tax of the Phase 1 programme, sales revenue against forecast and maintaining working capital and loan covenants within agreed thresholds.
- **Environmental theme:** delivery of this theme was delayed by the development of Sixty Bricks NZC Strategy (in July 2022) which is described in section 5 of the Business Plan.
- **Social theme:** over £5.7m of social value contributions were reported, as well as 50% affordable tenure delivered by the Phase 1 programme and excellent progress towards the completion of the remaining Phase 1 schemes in 2022-23.
- **Governance theme:** progress was made with the recruitment of a permanent Chief Executive and leadership team, evaluating Social Value delivery in all significant procurements, and enhancing audit and risk management arrangements during the year.

In aggregate, at the end of 2021-22, one third of the ESG performance objectives were rated as "met", a further third was "partially met" and the remainder were rated as "not met". However, the items

reported as “not met” resulted almost exclusively from delays in finalising the Company’s NZC Strategy which is presented in section 5 of the Business Plan.

Following a review in late spring 2022 the ESG Balanced Scorecard was reset for 2022-23 and the key performance measures were cascaded in the Chief Executive and leadership team’s performance objectives for the coming year. The key objectives of the 2022-23 Scorecard are summarised in section 6.4 of the Business Plan.

## **4.4 SALES PERFORMANCE**

Excellent progress was made between spring 2021 and summer 2022 in the sale of new private and shared ownership homes as part of the Company’s Phase 1 development programme. Working closely with Red Loft, who were appointed sole agent for the marketing and sale of Phase 1 homes, the Company was able to mitigate the risks and disruption caused by the Covid pandemic to report strong sales performance as follows:

### **Centenary House**

The Company’s first scheme, completed in August 2021 with a target to sell 22 private homes and 12 Shared Ownership flats on behalf of the Client. As at late November 2022 the status was:

- All private sales and Shared Ownership homes are sold and legally completed
- 19 of the private sale flats were sold at full asking price, with 3 more difficult to sell homes having c£5,000 of incentives applied to each flat to successfully stimulate market interest
- The total sales revenue generated by the 22 private sale flats was £8,282,000 compared to a target budget of £7,848,000

### **Essex Close – “The Brick Works”**

Completion took place in October 2022 and the target is to sell 11 Private flats and 3 Shared Ownership properties at Essex Close (the Brick Works). The sales and marketing campaign formally commenced in the second half of February, and as of November 2022 the position was positive:

- All 14 private sale and Shared Ownership flats were reserved, of which 7 have completed.
- The cumulative value of the private sales properties was £4,545,000
- The cumulative value of the Shared Ownership properties was £1,150,000 with an average 38% equity being purchased
- The total sales revenue generated by the 11 private sale flats was £4,545,000 compared to a target budget of £4,370,000.

### **South Grove – “The Jazz Yard”**

South Grove (the Jazz Yard) is scheduled to be completed in late December 2022 – and work is progressing well on-site. The target is to sell 46 Private and 17 Shared Ownership properties generating a total sales value of £27,498,000. As of November 2022, the status is:

- 35 private sales flats have been reserved (or offers have been accepted)
- 8 of the private sale flats were reserved at full asking price, with 27 more homes having incentives applied within agreed thresholds
- The cumulative sales value of the 35 reserved homes is £16,449,550, with incentives valued at £440,450 in total being applied to three of the flats. The incentives offered to-date are equivalent to less than 2.7% of release prices.

In addition, the Company, like other developers, is carefully planning and responding to Homes England’s instruction that claims for Help To Buy funds must be made by 31 October 2022. Given that 90%+ of private buyers of Sixty Bricks flats have utilised the Help To Buy scheme the Company is working closely with Red Loft to review and implement enhanced marketing activities and use of incentives to accelerate the sale of the remaining homes at South Grove.

An increased marketing budget was approved in late September, which allowed for more online marketing, an increased presence at the London Home Show and a Help to Buy event on site. This activity was delayed due to the Queen’s mourning period, however the increased marketing presence did result in an increase in sales during the month of October compared to previously. At the same time as the increased marketing budget, an increased package of incentives was also approved totalling a 5% discount (up from 3% previously approved).

### **Sales Revenue Forecast**

As of November 2022, each individual scheme - Centenary House, Essex Close and South Grove – has either realised or are forecast to generate sales revenues in excess of the approved budget. Taken together at a programme level, as of November 2022 the table below shows the Company is forecasting total sales revenues of £46,154,050 against agreed budgets of £44,761,000, resulting in a forecast variance of £1,393,050 above the agreed budget.

The forecast sales revenues for the remaining homes at South Grove are assumed at RICs valuations. This is in line with the average value achieved to date and represents a discount on the asking price of c3%. If the discounts are increased to 5% then the forecast would reduce by c£100,000.

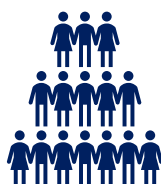
Phase 1 scheme	Homes for sale	Sold or under offer	Value of Sales to-date	Total Estimate	Budgeted in Appraisal	Variance
<b>Centenary House</b>						
Private Sales	22	22	£8,282,000	£8,282,000	£7,848,000	£434,000
Shared Ownership	12	12	£1,282,550	£3,977,500	£3,855,000	£122,500
<b>Total</b>	<b>34</b>	<b>34</b>	<b>£9,564,550</b>	<b>£12,259,500</b>	<b>£11,703,000</b>	<b>£556,500</b>
<b>Essex Close</b>						
Private Sales	11	11	£4,545,000	£4,545,000	£4,370,000	£175,000
Shared Ownership	3	3	£431,750	£1,150,000	£1,190,000	-£40,000
<b>Total</b>	<b>14</b>	<b>14</b>	<b>£4,976,750</b>	<b>£5,695,000</b>	<b>£5,560,000</b>	<b>£135,000</b>
<b>South Grove</b>						
Private Sales	46	35	£16,449,550	£21,074,550	<b>£20,245,000</b>	<b>£829,550</b>
Shared Ownership	17	6	£845,750	£7,125,000	<b>£7,253,000</b>	<b>-£128,000</b>
<b>Total</b>	<b>63</b>	<b>41</b>	<b>£17,295,300</b>	<b>£28,199,550</b>	<b>£27,498,000</b>	<b>£701,550</b>
<b>PROGRAMME TOTAL</b>	<b>111</b>	<b>89</b>	<b>£31,836,600</b>	<b>£46,154,050</b>	<b>£44,761,000</b>	<b>£1,393,050</b>

The overall RICS value of shared ownership homes on some schemes were slightly less than original appraisal. This is where average flat values were used for estimation but due to scheme design /flat size the values were adjusted down.

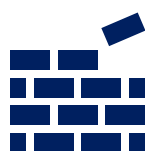
## 4.5 SOCIAL VALUE DELIVERY

Using the Company's investment in housing development to deliver meaningful social value benefits to the local community and economy is a core objective for Sixty Bricks. Substantial progress towards this objective was made in 2021-22.

Social Value delivered by the Company's Phase 1 construction partner, Equans, made c£5.6m of verifiable contributions by late spring 2022; and thanks, is also given to other supply chain partners, including Cullinan Studios and Red Loft for their continued support. Thanks to the efforts of Equans and colleagues in the Council the Company was able to verify and report several significant financial social value contributions by late spring 2022, including the following:



c£2.5m spend on employment of local people (directly or via supply chains)



c£1.25m spend on local supply chains



c£290k spend on local apprenticeships

In addition, a significant range of non-financial benefits were generated by Equans from Sixty Bricks investment in new homes:

- 72 local people employed directly or through supply chains
- 2 employees previously not in education, employment or training (NEETs)
- 1,280 weeks of apprenticeships
- 1,150 hours supporting young people into work, and,
- 218 weeks of training opportunities offered via the contracts

Finally, donation in kind to local community activities and measures to promote local skills and employment took place including:

- Sponsorship of community art project, including facilitation and donation of art materials
- Vestry House Museum: laying gravel paths, painting outdoor furniture
- Construction materials donated to Heathcote School
- Brick palettes donated to Waltham Forest College
- Support for Waltham Forest's 'Making Places' initiative through donations of equipment for the 'Build Up' Project at Hye House
- Donation to local Christmas Toy appeal at the Paradox Centre in Chingford
- Materials for Chingford Community Garden
- Furniture donated to the Waltham Forest Youth Hub
- Accredited Health and Safety training courses
- OFSTED Accredited 2-Day Paediatric First Aid Course, and,
- Virtual training programmes offered to Waltham Forest College



## 5.DELIVERING NET ZERO CARBON (NZC) 2022 - 2037

### 5.1 NET ZERO CARBON STRATEGY

Sixty Bricks commitment to delivering financially sustainable Net Zero Carbon (NZC) homes while maximising the social value returns to the local community and economy from its substantial housing investment programme are defining characteristics of the Company.

In 2021-22 the Company made significant progress in articulating and agreeing its strategic intent regarding NZC and also gained real traction and momentum in the practical (and verifiable) delivery of social value benefits from its significant housing investment programme.

The following sections summarise the development and content of the Company's NZC Strategy and associated Implementation Plan.

### 5.2 NZC STRATEGY DEVELOPMENT, STRUCTURE and CONTENT

Designing and building NZC homes is central to Sixty Bricks purpose. By doing so the Company is responding to several pledges made by the Council elected in May 2022 as well as contributing to the mitigation of the housing, climate and cost of living crises.

