




Report to:	Sutton Shareholdings Board	Date:	22 February 2018
Report title:	Sutton Living Performance Update		
Report from:	Mary Morrissey, Strategic Director, Environment, Housing and Regeneration		
Ward/Areas affected:	Borough wide		
Chair of Committee/Lead Member:	Councillor Simon Wales, Chair of Sutton Shareholdings Board and Councillor Jayne McCoy, Chair of Housing, Economy and Business Committee		
Author(s)/Contact Number(s):	Mike Kirk, Interim Managing Director, 020 8770 6653		
Corporate Plan Priorities:	<ul style="list-style-type: none"> ● An Open Council ● A Green Council ● A Fair Council ● A Smart Council 		
Open/Exempt:	Open with the exception of Appendix A (Risk Register) which is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.		
Signed:		Date:	9 February 2018

1. Summary

- 1.1 This report presents for comment the performance update for Sutton Living Limited.

2. Recommendations

The Sutton Shareholdings Board is recommended to:

- 2.1 Note the performance update set out in section 4 and actions proposed to deliver projects by the Company.

3. Background

- 3.1 Background information has been provided in previous performance updates relating to progress on the acquisition of various sites for development by Sutton Living Limited, and operations relating to the Company.

4. Performance update

Wallington Public Hall

- 4.1 Following approval of the Business Case to develop Wallington Public Hall, and the holding of public consultation event on the scheme, a planning application, was submitted to the Council



in January. The intention is to develop 31 homes of which 35% (or 11) will be affordable housing for intermediate rent. This is one more unit than reported in the last performance update (December 2017) but one less affordable dwelling, the reason for this being that two additional market rent units were required in order to make the scheme viable. Prior to submitting a planning application a revised viability appraisal was carried out, with an updated works estimate, and latest position on the purchase of the land from Sutton included. On the basis of 11 units for affordable intermediate rent and 20 units for market rent, the scheme is still viable to carry out as it meets the Business Plan Assumptions on terms of Internal Rate of Return (IRR); a positive net present value (NPV) upon completion; and loan repayment within 50 years. Viability was assisted by an upward valuation of the completed units and likely increases in market rents since the summer of 2017.

The Old Rectory, Carshalton

- 4.2 Sutton Living Ltd has held back on further development work on the proposal to convert this Grade 2 building into four apartments for market rent and a ground floor commercial unit for the Council. Sutton Living will re-appraise the scheme costs once an updated valuation is provided by the Council, assuming that the scheme is still viable.

Land adjacent to Alexandra Gardens Estate

- 4.3 Sutton Living has undertaken an initial consultation exercise with residents on a scheme for 23 homes for affordable housing and market rent which would be adjacent to the Alexandra Gardens Estate in Carshalton. In discussion with Sutton Housing Partnership, the managers of the estate, it has been decided to draw up an associated scheme of estate improvements using some of the proceeds from the purchase of the land by Sutton Living. Subject to the agreement of the Council to develop the scheme in this way, the scheme will continue to be developed and further consultation will take place in the early summer. In the meantime the Council is seeking to acquire two freehold garages to allow the development to take place.

Sutton Living Business Plan Review/Individual Properties

- 4.4 A separate report has been provided to the Sutton Shareholdings Board in respect of the proposed business plan for 2018/2019. The focus of that report is the larger more viable Council sites as opposed to one-off property acquisitions, unless the latter exceed Business Plan Assumptions. Apart from The Old Rectory, Quarry Cottage a former park keeper's property in Cheam is the only other property being actively considered. The Business Plan Review expands further on future development opportunities for Sutton Living.
- 4.5 The confidential Sutton Living Risk Register has been reviewed and updated. It is appended for information. Principal risks remain around scheme viability; the level of interest rates and increases in the base rate; and reliance on Council land and funding. Proposals to mitigate these risks are contained in the risk register.

5. Options Considered

- 5.1 In reviewing its options for site acquisition and development, all schemes have to comply with the agreed Business Plan assumptions, loan repayment terms, adequate provision for



management and maintenance costs, voids and bad debts, otherwise schemes will not be taken forward.

- 5.2 The seeking of development finance and other grants and subsidy will be assessed on their impact on the Company's Business Model.

6. Impacts and Implications

Financial

- 6.1 There are limited financial implications arising from this report as the Company has only recently received initial funding as part of its loan agreement to cover its development costs. No substantial outgoings have yet been made as no land purchases have been made or building contracts let.

Legal

- 6.2 There are no direct legal implications. The purpose of this report is to provide an update as to the current position of various projects undertaken by the Company.

7. Appendices and Background Documents

Appendix letter	Title
A	Risk Register - Exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972: See Item 7, Annex B (Exempt Supplement)

Background documents
None

Audit Trail		
Version	Final	Date: 6 February 2018
Consultation with other officers		
Finance	Yes	Sue Hogg
Legal	Yes	Laiping Man
Equality Impact Assessment required?	No	N/A

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