

MAYOR & CABINET FULL COUNCIL		
Report Title	CATFORD TOWN CENTRE – CRPL BUSINESS PLAN	
Key Decision	Yes	Item No. 7 Appendix 1
Ward	Rushey Green	
Contributors	EXECUTIVE DIRECTOR FOR REGENERATION	
Class	Part 1	Date: 1 March 2011

1. Purpose of report

- 1.1 This report seeks full Council approval of the business plan for Catford Regeneration Partnership Limited (CRPL), following consideration by Mayor & Cabinet on 23 February 2011.

2. Recommendation

The Council is recommended to:

- 2.1 Approve the Catford Regeneration Partnership Limited (CRPL) business plan for 2011-12.

3. Background

- 3.1 In February 2009 St Modwen Properties sold the Tesco lease interest in the Catford centre to Petersham Land, a private investor, and in February 2010 the Council purchased the remainder of the lease interests in and around the centre through Catford Regeneration Partnership Ltd (CRPL), a company limited by shares and wholly owned by the Council. Council noted that the acquisition would represent a significant reduction in the fragmentation of land ownership in Catford, removing a key historical barrier to the regeneration of the town centre.
- 3.2 In September 2010 CRPL presented their 2010/11 business plan to full Council for approval. This detailed the running of the company in its first year and set out the reasons for the projected deficit.

4 Current Position

- 4.1 The CRPL proposed objectives for 2011/12 can be summarised as taking all required actions to manage and maintain the property effectively, and to work with the Council to contribute to its regeneration aims for the town centre where possible. Activities to support these

objectives include asset management, facilities management, lease management, and tenant liaison. The company will be involved in commercial negotiations with the Council where appropriate to further regeneration aims for the town centre. The objectives are discussed in detail in the business plan at appendix A.

- 4.2 Since the acquisition of the centre in February 2010, CRPL has been working on operational management issues to ensure that the centre is fit for purpose, meets quality standards, and that rent is collected in a timely manner. All health and safety standards are now being complied with and major repairs works identified have been completed. Rental collection is at around 95% and arrears issues are being resolved to raise this figure.
- 4.3 The financial position of the company is set out in full in the CRPL business plan, which is attached as an appendix. The budget spreadsheet provides a comparison of the 2010/11 and 2011/12 budget positions.
- 4.4 A progress report on the Catford regeneration programme will be brought to full council in due course. This report is fulfilling the obligation laid out in CRPLs articles of association (listed at appendix A in the attached business plan) to circulate a draft business plan prior to each financial year for member approval.

5. Financial and Legal Implications

- 5.1 The financial implications of the CRPL budget are listed as notes in the attached business plan, which compares the financial position for 2010/11 to the projected 2011/12 spend. This shows a significant improvement in the financial position of CRPL following the initial year. The company is still projecting a deficit, the reasons for which are discussed in the business plan. Measures are being taken to reduce this and secure long term rental income in future years through new lettings and renewals.
- 5.2 On 27 January 2010 Mayor and Cabinet agreed the loan terms between the Council and CRPL for the purchase of the Catford Centre and associated costs. The loan was financed by prudential borrowing at a Public Works Loan Board (PWLb) rate of 4.2%, and loaned to CRPL at 7%, a commercial rate of interest. The difference in these rates translates into an annual sum of £335k. When compared with the projected CRPL 2011/12 deficit of £55,630, the overall financial impact of the acquisition for the Council therefore remains positive.
- 5.3 The loan agreement between the Council and CRPL states that the Consolidated Rate of Interest (CRI) will be 7% per annum until the second anniversary on the loan, after which time the rate will be notified by LBL to CRPL from time to time. Given current commercial interest rate levels, the parameters used to set the current loan rate, as set out in the 27 Jan 2011 report to Mayor and Cabinet, may at the second anniversary (in Feb 2012) support a lower rate of interest. A

minor reduction in the loan rate would have a significant positive effect the financial position of the company. Further details will be reported to members as appropriate closer to the time.

- 5.4 The use of the working capital facility put in place as part of the loan agreement is likely to be required in 2011/12 to cover investments as part of the company's asset management strategy. The projected increase in rental income resulting from this activity would cover the repayment of the additional capital required over subsequent financial years.

6. Conclusion

- 6.1 Approval of this report will allow CRPL to proceed with the activities, aims and objectives detailed in the business plan.

BACKGROUND PAPERS

<u>Short title of document</u>	Date	File Location	Contact Officer
The Catford Centre Mayor & Cabinet Report	27 January 2010	Governance support	Andy Kitching
Catford Town Centre update report – part 2	14 July 2010	Governance support	Andy Kitching