During 2021-22 the Company secured approval to proceed with detailed design on a number of priority Phase 2 development schemes. The subsequent procurement of design, sustainability and employer's agent professional expertise was underpinned by the specification of NZC experience and capability being at the heart of the Company's evaluation process. Progress with the design of these priority schemes is reported elsewhere in the Business Plan.

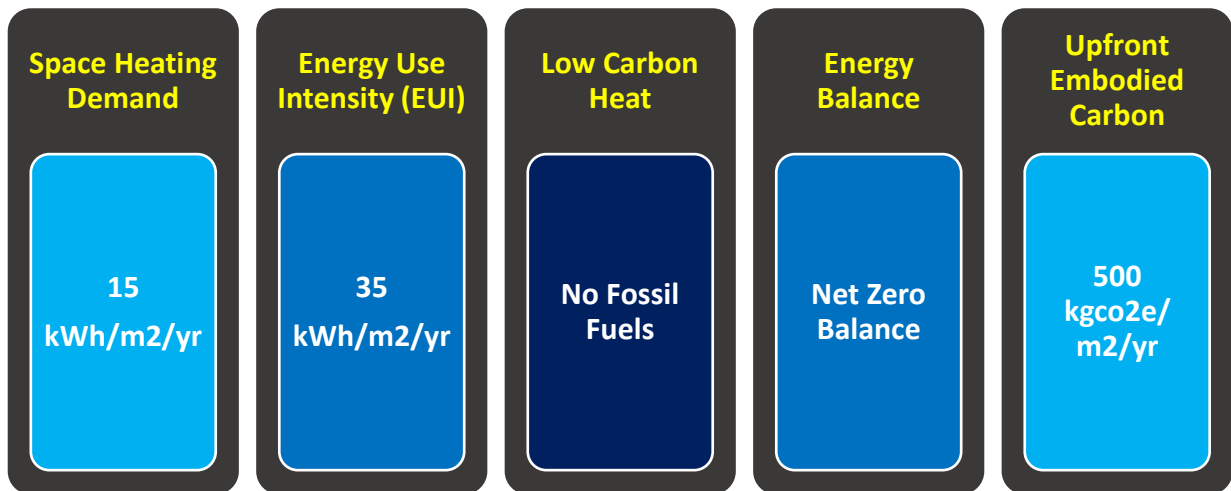
In parallel with this work the Company commissioned Etude as advisory partners to develop Sixty Bricks NZC Strategy. This was initially presented to the Board in May 2022 with the final version being endorsed in July 2022. The NZC Strategy is a thorough, and comprehensive document which is structured around the following thematic chapters:

#### **Section 1 The case for net zero carbon homes**

Sets-out the regulatory, policy and energy context at the global, national, and local level for delivering NZC homes. The Strategy summarises the current position, why action is needed, and the contribution new buildings can make to mitigate both the climate and the cost of living crises.

#### **Section 2 What is a Net Zero Carbon new home?**

This section defines a zero-carbon building, and then explains the key principles of energy efficiency, low carbon heating, renewable energy generation and embodied carbon. Most importantly the principles are then transformed into five measurable KPI's which have been endorsed by the Board. These KPIs will apply to Sixty Bricks' future new-build homes and will be integrated into the Company's ESG Balanced Scorecard as follows:



### Section 3 The financial case for zero carbon homes

Here the Strategy assesses the values and costs generated for NZC homes throughout the housing development project life cycle stages of design, construction, occupation and maintenance. Each aspect of the lifecycle is examined to assess (and where possible quantify) the cost and/or value generated by that part of the lifecycle. This work includes an initial consideration of the impact of NZC designed and constructed homes on initial sale, re-sale and ongoing asset (or balance sheet) values as well as maintenance costs.



### Section 4 Proof of concept

The section applies the lifecycle business case framework set-out in Section 3 to the Company’s “live” Phase 2 scheme, Vicarage Road, as a proof-of-concept. Vicarage Road has been designed to be NZC compliant, and the proof-of-concept analysis concludes with the following summary:

- All five NZC Strategy KPI’s are achievable
- Increased construction phase costs of c1.23% (in excess of London Plan baseline). This uplift will vary on a site-by-site basis reflecting each schemes parameter
- c50% reductions in domestic energy consumption (and associated costs)
- Stable maintenance costs, and,
- Potential for increased asset values for NZC compliant homes

## Sections 5 – 9 Implementation Plan

These sections translate Sections 1-4 of The Strategy into practical actions that embed the Strategy's NZC KPIs into Sixty Bricks executive leadership and operational delivery. The Implementation Plan is clustered around two themes, one Developing Organisational Leadership and the second the more technical requirements of NZC delivery – and is exemplified in the following section.

### 5.3 NZC STRATEGY – IMPLEMENTATION PLAN

The NZC Implementation Plan is a prerequisite for realising the Company's NZC commitments and objectives set out in the Strategy. Taken holistically, the Implementation Plan will provide the Shareholder, Board, Chief Executive and Company with the necessary assurance that the NZC Strategy is being effectively and efficiently delivered.

Section 5 of the Implementation Plan recognises that ***Developing Organisational Leadership*** is an essential enabler to successfully deliver the Strategy. It identifies six sub-themes that the Chief Executive will take forward with the leadership team:

- Delivery assurance
- Developing organisational leadership
- End-to-end governance
- Organisational capability
- Monitoring NZC performance, and
- Sector leadership

Sections 6, 7 and 8 of the Implementation Plan set out the actions required at each of the development life cycle stages ***Design, Construction*** and ***Occupation and Maintenance*** in order to plan, deliver and realise the benefits of the NZC Strategy.

Section 9 recasts sections 5-8 of the Implementation Plan (Sections 5 -8) schematically, mapping each action against the relevant ***RIBA Stage 0-7***. Finally, two further technical deliverables ***Employers Requirements*** for ***Designers*** and ***Contractors*** have been produced to inform the Company's procurement of NZC partners.

## 6. BUSINESS PLAN PRIORITIES FOR 2022-23

### 6.1 PHASE 1 – CONSTRUCTION INVESTMENT, COMPLETIONS and SALES

2022-23 will be the peak year for on-site construction completions. This follows the Company's first practical completion – at Centenary House in August 2021 and for this year, will begin with Essex Close (the "Brickworks") and Samson Road in October 2022, followed by Hylands and South Grove in December 2022.

The Company will have a number of homes in aftercare period and will work closely with the Client as well with industry specialists to provide customers with a high-quality defects management service.

These projects will generate greatly increased sales and marketing activity with our partner Red Loft and will lead to forecast sales revenues of c£45m by the end of 2022. The schematics below and following paragraphs summarise the key priorities for the Phase 1 development programme in 2022-23:



299 homes completed



£100m construction investment



c£46m Sales income

#### Centenary House

In May 2022, all sales of homes were completed, and the building was fully occupied. The development has moved into the 2<sup>nd</sup> year of the defects period. In Summer 2022, Sixty Bricks joined the Council in attending the 'meet your neighbour' event in the communal area of Centenary House. Sixty Bricks provided a range of vegetable seedlings for residents to plant in the communal planters.



(Centenary House 'meet your neighbour' event, May 2022)

### **"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. The project also includes a new Health Centre that will be fitted out by the Council for use as a local GP surgery. Handover is expected for the end of November 2022.



In Spring 2022, it was announced that Help to Buy would not be extended and thus the programme could only be utilised on homes reserved by the end of October 2022. Therefore, the sales programme, which began in May 2022, was accelerated in order to maximise this opportunity. At the end of October, 35 of the 46 outright sale homes had been reserved. In addition, 6 shared ownership homes, which are not affected by Help to Buy, have been reserved.

#### ***“The Brickworks” - Essex Close***

The scheme completed in October 2022 and was handed over to the Client. It provides 20 new homes, including 50% for social rent and shared ownership. The project will also include a landscaped communal garden and an under 5’s play area. All 14 private sale and shared ownership units were reserved off plan and completion of the sales units are programmed to take place between October and November 2022.



#### **Hylands I and II**

Completing in November 2022, the regeneration of parts of the estate will provide 120 new social rented homes across Blocks A (23 homes), B (72 homes) and C (25 homes) 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 also be delivered.



### **Sansom Road**

The scheme completed in October 2022 and was handed over to the Client. It provides 31 new homes at social rent for people on the Council's housing waiting list. The scheme consists of a mix of one, two, three, and four-bedroom properties, and includes three wheelchair accessible homes.



## 6.2 PHASE 2 – PROGRAMME MILESTONES

In spring 2021 five schemes, Vicarage Road, Osborne Grove, Church Lane, Chingford Library, and Priory Court delivering c280 new homes secured approval from the Company Board to proceed to RIBA Stages 1-3 and complete detailed design work of the preferred schemes, subject to necessary Council approvals.

All Phase 2 schemes received overall budgetary approval by Cabinet in November 2022 and individual project business cases will be brought to Cabinet prior to being submitted to planning over the coming months. Borrowing terms have been agreed at 180 base points over the Public Works Loans Board rate.

Within the Phase 2 schemes specifically Osbourne Grove and Chingford Hub developments have experienced viability pressures. This is due to land value (Osbourne) and other non-residential housing requirements (Chingford Hub). We will continue to work with the Council in innovative ways to maintain delivery on both schemes however it should be noted that these two sites form the biggest risk for the Company.

With the financial terms now agreed, the commentary below outlines the current milestone dates, RIBA Stage 1-3 progress and enhancement procurements the Company plans to deliver in the period through March 2024.

