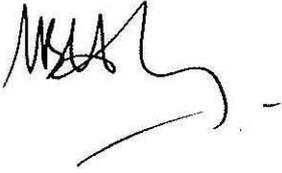


Report to:	Sutton Shareholdings Board	Date:	27 June 2018
Report title:	Sutton Living Performance Update		
Report from:	Mary Morrissey, Strategic Director, Environment, Housing and Regeneration		
Ward/Areas affected:	Borough wide		
Chair of Committee/Lead Member:	Councillor Sunita Gordon, Chair		
Author(s)/Contact 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:	15 June 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, including seeking alternative funding opportunities and mitigating development risk.

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.
- 3.2 The projects currently being considered for development are Council owned sites and require timely liaison between the Company and Council Departments.

4. Performance update

Wallington Public Hall

- 4.1 This scheme is the Company's first major development, comprising a mixed tenure development of 31 units of homes for market rent and affordable housing. Following approval of the Business Case to develop the former Wallington Public Hall, and part of the public car park behind the hall, a planning application was submitted, and approved by the Council's Planning Committee on 21st March 2018.
- 4.2 To take the scheme on site by the autumn of 2018 the following actions are required:
- (a) A Section 106 Planning undertaking has to be entered into by 17th June 2018 (although this date can be extended by the Strategic Director, Environment, Housing and Regeneration) to agree planning obligations before a planning consent can be issued. Sutton Living has appointed planning consultants and lawyers to prepare a draft agreement for the Council to approve.
 - (b) The land purchase needs to be completed (before the S106 can be entered into). Sutton Living has appointed Devonshires Solicitors to act on its behalf and has produced a contract based on a draft "heads of terms"
 - (c) Completion of various funding agreements with the Council to allow Sutton Living to purchase the land, and let a building contract, which need to be worked on concurrently.
 - (d) Sutton Living is preparing a set of "Employer's Requirements", and has appointed professional advisors to prepare contract documentation (using a standard Design & Build contract) and will go out to tender in accordance with its Procurement Policy. For the avoidance of doubt, being a private company, Sutton Living is outside the Council's public procurement rules, and not subject to EU procurement policy.
- 4.3 The approval of the land purchase, works tender and funding agreements all have to be approved by the Shareholdings Board, ideally at the September meeting, to enable a start on site in the autumn.

Alexandra Gardens

- 4.4 An opportunity has arisen to develop a site on the Alexandra Estate in Carshalton for a mix of private and affordable housing for rent and use part of land purchase proceeds to spend on improvements to the estate, working together with residents and Sutton Housing Partnership. The scheme is currently being developed and will be submitted for approval of a Business Case to a future meeting of the Shareholdings Board.

Elm Grove Regeneration Sutton Town Centre

- 4.5 The Council is initiating the regeneration of this estate, which has been identified as an opportunity for Sutton Living as part of its Business Plan acting as a development partner with

the Council. Sutton Living has carried out some viability assessments and is actively working to develop this partnership. Given the scale of development (more than 200 homes), funding outside the Council would need to be sought, and the Company is having initial discussions with a variety of funders. This is a long-term development opportunity with a start on site unlikely before 2020.

The Old Rectory, Carshalton

- 4.6 Sutton Living Ltd has been offered this Grade 2 building in Carshalton Ponds for long-term lease to convert into four apartments for market rent and a ground floor for commercial unit for the Council. Sutton Living has appraised the scheme costs and identified a number of key development risks which need to be resolved before this scheme is taken forward, and confirmed an offer on this basis to the Council.

Mayor's new funding prospectus

- 4.7. The London Mayor has recently issued a funding prospectus offering higher levels of grant funding where linked to London Affordable Rents. The Company is investigating bidding with the Council for the affordable elements of schemes it has to provide in order to meet its planning obligations. This may require the Company to re-assess whether to become a registered provider in order to receive grant. A further update will be submitted to the September meeting of the Shareholdings Board.

Risk Register

- 4.8 The confidential Sutton Living Risk Register has been reviewed and updated. It is appended to this report for information. Principal risks are around scheme viability; the level of interest rates; and reliance on Council land and funding. Two areas of risk are reviewed for this meeting - the seeking of alternative funding sources and registering with the Information Commissioner under the General Data Protection Regulations to protect client confidential information. These and other 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 and conformity with its core objective to develop high quality homes for private rent and sale and in doing so generating surpluses for the Company, and long-term repayment of debt to the Council.



6. Impacts and Implications

Financial

- 6.1 To date the company has received total working capital loans of £740k. This funding has been used to develop and progress a number of schemes, most significantly the Wallington Public Hall site. Once the financials for a scheme are fully worked up and a decision is made to proceed the company will approach the Council for development funding or longer term funding for property acquisitions. The Council must be satisfied that the revenues from the scheme can adequately cover the interest and repayment costs of the loan for it to be agreed.
- 6.2 No substantial outgoings have yet been made as no land purchases have been made or building contracts let. The intention is to report on these to the September meeting of the Shareholdings Board.

Legal

- 6.2 The purpose of this report is to provide an update to the Shareholder as to the current position of various projects undertaken by the Company. The Company will need to ensure that any business transactions or actions that are carried out regarding the development of various sites are in accordance with the Company’s articles of association and shareholders’ agreement.

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

Background documents
None

Audit Trail		
Version	Final	Date: 15 June 2018
Consultation with other officers		
Finance	Yes	Lyndsey Gamble
Legal	Yes	Laiping Man
Equality Impact Assessment?	No	N/A