



## Croydon: Council-funded housing company has 'seriously underperformed' says PwC report

23rd November 2020

The conclusion is a rather blow to the local authority as it struggles with its financial problems

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TARA O'CONNOR LOCAL DEMOCRACY REPORTER

A property developer set up by Croydon Council has “seriously underperformed” and put the authority at financial risk, an independent report has ruled. It calls for the company’s only two directors to be removed from post immediately.

The council has declared effective bankruptcy by issuing a Section 114 notice, as it cannot fulfil the legal requirement of balancing its budget. Brick by Brick has not paid Croydon Council £36 million in dividends and loan repayments which were expected this year. It adds to the serious financial pressures faced by the council, which is looking at a £66 million black hole in its budget.

The council commissioned an independent report into companies owned or managed by the council, including the developer. Published today, the report sets out a number of issues with the company, which was given loans totalling more than £200 million by the council from when it was founded in 2016.

The report from financial consultant PwC states that Brick by Brick has “significantly underperformed” against a 2019/20 business plan. In this, it stated the ambition to complete 500 homes a year compared with the 307 it is on track to achieve.

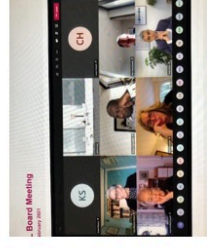
The report says that while the council should continue to fund the 20 projects that have already started, it should not carry out any more land transfers. “Brick by Brick attributes this to a number of factors including delays due to Covid, development issues and delays with actions sat with Council departments (such as planning),” said the report. “We believe Covid was a relatively minor causal factor given the year ended on March

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31, 2020.”

The report adds: “As of October 2020, the delays in bringing new homes to the market has put the council at serious financial risk and resulted in only a handful of new homes being available. As a consequence, savings have not been made. “The severity of this situation has not been exposed until late in 2020, as the formal controls that should have been in place were absent.”

It also states that loan agreements have not been properly managed by both Croydon Council and Brick by Brick. The report is set to be discussed by the council’s cabinet on Wednesday. Councillors are expected to vote to remove two directors, Colm Lacey and Martyn Evans, from their posts with immediate effect. It is proposed that they be replaced with Ian O’Donnell, a finance consultant at Croydon Council since May, and Duncan Whitfield from Southwark Council who chaired Croydon’s finance review panel.

A spokesperson for Brick by Brick said: “Brick By Brick was set up by Croydon Council in 2016 with a mission to deliver high-quality homes that would be accessible for local people, and to return the development proceeds to the council. “We are delivering on that mission and have now completed 293 beautifully designed homes across 15 sites, including 141 affordable homes. We have a pipeline of over 1,000 homes under development and nearly 700 more in planning. We will be working closely with the council, our sole shareholder, to help respond to the PwC report and inform their decisions as to future options for the company.”

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