Working with the Client and Councillors, Sixty Bricks will engage with the local community and future residents throughout the development process. This will begin prior to planning and will continue through development and occupation of the homes. The tools we will use will include ballots, insight gathering from the local community, early involvement of communities through meetings and digital tools, co-design, and involvement in procurement.

### **Top level Milestone Plan**

Throughout 2022, design work has continued on the five Phase 2 projects, which following the Cabinet approval in November, will allow the submission of planning approvals in early-mid 2023, accompanied by procurement of suitable construction partners –and culminating in phased start-on-sites in late 2023. The top-level milestone priorities during 2022-23 are outlined in the table below.



PHASE 2 DEVELOPMENT PROGRAMME	RIBA 1 - 2 Preparation of Design and Report	Sixty Bricks and Client Governance completed	Planning Submitted	Planning Consent	Construction Partner Procurement completed	Start on Site	Completion
190- 192 Vicarage Road, E10 5DX	Aug 22	Sep-22	TBC- likely redesign requirement	TBC	TBC	TBC	TBC
Church Lane Car Park, Leytonstone, E11 4QN	Mar-23	Mar-23 & Apr-23	Apr-23	Aug-23	Jun-23	Dec-23	Jan-26
Chingford Library, The Green, Chingford, E4 7EN	April-23	April-23 & May-23	May-23	Sept- 23	July-23	Jan-24	Aug-25
Osborne Grove E17 6PE	Sept-23	Sept-23 & Oct-23	Oct-23	Feb-24	Dec-23	April- 24	Oct-25
Priory Court	Sept-22	Nov-22	Jan-23	May 23	Mar-23	Nov-23	Sept-25

### Main contractor appointment

Following a review of options within the current market, Sixty Bricks has established a procurement strategy to appoint the main works contractors for each of the schemes within Phase 2. The key points of this procurement strategy are as follows:

- Each of the projects will be tendered separately due to the varied scale and locations of the projects
- The projects will be tendered via a framework open to Sixty Bricks
- The exercises will seek fixed price JCT Design and Build Contracts
- There will either be a one or two stage procurement process depending on the best market response for the scheme
- If two stage, the first stage will occur following Stage 3 design work and will be initiated while the planning application is being considered.
- The single stage or the second stage will be after planning, where the preferred bidder would work up Stage 4 designs in partnership with Sixty Bricks.

While the above approach has been approved and will be considered for each of the projects, the current construction market is continuing to change. Thus, each project will need to ensure that this is still the best way forward and other options may be pursued.

### 6.3 ESTABLISHING A PERMANENT DEVELOPMENT TEAM

To-date Sixty Bricks has largely relied on an experienced interim workforce within its development team. This provided flexibility in resources while the Company started to build its pipeline. However now that the pipeline has been established and there is a need for it to grow exponentially, there is a need to move to a more permanent workforce.

In February 2022, Sixty Brick's permanent Development Director started at the Company. Following this, a recruitment exercise began in early May to find two permanent Assistant Directors – one for Land and New Business and one for Delivery. Appointments to both these posts occurred in June, with the successful candidates beginning in late September and early October 2022 respectively.

Due to the priority to build the upcoming portfolio, in late September 2022 the remaining Land and New Business roles were advertised. This included two Senior Development Managers, like those currently held by interims, as well as a new position of a Land and Partnerships Manager. Offers have been made on these three positions and individuals will start in late 2022 and early 2023.

The permanent recruitment for the Delivery team will occur in early 2023, once the resources needs are established following planning submissions for the Phase 2 development programme. In addition, two possible technical posts are being considered as new roles within the development team. These are:

- A Construction, Design and Quality (CDQ) Manager to assist across the programme, particularly in regard to design quality, and sustainability.
- A Commercial Manager role to serve as an internal cost consultant and work across the programme

The recruitment for the CDQ Manager began in November 2022 and it is expected that the role will be filled towards the end of the financial year. The Commercial Manager position will be considered in the new financial year depending on programme within the development team.

### 6.4 ENVIRONMENTAL, SOCIAL and GOVERNANCE (ESG) BALANCED SCORECARD

The ESG Scorecard has been reset for 2022-23 to reflect both continuing performance priorities from the previous year as well as emerging themes as follows:

- **Finance theme:** key performance measures regarding profitability before tax of the Phase 1 development programme, sales revenue against forecast and maintaining working capital and loan covenants within agreed thresholds have been reset. In addition, new measures for start-on-sites and profitability have been set for the Company's priority Phase 2 development schemes.

- **Environmental theme:** the key performance indicators (KPIs) from the Company’s NZC Strategy have been added to the Scorecard as has an Annual Report showcasing Sixty Bricks NZC proposals for the priority Phase 2 schemes.
- **Social theme:** social value, tenure mix and completion targets for the Phase 1 programme have been reset – while new measures have been added focusing on the delivering of milestones for the Company’s “pipeline” of future sites in 2022-23.
- **Governance theme:** embedding Social Value delivery in all significant procurements has been reset, while new targets to develop the Company Board and commission an independent review of the Board and its governance arrangements have been set for 2022-23.

Progress will continue to be reported by the Chief Executive and leadership team, and the relevant elements of the ESG Scorecard will be cascaded from the Chief Executive’s performance objectives to their direct reports, and from them across the Company.

## 6.5 COMMUNICATIONS STRATEGY and CALENDAR

This refreshed Business Plan demonstrates the growing maturity, delivery, and future aspirations of Sixty Bricks. The Company needs a Communication Strategy and operational Communication Calendar that reflects the scope and scales of both its current and future objectives.

### Communications Strategy – Structure

In summer 2022 the Board endorsed a Communications Strategy to support the delivery of the Company’s business priorities. The Strategy sets-out the Company and Shareholder’s priorities, the key communications outcomes required as well as the key messages, stakeholders and channels the Company will utilise. Schematically the Communications Strategy is structured as follows:



Working collaboratively with the Council’s Communication Director and team(s) the Company has translated its Communication Strategy’s priorities into a Calendar of events and activities which will refine and target the Company’s key messages on the priority stakeholder group(s) using the most effective communications channel(s). During 2022-23 the Company’s communications activity will increase and include the following:



## 6.6 NZC STRATEGY IMPLEMENTATION PLAN

The structure of the NZC Strategy, adopted KPIs and Implementation Plan are set-out in section 5 above. Following its adoption in July 2022 the Chief Executive and leadership team have started work to plan and execute the agreed Implementation Plan.

Importantly, parts of the Implementation Plan, for example those activities related to the design phase of the development lifecycle are already in-hand with the design and multi-disciplinary teams carrying out the NZC compliant detailed design on the Company’s priority Phase 2 schemes.

In addition to this work the Company will be taking forward a number of activities from the organisational leadership and technical themes of the NZC Implementation Plan, including:

### Developing Organisational Leadership

- Ensuring end-to-end governance is fit for purpose between all key stakeholders – to facilitate mature dialogue when technical and viability issues emerge
- Building organisational NZC capability, knowledge and skills at all levels to enable the Company to deliver high quality homes that deliver the agreed NZC KPIs
- Embedding NZC in the Company’s performance framework by integrating the NZC KPIs into the ESG Balanced Scorecard, developing intermediate performance indicators where needed and

proportionate performance monitoring of individual workers, project delivery teams and amongst the executive and wider leadership team.

- Demonstrating sector leadership through demonstrably effective leadership behaviours, corporate communications, and enhanced sector visibility

#### **Design Phase**

- Utilise the NZC design brief for designers and consultants
- Management of technical feasibility issues
- Management of cost feasibility issues

#### **Construction Phase**

- Using NZC compliant Employer's Requirements for contractors
- Preparing on-site monitoring arrangements for Phase 2 schemes (from summer 2023)

#### **Occupation, Operation and Maintenance Phases**

- As part of the governance workstream (above) develop fit for purpose consultation and engagement processes with Council Housing/Client colleague to consider:
  - Managing residents' expectations
  - Performance evaluation – including recommendations for monitoring energy use in occupation
- Billing and metering:
  - London Plan 'Be Seen' metering requirements for major developments
  - heating and hot water
  - maximizing renewable energy benefits
  - renewable energy, and,
- Operation and maintenance considerations

## 7.GROWING THE PIPELINE TO 5,000 HOMES 2022-2037

### 7.1 GROWING THE FUTURE “PIPELINE” BEYOND IDENTIFIED SITES

The Council draft Local Plan envisages an additional 27,000 homes in the Borough over 15 years. As the Council’s housing developer of choice, Sixty Bricks is targeting to deliver approximately 20% of these homes, circa 5,000 over the period.

The Phase 1 programme has delivered 299 homes and the 5 sites in Phase 2 described in section 6.2 will deliver a further 280 homes. We are currently planning these to be on site by the end of this business plan period in March 2024.

Scanning the horizon with the Council for other Council owned sites has identified a possible 600 to 1,000 homes that may over time be deliverable as sites become surplus to Council requirements.

So in total it is likely that between 1200 and 1600 homes may eventually be able to be produced on current Council owned land. This means that around 3,500 would need to be built out by Sixty Bricks on land not currently owned by the Council to achieve the 5,000-home target over 15 years.

Given what is clearly available to develop now, the maximum practical starts for the period through March 2024 is c300 homes. A similar number of starts will be challenging but we believe potentially achievable for the period through March 2025. To achieve 1000 house starts during the life of this Council this then requires c400 starts in the period April 2025 through April 2026.

