

Report to:	Sutton Shareholdings Board	Date:	1 May 2019
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 Councillor Jayne McCoy, Vice Chair and Chair of Housing, Economy and Business Committee		
Author(s)/Contact Number(s):	Simon Latham, Assistant Director, Housing, Planning and Regeneration, 020 8770 4006		
Corporate Plan Priorities:	<ul style="list-style-type: none"> • Being Active • Living Well Independently 		
Open/Exempt:	Open with the exception of Appendices A and B which are exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.		
Signed:		Date:	17 April 2019

1. Summary

- 1.1 This report presents for comment the performance update for Sutton Living Limited (“the Company”), and includes the financial update for Quarter 4.

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 mitigating development risk.
- 2.2 Note the Quarter 4 financial update.

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 Directorates.

4. Performance update

Wallington Public Hall

- 4.1 The Company's first major development, comprising a mixed tenure development of 31 units of homes for market rent and affordable housing is still waiting for a number of outstanding matters to be resolved before building works can start on site.
- 4.2 The current position is:
- Purchase negotiations need to be concluded. Most matters are minor but still need to be agreed between the Council's solicitor's Bevan Brittan Solicitors, and the Company's Lawyers Devonshires, as until completed a building contract cannot be let. The last report referred to the need to close a footpath running along the boundary of the site from the retained car park to Stafford Road. This is the responsibility of the Council to resolve, but the Company has offered to agree the risk sharing of this matter, providing any cost of delays are deducted from the purchase price.
 - The funding agreement with the Council still needs to be completed for this project to enable finance to be drawn down to pay the contractor. Sutton Living engaged development finance experts to put forward a funding proposal that satisfies the Council and is currently awaiting for this to be approved. Until it is agreed, the purchase of the site cannot take place, nor can a building contract be let. Review of the site funding and development will have an impact on the Company's Business Plan see separate report on the agenda).
 - Works contract. Negotiations are concluding with the successful contractor and a contract needs to be let by 30th April. This, however, cannot be done until the purchase is complete, and funding for acquisition and works is agreed.

Alexandra Gardens

- 4.3 The Council's Strategy and Resources Committee has approved the disposal of land on Alexandra Gardens Estate to Sutton for a scheme of 23 units (35% affordable), subject to planning. An application was validated in mid-September 2018 and it was anticipated that it would be reported to April or May Planning Committee. However, there is no meeting of the Planning Committee in May and so the application has been delayed until at least June, which, from the Company's perspective, is unsatisfactory as this delays the start of the scheme until the autumn. The Company and its planning consultants have expressed their concern at the delay.

Old Rectory Carshalton

- 4.4 The Council's Strategy and Resources Committee has considered and approved revised terms for the disposal of this building following its redesignation as Grade 2*. This scheme could be converted, subject to planning into five apartments for private rent.

The Grove, Carshalton

- 4.5 The disposal of this building to Sutton Living was also considered and approved by the Council's Strategy and Resources Committee. Again the proposal would be to convert it into a number of apartments, precise number to be determined, for private rent, subject to planning.

Other MattersReview of the Business Plan

- 4.6 An update of the Business Plan is appended elsewhere on the agenda. This is still an interim report as currently the business assumptions under which the Company operates are being reviewed by the Council in the light of the experience of the Wallington Public Hall project. The interim Business Plan highlights the fact that the Company needs to increase income into the business by developments for outright and affordable sale to balance off the developments proposed in the current plan listed above. An updated Business Plan, in light of that review, will be reported to the next meeting of the Shareholding's Board.

Risk Register

- 4.7 The confidential Sutton Living Risk Register has been reviewed and is attached as an exempt item, Appendix A.

Quarterly Accounts

- 4.8 These are appended as exempt Appendix B.

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 subsidies 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 £990k. 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 The Company has approached the Council for development funding for the Wallington Public Hall scheme and is currently in active negotiations to secure this funding.
- 6.3 No substantial outgoings have yet been made as no land purchases have been made or building contracts let.
- 6.4 Quarterly management accounts for the period January to March 2019 are appended in Appendix B.
- 6.5 The final financial position for 2018/19 is currently being prepared with the Company’s accountants Turpin, Barker and Armstrong. The accounts will be finalised by the end of April 2019 to be consolidated into the accounts of Opportunity Sutton Limited.

Legal

- 6.3 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 Shareholder agreement. Early ongoing legal support should be sought in respect of the various projects being 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
B	Operating Budget Variance: January to March 2019 - Exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972

Background documents
Sutton Living Business Plan 2018/19
Sutton Living Performance Report (5 February 2019)

Audit Trail		
Version	Final	Date: 17 April 2019
Consultation with other officers		
Finance	Yes	Joseph Stockwell
Legal	Yes	Rowenna Warburton
Equality Impact Assessment required?	No	N/A

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