


<b>Report to:</b>	Opportunity Sutton Limited Sub-Committee	<b>Date:</b>	9 May 2016
<b>Report title:</b>	Sutton Living Performance Update and Risk Register		
<b>Report from:</b>	Mary Morrissey, Strategic Director – Environment, Housing and Regeneration		
<b>Ward/Areas affected:</b>	Borough Wide		
<b>Chair of Committee/Lead Member:</b>	Councillor Simon Wales, Chair of Opportunity Sutton Limited Sub-Committee and Councillor Jayne McCoy, Chair of Housing, Economy and Business		
<b>Author(s)/Contact Number(s):</b>	Mark Baigent, Interim Managing Director, 020 8770 6653		
<b>Corporate Plan Priorities:</b>	<ul style="list-style-type: none"> <li>● An Open Council</li> <li>● A Green Council</li> <li>● A Fair Council</li> <li>● A Smart Council</li> </ul>		
<b>Open/Exempt:</b>	Open With the exception of Appendix A (Sutton Living Risk Register) which is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.		
<b>Signed:</b>		<b>Date:</b>	22 April 2016

## 1. Summary

1.1 This report presents for comment the performance update and revised Risk Register for Sutton Living Limited.

## 2. Recommendations

The Opportunity Sutton Limited Sub-Committee is recommended to:

- 2.1 note the performance update set out in section 3
- 2.2 note the confidential risk register attached in Appendix A
- 2.3 agree the amended financial modelling assumptions set out in section

## 3. Performance update

3.1 Progress and outputs include:

- Site acquisition negotiations progressing well for Lodge Place, Sutton, including involvement in scheme design and pre-application discussions with Planners.
- Architects progressing design feasibility work at Wallington Public Hall, with a view to commencing pre-application discussions and appointing employer's agents.

- Company auditors, Turpin Barker Armstrong, and bankers, Barclays plc, appointed.
- Conveyancing solicitors, Cuff & Gough LLP, appointed for individual acquisition work.
- Valuation surveyors, Michael Pointon, appointed for individual acquisition work.
- Interim project manager appointed; project assistant seconded.
- Loan facility legal documents drafted, awaiting final approvals.

3.2 Given the current volume and pace of activity, it is considered that a full-time permanent Managing Director is not required at this stage. This will be reviewed as site and property acquisition progress necessitates increases in development planning and related executive tasks.

3.3 The Company has no financial performance to report at this stage, having yet to draw down any loan finance or working capital for either the acquisition or development programmes.

#### **4. Risk and Issues**

4.1 The Company is now geared up ready to commence individual property acquisitions. Property viewings and offers will commence once the loan facility has been finalised. All acquisitions will now incur the new higher rate of Stamp Duty (SDLT) that applies to any homes bought for market lettings since April 2016.

4.2 Each individual property acquisition and each development site acquisition will require a detailed financial appraisal prior to the loan finance being released, demonstrating that the scheme is commercially viable within the Sutton Living business plan parameters. These appraisals will be signed off by the Sutton Living Board before being submitted to the Council as lender to approve the release of funds.

4.3 There is a risk that the scale of ambition in the current Sutton Living business plan may have to be reduced if commercial viability becomes more constrained. This will be kept under close review as acquisitions and developments progress.

4.4 A revised risk register is attached in Appendix A.

4.5 The Sutton Living business plan, approved by this sub-committee in August 2015 and again with revisions in February 2016, was based on financial modelling undertaken by Grant Thornton using a set of assumptions developed in discussion with development consultants Campbell Tickell and input on local market conditions by Council officers.

4.6 Having reviewed the changing market context, locally and regionally, it is proposed that the following changes to the financial modelling assumptions be approved by the shareholder sub-committee, to inform ongoing scheme appraisals and acquisition decisions.

Assumption	Previous	Proposed	Comment
Market rents	Worcester Park LHA	RICS market value	Site specific valuations will be more accurate and reflect local market variations (e.g. in relation to public transport accessibility)
Subsidised rents	80% 1 beds 69% 2 beds 66% 3 beds as % of LHA level	Up to 80% of market value	More realistic commercial comparison needed for competitive acquisition viability appraisals; scope remains to tactically let homes at lower rental levels to meet specific needs as they arise.
Build costs	Up to £140k per home	Up to £155k per home	In the last year, there has been a general trend of price uplift and increased competition for the limited construction delivery and supply chain.
Sales values	Between £185k and £370k	Between £205 and £415k	Sutton house prices have outpaced regional and national average increases over the last 12 months, with a 12% uplift according to the Land Registry House Price Index.

## 5. Impacts and Implications

### Financial

- 5.1 The changes to the financial assumptions will allow a more realistic financial appraisal to be carried out on individual acquisitions and scheme appraisals.

### Legal

- 5.2 There are no direct legal implications.

## 6. Appendices and Background Documents

Appendix Letter	Title
A	Sutton Living Risk Register - exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.

Background Documents
None

Audit Trail		
Version	Final	Date: 29 April 2016
Consultation with other officers		
Officer	Comments Sought	Comments checked by
Finance	Yes	Sue Hogg
Legal	Yes	Paul Evans

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