In terms of completions by April 2026, a challenging but we consider practical target will be circa 400, with the Phase 2 schemes and a small number of further schemes starting in 2024.

Thus, in Spring 2022, Sixty Bricks started to pursue development opportunities outside the Council pipeline. This work will increase as the permanent development team is put in place.

#### **Council owned Land**

The Council remains committed to providing the Company with land to bring forward for development. In 2022, all known potential Sixty Bricks sites were reviewed in terms of the timeline needed to bring each forward. Some sites would be able to be brought forward soon, while others would need at least a few years, due to existing uses or other strategic Council requirements.

Following this review, all potential Council sites were divided into three categories – short, medium, and long term. These categories and the potential number of homes are noted below.

- **Short term – c150 homes**

These are schemes that could be transferred to Sixty Bricks in late 2022 or early 2023. This would allow a 2023 planning submission and a start on site in either late 2023 or early 2024.

- **Medium term – c300 homes**

These are schemes that could be transferred to Sixty Bricks in 2023. This would allow a 2024 planning submission and a start on site in 2024 or 2025.

- **Long term – Between 200 and 750 homes**

These are schemes that still have existing uses and will take some time before being transferred to Sixty Bricks. Some may be transferred to Sixty Bricks in late 2023 at the earliest, which would allow for a planning submission in 2024-26 and a 2025-27 start on site. It should be noted that a large portion of this category is a single site which may be capable of producing c550 homes, but there is no clear decision at this stage to redevelop the site and if so to use the site for housing.

### **Opportunities outside Council owned land**

As noted above, at least c3500 homes need to be delivered outside the Council owned sites in order for Sixty Bricks to meet its development targets. The Company is not currently established to be an active land buyer, however in partnership with the relevant Council teams, in Spring 2022, it started to take advantage of opportunities that come forward. Before pursuing any opportunities, it was agreed with the Client that the following points need to be considered:

- The Council approves of Sixty Bricks exploring the possibility
- The site is located within the borough boundaries
- The opportunity is the right scale to be worth the additional work/cost of acquisition, yet not too large where a land purchase would be difficult
- Sixty Bricks manages its resources appropriately and thus only reviews 2 or 3 schemes per quarter

Following this guidance, Sixty Bricks can participate in open or limited bid opportunities within the Borough boundaries. Furthermore, the Company is also pursuing package deal possibilities, particularly as this can help build the pipeline quickly and possibly mitigate rising construction costs. Using their existing network of contacts, the development team has begun building relationships with agents and vendors in the area in order to be made aware of opportunities.

Since establishing this protocol, Sixty Bricks have reviewed four land opportunities:

- One of the sites was discounted as not appropriate for Sixty Bricks due to its small scale (9 homes)
- Sixty Bricks have submitted two land purchase bids, however the Company was unsuccessful in both and feedback has been sought on both so that the Company can improve its competitive offer in the future.
- Sixty Bricks is still in conversation regarding a possible package deal

In addition to this work the Land and New Business team will continue to build up relationships with active agents, vendors and partners in the area and in partnership with the Council is establishing the Sixty Bricks USP for development partnerships.

Once more resources are brought into the Land and New Business team, Sixty Bricks, with the Council will complete a full review of land possibilities in the Borough – particularly on land adjacent to Council owned land. Likewise, the Company will also seek to actively pursue potential development partnerships, including opportunities with:

- Other public bodies land holdings
- Other community minded organisations
- JV partnerships with homebuilders / developers
- Achieve a first private land and or development deal during 2024

## **7.2 KEY NEW HOMES TARGETS 2023 – 2037**

Based on the above and subject to land transfer, planning and any other unknowns the current identified pipeline should service the Company's 2023-2025 programme targets as set out below.

- 2023/4 – 2024-2025 – 250 home starts per year (largely Identified within current programme)
- 2025 – 2037 – An increase year on year on home starts, starting with 300 in 2025/26 and increasing to @450 by later years in the plan

In line with the Company aspirations, all developments on Council land will target 50% affordable homes and achieve net zero carbon in use or as close to that as practical. Proposals on private sites will also have these aspirations but will have to be considered on a case-by-case basis given the financial parameters which will have to be met.

### **Strategies to be developed**

- **Gateway Procedure.** This has been agreed with the Client for all projects on Council owned land and a parallel process will be agreed in early 2023 for private sites.
- **Acquisition Approval Procedure.** Will be agreed with the Client by early 2023.
- **Permanent Land and New Business team in place.** To be finalised in early 2023.
- **Borough wide strategic land review.** Will be undertaken during 2023.

All of the above Company strategies will be developed in partnership with the Council's Client team and approved by the Company Board in conjunction with the Shareholder as necessary.



## 8.CLIENT COMMENTARY

The housing challenges that were present before the pandemic in the Borough remain, with thousands of households in temporary accommodation and on the Council 's Housing Register. The full impact of Covid-19 and the economic recession will continue to unfold, as will their impact on people's ability to financially afford suitable housing. There are also challenges within the construction industry to deliver suitable, high-quality housing, whilst also delivering the sustainability and Net Zero Carbon development standards and credentials that are central to the Council 's Climate Change Action Plan.

The Council remains committed to using its assets to continue to bring forward the homes and civic and community spaces that our residents desire and need. Sixty Bricks has a key role to play in the Council 's corporate commitments. The delivery of developments such as Sansom Road and Hylands both delivering 100% social rent have helped deliver the affordable homes that our communities require. The Sixty Bricks schemes being delivered so far have also enabled residents to get a foot on the housing ladder through shared ownership homes and private sales across the Borough. The delivery of the first Sixty Bricks pipeline contributes 299 homes of which 220 will be affordable with 68% social rented homes. Over the past couple of years, the Council has worked to develop an investment approach for affordable homes that will enable us 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 5000 homes over the next 15 years, with a continued emphasis on affordable housing delivery.

The Council launched its Economic Recovery Plan in 2020, identifying within it over £0.5billion of investment that the Council will be making in the Borough to drive economic recovery. Central to the Economic Recovery Plan is that the Council 's investment will be used to support local supply chains and create training and job opportunities for our residents so that social value is achieved through these investments. We welcome the ongoing commitment that Sixty Bricks has made in their 15-year Business Plan to continue to support the delivery of socio-economic benefits, focussing on the delivery of apprenticeships, training, and local jobs, which has been a success so far. All these future commitments and current achievements, including c£2.5m spend to date on the employment of local people, have become more relevant and necessary to address the impact of an economic recession that will affect both the cost of living and potentially shrink our jobs economy, reducing local employment opportunities. The Council remains committed through all the work we deliver, including via the Sixty Bricks programme, to ensure that our development pipeline supports our local supply chain, offers local employment, apprenticeship and training opportunities.

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

The Council continues to lead the way in promoting walkable, cyclable neighbourhoods, which are well served by amenity space as a means of creating healthier places that people want to live in. In recent years, partly due to the pandemic, localities and the places and services they provide have grown in importance for our residents. Over the past year the Council 's 15-minute Neighbourhoods Strategy has gained momentum and is a central concept for Council-wide regeneration endeavours, and a key priority within our Public Service Strategy. We will continue to bring forward developments that will support these principles and will work with Sixty Bricks to deliver homes and developments that are adaptable and support trends towards increased home working and schooling and flexible working.

The Council declared a Climate Emergency in 2019 and convened an independent climate commission which reported in 2020 on the range of actions required to enable the Council to meet its zero carbon

ambitions. The Council 's priority to deliver sustainable growth within the Borough continues, including supporting the aspiration for Net Zero Carbon developments via Sixty Bricks. The sustainability outputs of these developments are crucial for the Council and will also go a long way in bringing down living costs for those most in need, occupying their new homes. The Council will continue to work with Sixty Bricks to promote Modern Methods of Construction to reduce waste on site and accelerating the delivery of homes, further reducing the environmental impacts of our regeneration programme in the years to come.

## 9. FINANCIAL PERFORMANCE

### 9.1 PHASE 1 PROGRAMME 2021-22 OUTTURN 2021-22 and FORECAST 2022-23

#### Programme Construction Expenditure 21-22 (movement since July 21)

The value of works delivered during the year totalled £38.2m (£31.7m in 2021). Including deferred development interest of £1,047,000 (£444k in 2021) this totals £39.2m (£32.2m in 2021) against the budget forecast of £39.2m, (100%). 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 2021/22 is listed below:

Table 9.1.1: 2021/22 Scheme Expenditure

Scheme	Original Forecast 2021-22	Actual Spend 2021-22	Interest 2021-22	Total Scheme Cost 2021-22	Variance	%
Centenary	£1,803,582	£1,818,867	£236,733	£2,055,600	£252,018	113.97%
Hylands	£15,748,834	£14,969,612	£0	£14,969,612	£-779,222	95.05%
South Grove	£12,645,897	£13,187,780	£619,187	£13,806,967	£1,161,070	109.18%
Essex Close	£3,997,330	£2,887,838	£147,158	£3,034,996	£-962,334	75.93%
Sansom	£5,001,016	£5,382,575	£0	£5,382,575	£381,559	107.63%
<b>Phase 1 Total</b>	<b>£39,196,659</b>	<b>£38,246,672</b>	<b>£1,003,078</b>	<b>£39,249,750</b>	<b>£53,091</b>	<b>100.14%</b>
Priory	£305,464	£353,134	£44,559	£397,693	£92,229	130.19%
Other Phase 2 Schemes	£1,000,000	£514,365	£0	£514,365	£-485,635	51.44%
<b>TOTAL</b>	<b>£40,502,123</b>	<b>£39,114,171</b>	<b>£1,047,637</b>	<b>£40,161,808</b>	<b>£-340,315</b>	<b>99%</b>

#### Multi-Year Cashflow Forecast 22-23 and beyond (movement since July 20)

In terms of future outlook, the multi-year cashflow forecast for the remaining Phase 1 programme is summarised in the table below. This shows that c£83m of construction related expenditure, accounting for c86% of the entire programme, was completed by 2021-22.

The most significant portion of expenditure c41% was completed in 2021/22 as per table 9.1.1, including the practical completion of one scheme. The forecast for 2022/23 is £12.9m (14%) when the remaining four Phase 1 schemes scheduled for practical completion. Of this, c£9.5m was spent by October 2022. There are some payments scheduled for 2023/24 which represent retention amounts.

**Table 9.1.2: Phase 1 Programme cashflow**

Phase 1 Programme	No of homes	Prior Yrs £000	2022/23 £000	2023/24 £000	Total £000
Essex Close	20	6,589	1,737	84	<b>8,410</b>
Hyland Road	120	29,219	5,186	464	<b>34,869</b>
Lena Kennedy	45	12,885	321	153	<b>13,359</b>
Sansom	31	9,961	1,017	137	<b>11,115</b>
South Grove	83	24,949	4,727	418	<b>30,094</b>
<b>Phase 1 Spend</b>	<b>299</b>	<b>83,603</b>	<b>12,988</b>	<b>1,256</b>	<b>97,847</b>

**Income and Sales Forecast 22-23 and beyond**

With regard to income and sales receipts, the HRA component of these (c£68m) are broadly fixed and subject to limited movement, with a further c£37m estimated to be achieved through private sales.

**Table 9.1.3: Phase 1 Income Forecast:**

Phase 1 scheme	Homes for sale	Sold or under offer	Value of Sales to date	Total Estimate	2021/22	2022/23	Total
<b>Centenary House</b>							
Private Sales	22	22	£8,282,000	£8,282,000	£6,625,600	£1,656,400	£8,282,000
Commission			£322,000	£322,000	£322,000		£322,000
<b>Total</b>	<b>22</b>	<b>22</b>	<b>£8,604,000</b>	<b>£8,604,000</b>	<b>£6,947,600</b>	<b>£1,656,400</b>	<b>£8,604,000</b>
<b>Essex Close</b>							
Private Sales	11	11	£4,545,000	£4,545,000		£4,545,000	£4,545,000
Commission			£201,900	£201,900		£201,900	£201,900
<b>Total</b>	<b>11</b>	<b>11</b>	<b>£4,746,900</b>	<b>£4,746,900</b>	<b>£0</b>	<b>£4,746,900</b>	<b>£4,746,900</b>
<b>South Grove</b>							
Private Sales	46	35	£16,449,550	£21,074,550		£21,074,550	£21,074,550
Health Hub				£2,050,000		£2,050,000	£2,050,000
Commission			£446,174	£586,400		£586,400	£586,400
<b>Total</b>	<b>46</b>	<b>35</b>	<b>£16,895,724</b>	<b>£23,710,950</b>	<b>£0</b>	<b>£23,710,950</b>	<b>£23,710,950</b>
<b>PROGRAMME TOTAL</b>	<b>79</b>	<b>68</b>	<b>£30,246,624</b>	<b>£37,061,850</b>	<b>£6,947,600</b>	<b>£30,114,250</b>	<b>£37,061,850</b>

The sales market faces particular risk due to recent economic pressures to the mortgage market and the expiration of the government's Help to Buy scheme (March 2023). Currently the majority of Phase 1 private sales units have been sold or reserved.

Any risk or variation to the sales market is 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£7.6m over the programme's five-year lifecycle between 2020 and spring 2024.

**Table 9.1.3: Phase 1 Programme Cashflow**

Phase 1	Prior Yrs £000	2022/23 £000	2023/24 £000	Total £000
Phase 1 Spend	83,603	12,988	1,256	97,847
HRA Funded	(58,641)	(8,787)	(878)	(68,306)
Sales & Commission	(6,948)	(30,161)	-	(37,109)
Gross	18,014	(25,960)	378	(7,568)

### Profit and Loss Forecast (actual vs previous forecasts)

The net profit from the Phase 1 programme after overheads, interest and tax liabilities (approx. £5.1m in total) are included, is forecast at £1.3m (from the gross of £7.6m). Tax modelling is reviewed for each scheme to ensure that the Company is reducing its liability by capturing all eligible costs as well as offsetting any losses from previous years.

The revised profit has reduced slightly due to some schemes slipping from 2022 to 2023 programme and therefore there are some additional interest costs (£400k) in the period. There are also staffing related costs (c£300k) to account for transition from interim to permanent staffing complement.

Table 9.1.4: Phase 1 Profit forecast and change from previously reported position

Phase 1 Programme	Previous Years 2017/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	TOTAL £'000
Revised forecast (April 2021)	(701)	4,375	(896)	(185)	2,593
October 2022 Forecast	(1,621)	3,337	760	(600)	1,876
Change	(920)	(1,038)	1,656	(415)	(717)

The forecast Group benefit from Phase 1 programme was reported in the Business Plan of July 2021 and has been updated in the table 9.1.4 below. This shows an interest return to the Council's General Fund of £2.46m, assets to be held by the HRA valued at c£88m, 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
October 2022 forecast	£2,469	£1,876	£65,000 rising to £88,000

## 9.2 PHASE 2 PROGRAMME – 2022-23 and BEYOND

The Client has secured Cabinet approval (November 2022) to progress five priority Phase 2 schemes for a total budget of c£122m, split between the HRA and General Fund development loan. The five priority sites (now including Priory Court) comprising the Phase 2 “pipeline” are set out 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 c283 homes, 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 Sites**

Phase 2 Priority Sites	No of homes	Land Value £000	Estimate profit %	Estimate profit £000
Vicarage	23	194	9.2%	968
Church Lane	105	149	12.3%	7,178
Osborne	35	2,200	0.8%	143
Chingford	37	-	0.0%	-
Priory Court	83	447	5.6%	2,001
<b>Total</b>	<b>283</b>	<b>2,990</b>	<b>7.7%</b>	<b>10,290</b>

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 five sites will currently deliver a c8% profit before tax (and corporate overheads) totalling c£10.2m. The Company is working with the Client team to review the residual land values which can enable the Osborne and Chingford schemes to reach profit hurdles for the Company and achieve 10% at a programme level. Table 9.2.2 indicates a viable Phase 2 programme with updated land contributions at Osborne and only residential build at Chingford.

**Table 9.2.2: Phase 2 Sites with viability**

Phase 2 Priority Site	No of homes	Land Value £000	Estimate profit %	Estimate profit £'000
Vicarage	23	194	9.2%	968
Church Lane	105	149	12.3%	7,178
Osborne	35	1,000	4.2%	723
Chingford	37	-	9.0%	1,834
Priory Court	83	447	5.6%	2,001
<b>Total</b>	<b>283</b>	<b>1,790</b>	<b>9.7%</b>	<b>12,704</b>

As with the Phase 1 programme each of the Phase 2 schemes are 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.

At its November 2022 Cabinet, the Council approved an overall budget envelope of c130m to fund the Phase 2 schemes, with individual schemes planned for Cabinet and planning submission in early 2023. This includes the estimated totals as included in table 9.2.3 with some additional contingency to account for the different stages of development on the schemes.

Funding of the affordable homes in the Phase 2 programme will be secured from the HRA (including GLA Grant and RTB receipts). Loan funding totalling c£60m will be required from the Shareholder (between 2022 and spring 2026) to fund the building of the c283 private sale units in the Phase 2

programme. The peak requirement for this investment is forecast in 2024-25 when c£59m 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 five Phase 2 schemes through the initial RIBA stages to securing planning consent(s).

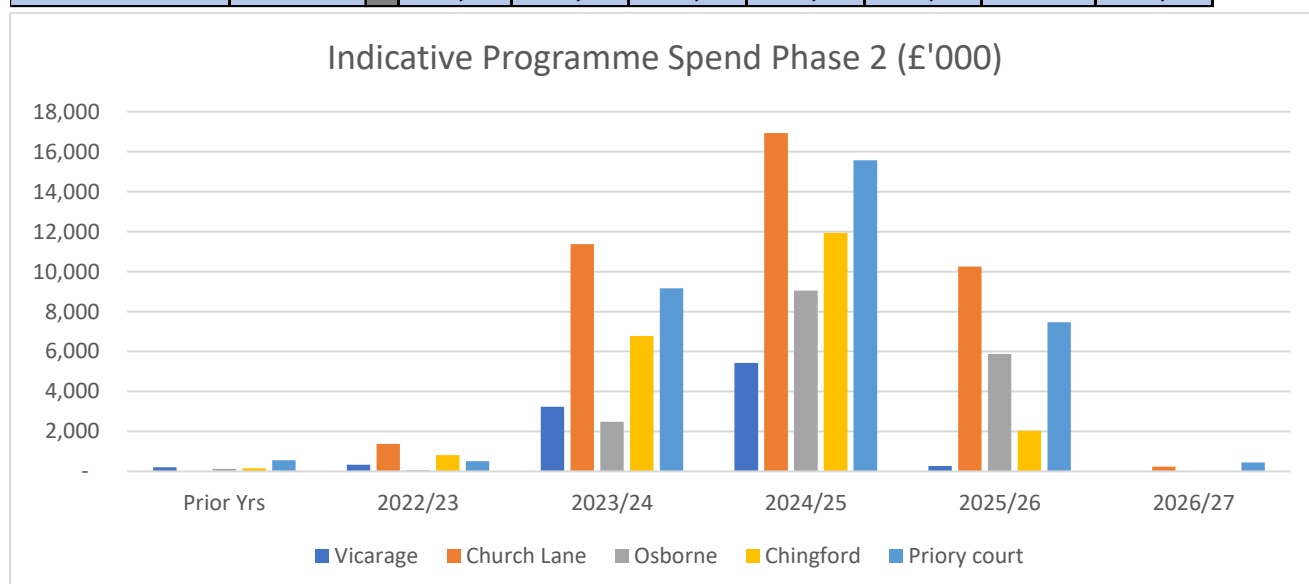
Income from the sale of private units is forecast to start in 2024-25 and then continue in 2025-26 when c£71m of sales income is forecast from the Phase 2 programme. Total receipts to repay the debt are forecast by spring 2026.

### Multi-Year Cashflow Forecast (movement since July 21)

The multi-year cashflow forecast for the Phase 2 programme (excluding interest cost) is summarised in the table below. This shows a total expenditure, including construction costs, and professional fees, of c£122m between 2021 and spring 2027 to develop the five priority sites. The period between spring 2024 and spring 2025 is when peak expenditure will occur, with potentially almost £59m spent on the programme's sites.

**Table 9.2.3: Phase 2 Indicative Spend Programme**

	No of homes	Prior Yrs £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
<b>Phase 2 Priority Sites</b>								
Vicarage	23	215	342	3,235	5,431	265		9,488
Church Lane	105	7	1,372	11,369	16,931	10,255	234	40,168
Osborne	35	135	61	2,486	9,046	5,874		17,602
Chingford	37	156	823	6,779	11,930	2,040		21,728
Priory court	83	561	516	9,162	15,563	7,468	447	33,717
<b>Total</b>	<b>283</b>	<b>1,074</b>	<b>3,114</b>	<b>33,031</b>	<b>58,901</b>	<b>25,902</b>	<b>681</b>	<b>122,703</b>



With regard to income and sales receipts, as with the Phase 1 programme the HRA component (c£57m) of these are broadly fixed and subject to limited movement. However, income of c£71m 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 2024 and spring 2026 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£10.3m over the programme's six-year lifecycle between the second half of 2020-21 and spring 2026.

**Table 9.2.4: Phase 2 Cash Flow forecast**

<b>Phase 2</b>	<b>Prior Yrs</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Gross Spend</b>	1,074	3,114	33,031	58,901	25,902	681	<b>122,703</b>
<b>HRA Contribution</b>	- 257	- 1,791	- 15,801	- 28,288	- 10,197	- 325	- <b>56,659</b>
<b>Sales &amp; Commission</b>	-	-	-	- 5,705	- 70,629	-	- <b>76,334</b>
<b>Scheme Profit</b>	<b>817</b>	<b>1,323</b>	<b>17,230</b>	<b>24,908</b>	- <b>54,924</b>	<b>356</b>	- <b>10,290</b>
<b>Net Overheads*</b>		600	600	600	600	600	<b>3,000</b>
<b>Net Company Profit</b>	<b>817</b>	<b>1,923</b>	<b>17,830</b>	<b>25,508</b>	- <b>54,324</b>	<b>956</b>	- <b>7,290</b>

\*Overheads are net of capitalised costs

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

As detailed above, the sale of private units and HRA contribution from Phase 2 programme are forecast to generate @£132m income by spring 2026. Table (9.2.4) includes the annual forecast of profit and loss generated by the programme. The key years are forecast to be 2024 to 2026 when c£76m of sales income is forecast to be generated.

It is recognised that the significant proportion of income estimate falls in a single year (2025/26) and, hence, the actual sales phasing will be reviewed with sales consultants to account for any capacity issues and to optimise return from the sales market. The total profit forecast for the Phase 2 programme is forecast as c£7.3m by spring 2027, which is the £10.3m programme cashflow less the estimated overhead costs. Subject to agreement of detailed business cases with the Council, the Company reviews the distribution of profit within its annual dividend policy.

#### **Estimated Shareholder Benefit from Phase 2 Programme**

As illustrated in table 9.2.5 below an estimated £4.5m in interest on development loans will be paid in total by the Company to the General Fund. Secondly, the land value return to the General Fund is forecast at c£3m. This excludes the forecast retained profit of the Company.



**Table 9.2.5: Phase 2 Estimates return to Shareholder**

<b>Phase 2 Programme</b>	<b>Council Loan Interest £000</b>	<b>Company Profit £000</b>	<b>Value of HRA Assets in YR 40 £000</b>
<b>October 2022 forecast</b>	£4,503	£7,290	£44,000 rising to £82,000

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£82m after 40 years with a residual debt to the HRA of c£11m at the end of the same period.

### 9.3 COMPANY LEVEL – 2022-32 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 2025 and spring 2026 when c£78m will be committed to the 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£220m by spring 2027.

With regard to income and sales receipts, as noted above the HRA component (c£124m) of these items are broadly fixed and subject to limited movement, with estimated private sales income of c£113m.

In aggregate the consolidated cashflow forecast for Phase 1 and Phase 2 programme shows a positive net position, or surplus, of c£17.9m over the six-year lifecycle between 2022 and spring 2027.

**Table 9.3.1: Consolidate Cashflow forecast**

<b>Consolidated</b>	<b>Prior Yrs £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>Total £000</b>
<b>Gross Spend</b>	84,677	16,102	34,287	58,901	25,902	681	<b>220,550</b>
<b>HRA Contribution</b>	-58,898	-10,578	-16,679	-28,288	-10,197	-325	<b>-124,965</b>
<b>Sales &amp; Commission</b>	-6,948	-30,161	0	-5,705	-70,629	-	<b>-113,443</b>
<b>Company Cashflow</b>	<b>18,831</b>	<b>-24,637</b>	<b>17,608</b>	<b>24,908</b>	<b>-54,924</b>	<b>356</b>	<b>-17,858</b>

#### 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£9.2m by 2027.

**Table 9.3.2: Consolidated Profit forecast**

<b>Consolidated</b>	<b>Prior Yrs £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>Total £000</b>
<b>Company Cashflow</b>	18,831	-24,637	17,608	24,908	-54,924	356	<b>-17,858</b>
<b>Net Overheads</b>	3,039	1,906	1347	1200	600	600	<b>8,692</b>
<b>Net Company Profit</b>	<b>21,870</b>	<b>-22,731</b>	<b>18,955</b>	<b>26,108</b>	<b>-54,324</b>	<b>956</b>	<b>-9,166</b>

#### 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 £6.9m to the Council's General Fund, while the combined retained profit (after tax) of the two development programmes is forecast to be in excess of £9m by spring 2027 – subject to usual caveats including business case approvals, gross development values obtained, procurement, tender price inflation etc

The delivery of the business plan requires additional land to be purchased and that at least one strategic land purchase is targeted for the period 2023-24.

During 2022 we have agreed a governance framework with the Council in order to obtain approval for the Council to purchase sites on behalf of Sixty Bricks in order to deliver the business plan targets.

Where there may be Council benefits for purchases outside the boundaries to meet a need such as homelessness, this is also to be considered.

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£109m in 40 years' time, with a residual debt of c£11m. These figures clearly illustrate the scale of the financial returns the Company will be generating for the Group between now and spring 2027.

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

<b>Consolidated</b>	<b>Council Loan Interest £000</b>	<b>Company Profit £000</b>	<b>Value of HRA Assets in YR 40 £000</b>
<b>Phase 1</b>	£2,469	£1,876	£65,000 rising to £88,000
<b>Phase 2</b>	£4,503	£7,290	£44,000 rising to £82,000
<b>Total</b>	<b>£6,972</b>	<b>£9,166</b>	<b>£109,000 rising to £170,000</b>

## 9.4 FINANCIAL COVENANTS

The Company covenants within the Shareholder Agreement are as follows:

- (i) Only to acquire land or assets if any such acquisition is in accordance with both the Financial Model and the Business Plan.
- (ii) To comply with the Remuneration and Expenses Policy.
- (iii) To maintain the Council's financial year end as the Company's financial year end.

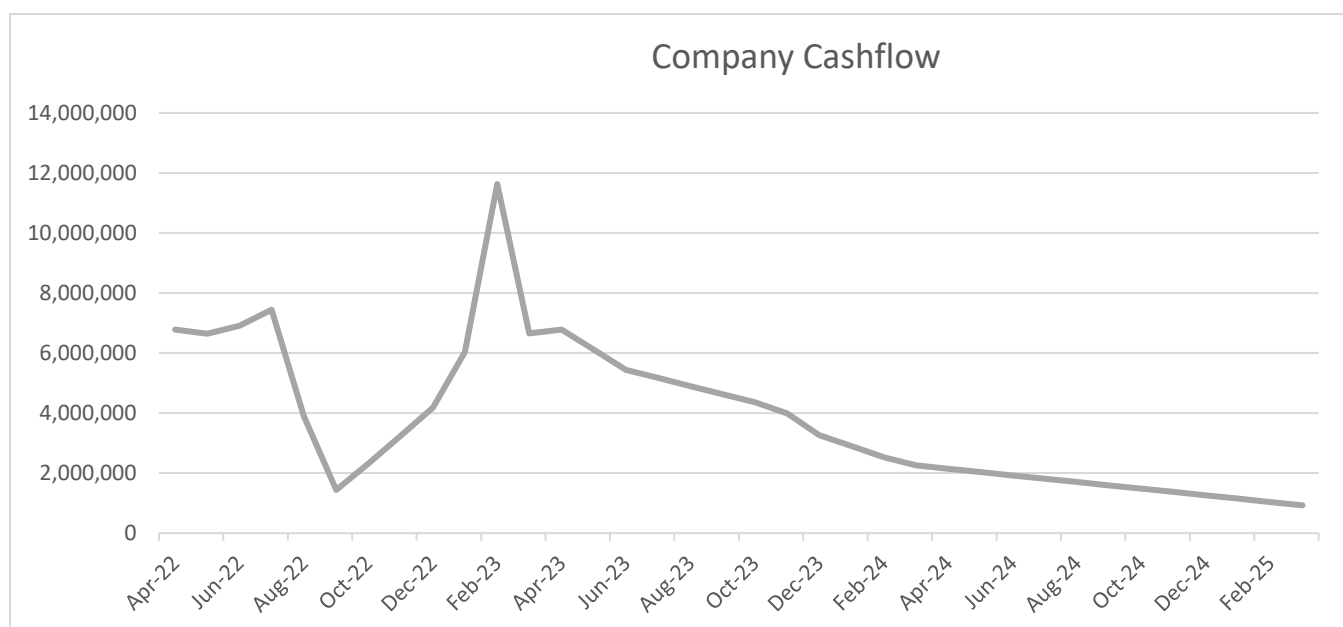
In addition to the above, there are three key additional restrictions that Sixty Bricks need to adhere to in line with the loan and equity agreements with the Client.

- (iv) Keep within £2m working capital borrowing limit
- (v) Equity and Loan ratio to stay within 70/30.
- (vi) To repay all development debt within 8 weeks of final sales completion

As a learning organisation, Sixty Bricks is keen to demonstrate that these covenants are actively monitored and reported to relevant stakeholders of the Company, including at the monthly Client meetings. It has successfully met its covenants during the Phase 1 programme.

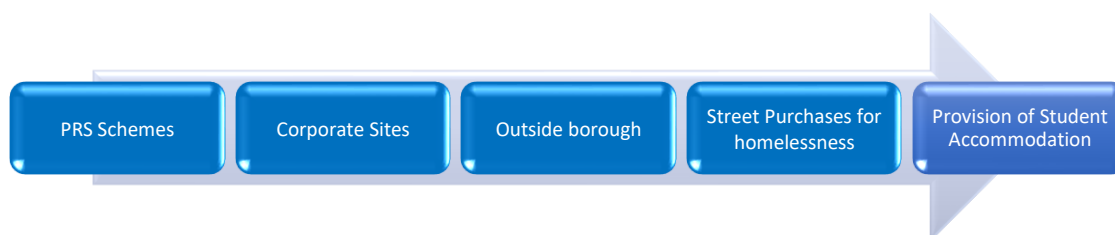
For the Phase 2 programme the same covenants will apply except for the loan to equity ratio which will no longer be relevant without further equity planned. It is expected, however, that Sixty Bricks can operate within its working capital limits, and that for future schemes, Sixty Bricks will manage 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.

The graph below is an indicative illustration of the working capital loan profile and the planned repayment in line with scheme completions. There are some mitigating action plans in place in the event of slippage and are reviewed in conjunction with the Client.



## 9.5 OTHER DELIVERY OPTIONS

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 which will accelerate housing delivery and improve scheme viability.



Potential development areas for the Company involve building to rent (PRS) rather than sales, acquiring street properties for homelessness provision or even for student accommodation given the demographics of the Borough.

Securing larger corporate sites is also a key strategy which will enable more homes to be delivered at greater speed and provide better returns for the Company and Client.

The provision of homes outside of the Borough (especially for street purchases) may provide a viable option to reducing costs and generate returns which be used to subsidise in-Borough delivery.

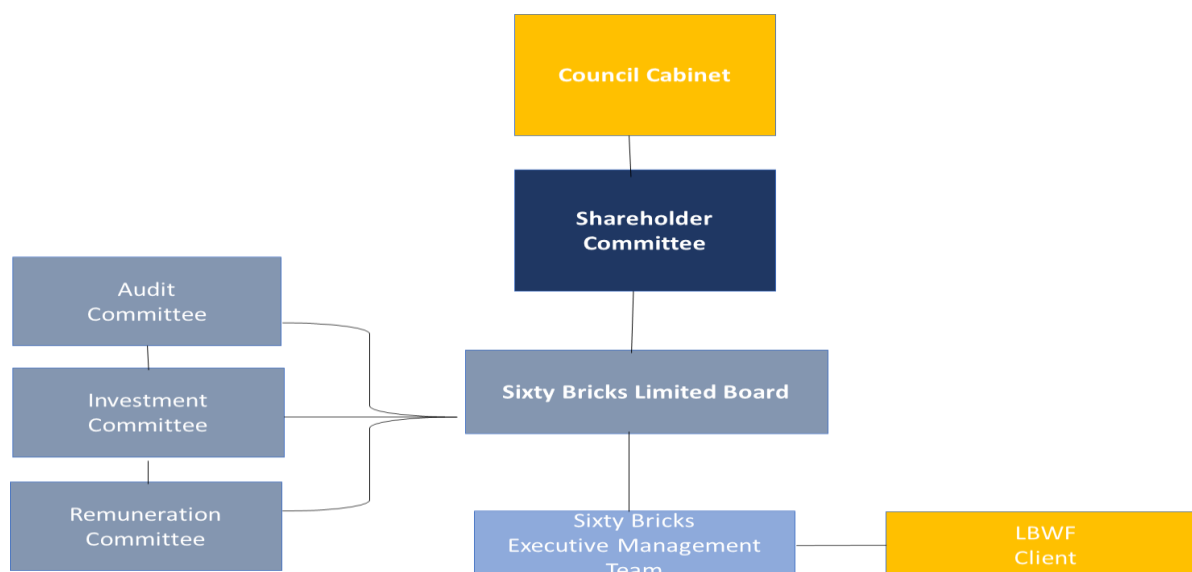
#### **Planned Private Rental Sector Programme**

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, who would also need to agree a longer-term borrowing facility and interest rate.

## **9.6 OTHER FINANCIAL MATTERS**

**Financial Governance** - Sixty Bricks work in partnership with the Client to create a governance structure 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.



**Audit and Risk Assurance Committee** – Established in early 2021, refer to section 2.3 above.

**Investment Committee** – Established May 2021 at the request of the Board, refer to section 2.3 above.

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.

**Financial Regulations** - The Financial Policies and Procedure are reviewed and approved by Board/ Audit & Assurance Committee on an annual basis. The key documents are listed as below:

- Dividend Policy
- Treasury Management Policy
- Financial Procedures
- Scheme of Delegation
- Data Protection Policy
- Business Continuity Plan
- Value for Money Strategy
- Whistleblowing Policy
- Anti-fraud, Corruption and Bribery Strategy

**Risk Management Governance** - Risk management strategy for the Company is headed up by the Audit & Risk Assurance Committee (ARAC), refer to section 2.3 above. The Company also maintains a risk register with a formal process of regular review and reflection at A&RAC, Board, and LBWF senior management meetings. The ARAC Committee has already overseen several improved controls to mitigate risk. These include:

- Introduction of periodic stress testing on cashflows and covenant compliance

- 24-month detailed cashflow forecasting
- Workshops on scenario planning, specifically looking at contractor failure
- Enhanced credit monitoring of counterparties, including major contractors
- Enhancements to governance, responding to internal audit recommendations - including updated scheme of delegations, data management, policies on website, action tracking, permanent staff hired in finance team, recruitment of permanent Company Secretary and Finance Director
- Detailed review of risk register by ARAC, with recommendations prior to submitting to Board
- Separate Investment Committee which considers major projects and their risks in more detail
- Assurance mapping exercise from project to Company level
- Review of risk management framework to right-size risk thresholds for the Company's balance sheet, whilst continuing to feed into the Council's risk management reporting requirements
- Lessons learned exercises - did we deliver what we said we would; and what could have been done better



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. In particular, the supply of land and/or ensuring that efficient gateway processes to enable ongoing programme of schemes is essential for the Company's ongoing liquidity.

Sixty Bricks is on target to achieve projected sales values on Phase 1 programme. However, the sales values could drop due to the economic downturn. Therefore, this is a risk to Sixty Bricks return on investment which continues 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 Private Rented Sector (PRS) or affordable homes.

The ownership of property over the medium to long term can be considered a strong investment (for developers as well as buyers) 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 as per the forecast profit targets detailed in section 2; the risks will be managed through preventative due diligence undertaken, proactive procurement strategy and the governance and controls in place.

**Audit Arrangements** - Sixty Bricks accounts were audited by Barnes Roffe LLP for 2019/20 and 2020/21 and received positive unqualified audits. The Company has now selected Williamson & Croft to carry out the audit function for 2021/22 up to 2023/24 through a competitive tender process.

An internal audit was completed in February 2021 carried out by Price Waterhouse Coopers and commissioned by the Client (London Borough of Waltham Forest). 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’. In the follow up audit in April 2022 all outstanding matters were cleared.

A risk assurance mapping exercise was carried out in April/May 2022 which reviewed how all the risk of the Company are monitored against the three lines of defence:

- (i) Management controls
- (ii) Governance controls
- (iii) External controls (audit)

This informed the internal audit topic for 2022 which focused on supplier resilience and ensuring regular credit checks and supplier checks are in place. The audit has achieved a ‘reasonable’ assurance status.

**Budget Setting and Monitoring of ESG Finance Performance Targets** - The Company has set up a robust budget setting and monitoring process. These include monthly meetings with project managers and finance dashboard reports back to Board and Client Forums

The Chief Executive and Board have also developed a corporate performance framework which reflected the strategic priorities of the Company and its Shareholder, the Council. The resulting ESG Balanced Scorecard contains the Company’s key financial, environmental, social and governance performance objectives, measures, and targets; and in conjunction with the Business Plan and Corporate Plan articulate the key strategic and operational deliverables the Chief Executive and executive team. The financial measures agreed for 2022/23 financial year is included below:

<i>ESG BALANCED SCORECARD</i>	KPI MEASURE	22-23 KPI TARGET	22-23 KPI PERFORMANCE TO DATE
<b>FINANCE</b>			
<b>Phase 1 programme profitability</b>	Quantitative measure from refreshed 10 Year	1. 10%+ profit before tax secured on Phase 1 schemes: Essex Close, South Grove 1. Phase 1 programme level profit before tax of £6.8m and 11.6% delivered	1. 10% Secured on Centenary.

<p><b>(%) before tax</b></p>	<p>Business Plan (July 2022)</p>	<p>2. Priority Phase 2 schemes, Vicarage Road, Osborne Grove, Chingford Hub, Church Lane and Priory Court start-on-site with forecast to deliver agreed target rate of profit before tax</p>	<p>2. Essex and South Grove schemes still live. Overall forecast on target for 10%.</p> <p>2. Phase 2 schemes start on site estimated for 23/24.</p>
<p><b>Sales Revenue performance against forecast</b></p>	<p>Quantitative measure from refreshed 10 Year Business Plan (July 2022)</p>	<p>3. Sales revenues secured on Phase 1 schemes as follows:</p> <p>(i) Centenary House sales revenue £8.28m</p> <p>(i) Essex Close sales revenue £4.54m</p> <p>(i) South Grove sales revenue £20.245m</p> <p>(ii) Total Phase 1 programme sales revenue £33.065m</p>	<p>3. Sales target achieved for Centenary and Essex.</p> <p>3. South Grove sales to date 34/46 above target but expected to drop over the Christmas period and also because of changes to mortgage rates.</p>
<p><b>Working capital remaining within</b></p>	<p>Quantitative measure from refreshed 10 Year Business Plan (July 2022)</p>	<p>4. Working capital requirement does not exceed target of £1.3m set in refreshed Business Plan</p>	<p>On target</p>



<b>agreed ceiling</b>			
<b>Loan covenants</b>	Agreed Loan Covenants are complied with	5. Equity drawdown, by the Company, related to the development of homes for private sales does not exceed 30% of scheme expenditure (at any point in time)	On target

**Tax Planning** - Over the period of the Business Plan, Sixty Bricks are exposed to many tax obligations within its business model. It has obligations for corporation tax on Company profits, stamp duty (SDLT) for land payments, as well Value Added Tax (VAT) on professional fees.

Trowers & Hamblins (TH), as well as PriceWaterhouseCoopers (PwC) have and are providing ongoing advice on the structure of SBL in order to mitigate financial risk and exposure as much as possible. These include applying grant against schemes where possible to achieve SDLT exemption, repatriation of costs to the Client for service level agreements and ensuring all interest charges are considered in line with the allowable thresholds.

Sixty Bricks also recognises the need to scale the business and potential by working with partners that have complementary expertise, objectives and values. Sixty Bricks 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. Therefore, the increased interaction with third parties increases further the Company's potential tax exposures.

The Company, working with the Client, 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.

Sixty Bricks 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 these along with the accounts are submitted annually. Any VAT payments are made on a quarterly basis.

**Banking and Treasury Strategy** - The Company has been working hard to set up the required financial infrastructures to run payment and tax systems smoothly. Sixty Bricks banking provider is Barclays, and the account is now live. Sixty Bricks is also working with the Client to update its financial systems

from SAP to Oracle by April 2023 which will allow its processes and reconciliations to run more effectively.

During the period of 2022-2026, Sixty Bricks will be drawing down development loans from the shareholder as well as receiving significant sales proceeds for its Phase 1 and 2 schemes. It will ensure that cashflow forecasts are maintained to effectively plan resources and ensure that money is available to meet its contractor payment obligations. Any identified surplus will be used to repay debt and or invest according to the Treasury Management policy as set out below.

The Company's treasury management policy aims to:

- (i) Effectively identify, manage, and control treasury risk.
- (ii) Manage bank balances to maintain the stability of the Company's liquidity position i.e., ensure that there are sufficient funds available to meet day-to-day operational requirements and liabilities.
- (iii) Repay development and equity capital loans as they fall due including any interest costs.
- (iv) Maximise returns on the short-term investment of surplus funds within the constraints and risk tolerances established by this policy.
- (v) Prioritise debt repayments before any funds are invested within the capital market where returns on investment are lower than the interest paid out.

**Investment Criteria and Borrowing Strategy** - The Company's borrowing strategy is to agree loan and equity funding with the shareholder on an individual scheme basis and is drawn down in line with the profiled spend budgets with the contractors. This enables the Company to minimise its interest costs and not borrowing ahead of need.

Sixty Bricks has agreed borrowing terms for Phase 2 programme with the Council at a commercial mark up on the Public Works Loan rate. This has enabled the Company to model the latest appraisals.

Sixty Bricks also funded its overheads and set up costs through a working capital loan charged at LIBOR plus 4%. The Company is aiming to repay all working capital debt by 2023/24 and be self-financing going forward through its own profit returns.

There is a gateway process for all new schemes to be approved through to delivery stage, as well as for the approval of overall programme and Business Plan. The diagram below is indicative of a typical high level process which progresses from officer level to approval of Company Board all the way through to the Council's Shareholder Committee and Cabinet.



The Company also decides its key investment and delivery criteria in discussion with the Client and shareholders. The table below is an indicative illustration of the considerations that are important to the stakeholders when agreeing scheme returns.

Sixty Bricks	LBWF Client and Shareholder	Housing Revenue Account (HRA) Client
<ul style="list-style-type: none"> <li>▪ Profit % before tax (10%)</li> <li>▪ % of affordable ratio</li> <li>▪ Cash return/ salaries capitalized</li> <li>▪ Contingency (5%)</li> <li>▪ Zero Carbon</li> <li>▪ Social Value</li> </ul>	<ul style="list-style-type: none"> <li>▪ Subsidy control rules</li> <li>▪ Transfer pricing</li> <li>▪ Commercial return on interest</li> <li>▪ Land Value and Overage</li> <li>▪ Dividend returns</li> <li>▪ Increased tax base</li> </ul>	<ul style="list-style-type: none"> <li>▪ % of affordable ratio</li> <li>▪ Capacity in capital programme</li> <li>▪ Scheme Viability</li> <li>▪ GLA/Other grant conditions</li> <li>▪ Contribute positively to cost of living crisis through energy efficient homes</li> </ul>

Scheme designs and costs factor in the interrelated dependencies of the three key stakeholders within a viable appraisal.

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

## 10.CONCLUSION

This Business Plan demonstrates the continuing development and strengthening of Sixty Bricks. Reflecting on the period since April 2021, working closely with the Council and other partners the Company has delivered excellent results despite the Covid pandemic and subsequent economic challenges.

By the end of the 2022 the Company's Phase 1 development programme will be complete, delivery 300 homes, 220 of which are for social rent. Financial targets will have been secured and almost £6m of social value generated in the local community on the back of a c£100m investment programme. This excellent track record of delivery has been reinforced by the adoption of a comprehensive Net Zero Carbon Strategy, ESG Balanced Scorecard and the transition to a predominantly directly employed workforce by late 2022.

Looking forward the Company is fully committed to building on its success to date to support the delivery of the Council's strategic growth, climate emergency and housing objectives:

- First, the Council's local plan targets to achieve 27,000 additional homes over 15 years. As the Council's housing developer of choice, Sixty Bricks are targeting the delivery of at least 20% of these homes, or c5,000 new properties by 2037.
- Second, by spring 2026 the Company is seeking to achieve a minimum of 1,000 new housing starts, with 600 on site by April 2025.
- Third, the design of five further sites is well in-hand to deliver c300 homes, 50% of which will be social housing. As part of Sixty Bricks strategic commitment to be a leading net zero carbon developer these schemes are being designed to this standard with ultra low energy requirements for residents; and are scheduled for starts on site in late 2023 through mid 2024.
- Finally, the Company will continue to maximise the social value benefits generated by its substantial investment programme, whether in the form of local employment, supply chains, training, apprenticeship, scheme specific social infrastructure or promoting the Council's vision for "15 minute neighbourhoods".

Working closely with the Shareholder, Council Client colleagues and other key stakeholders, from early 2023 Sixty Bricks new Chief Executive, Emma Osmundsen, will take forward these exciting strategic priorities with her executive team and Company colleagues.

We will present quarterly update reports on performance to shareholders from April 2023 onwards.

