

**CATFORD**  
**REGENERATION**  
**PARTNERSHIP**  
**LTD**  
**BUSINESS PLAN**  
**2011/12**

## **Introduction**

Catford Regeneration Partnership Limited (CRPL) is a wholly owned subsidiary of Lewisham Council. The company was created in January 2010 to purchase the leasehold interests in and around the Catford centre in order to manage and regenerate the property to improve the economic, social and environmental wellbeing of the London Borough of Lewisham.

The purpose of this business plan is to set out the company's objectives, activities, and budget for 2011/12 for agreement by the Council as sole shareholder in accordance with the company's articles of association.

## **Structure and governance**

CRPL currently has two directors, Steve Gough (LBL Director of Programme Management & Property) and Conrad Hall (LBL Head of Business Management and Service Support). The directors are responsible for the day to day running of the company in line with the articles of association and have other statutory duties as defined by the Companies Act 2006. The directors must take account of the approved business plan when exercising their functions in the management of the Company. Directors are appointed and removed by the Council as sole shareholder.

Certain key decisions in relation to the company are classified as reserved matters, and must be approved by the Council as sole shareholder. The Mayoral Scheme of Delegation allows specific officers to take executive decisions in relation to the Company where appropriate. The complete list of shareholder reserved matters is included at Appendix A, with key matters including:

- the approval of each Business Plan;
- the approval of each Budget and in any financial year changes over £20,000 in any one amendment to the Budget and changes to the Budget exceeding £100,000 in aggregate in any financial year;
- the making of any acquisition or disposal by the Company other than in accordance with the then current Business Plan and Budget;
- the making of any application for planning permission;
- the implementation of any regeneration initiative other than in accordance with the then current Business Plan.

These reserved matters ensure that the Council retains control over the direction of future regeneration proposals. The Council's Catford Programme Board (CPB), chaired by the Executive Director for Regeneration, has responsibility for setting the overall direction on the regeneration of Catford town centre. CRPL directors are represented at board meetings, which are used as the mechanism for updating the Council on progress against the company's objectives.

CRPL directly employs two centre management staff; a centre manager and a cleaning supervisor. Council officers also conduct work on behalf of the company, and officer time is recharged to the company as appropriate.

## **Objectives**

In July 2010, a report to Mayor and Cabinet updated that since the acquisition of the interests in and around the Catford Centre in February 2010, CRPL has set up a team of professional advisers to ensure that the property is managed effectively on a day to day basis. This has included setting up management systems and protocols, conducting a Health & Safety audit, carrying out relevant remedial works and facilities management, conducting rent reviews, lease renewals, and new lettings, and collecting rent and service charge from tenants. In addition to the centre management activity, the report set out a proposed initial delivery strategy and commercial approach for a regeneration programme for Catford town centre, and gained Mayor and Cabinet approval to pursue this strategy. CRPL directors therefore propose the following company objectives for the 2011/12 financial year:

- To continue the effective management of the Catford Centre, ensuring that the operational management standards remain high and that the full commercial potential of the centre is being realised through letting and renewal strategies.
- To enable the redevelopment of the Catford Centre by working with Lewisham Council to begin a masterplanning process and reach a commercial agreement with key stakeholders in the town centre, in order to contribute to the regeneration aims for the town centre as a whole.

## **Activities**

In order to achieve these objectives, CRPL will commission, undertake or participate in a range of activities. These include:

### Centre management

- Rent collection and arrears management
- Service charge administration; including reconciliations to tenants and the creation of future service charge budgets
- Tenant liaison; operational issues, lease issues and queries on wider regeneration aims.
- Health & safety; assessment and compliance of property, day to day implementation of H&S policies and practices
- Facilities management and maintenance; ensuring that all of the landlord's obligations are met, create and maintain a schedule of repairs, major works, improvements and comprehensive redecoration as required.
- Asset management including acquisitions and disposals, redevelopment and lease structuring
- Legal proceedings relating to leases and rental arrears
- Data management; maintenance of accurate records and accounts
- Lease renewals and Rent reviews
- New Lettings

- CRPL contracts; procurement and management of services provided to CRPL by outside parties. These include centre management, legal, accountancy and asset management services.

### Regeneration

- Procurement of a design team (in conjunction with LBL)
- Consultation (in conjunction with LBL)
- Commercial negotiation with other land owners
- Engagement with stakeholders (in conjunction with LBL)
- Retail element proposals
- Planning strategy (led by LBL)
- Milford Towers decant proposals (led by LBL)
- Council office design (led by LBL)
- Housing proposals (in conjunction with LBL)

Key appointments to assist CRPL in the delivery of these activities include:

- DTZ - Managing agents
- Mason Owen - Letting agents
- Johnson Fellows - Surveyors & rent review negotiators
- Russell Cooke - Solicitors

### **2011/12 Budget**

The 2011/12 budget is based on officers' developed understanding of CRPL running costs, the rental income from the Catford Centre and adjoining properties and the provisions of the service charging system. Utilising the projected 2010/11 expenditure (see budget comparison spreadsheet, attached), the 2011/12 budget has been drafted to include reductions in major repairs costs, as the major repairs necessary to keep the properties in a safe state were identified and resolved in 2010/11, as well as appropriate adjustments to letting/renewal fees budgets based on the schedule of lease expiries and renewals.

The projected 2010/11 deficit is due to the costs associated with unforeseen major repairs necessary for health and safety standards, maintenance costs to bring the centre up to an acceptable level of repair during the first year of ownership and insurance costs for covering CRPL's liability with regards to the centre.

The projected 2011/12 deficit is principally due to the lower than expected net income from the Catford Mews units after service costs of running and maintaining the space. The budget for the service charge on the Mews has been revised on advice from DTZ and is based on income and running cost figures from February to October 2010. On this basis, net income is significantly lower than original projections based on information provided by the previous owners of the centre.

Draw down from the working capital facility made available to the company as part of the loan agreement with the London Borough of Lewisham may be required for cash flow purposes during 2011/12. The amount and timing of this will be negotiated with the Council as and when it is appropriate. Increases in rental income due to ongoing lettings and renewals or an under-spend on projected repairs and maintenance costs may negate the need for this facility to be utilised.

As a result of CRPL's asset management strategy, which aims to improve the rental tone of the centre units to a level that ensures the centre remains viable and has a low percentage of void units, the rental income figures are likely to increase over the course of 2011/12, which would improve the underlying profitability of CRPL. In particular, there is an asset management opportunity relating to the conversion of the Mews into a single large retail unit for letting. Commercial advice suggests that the rent on this unit would be in the region of £165k per annum. Whilst this potential letting would be likely to have a negative impact on the CRPL budget in the short term due to initial strip out costs and a standard rent free period (for which working capital may be required), it would represent a significant increase in rental income in the medium to long term, and has the potential to bring CRPL into profit within the next 2 years. Directors will therefore pursue this opportunity in consultation with the Council as appropriate.

### Budget notes

Line	Note
7	New lettings and renewals are likely to result in increased rental income, utilising 2010/11 income figures is considered to be a prudent assumption. Income levels may vary as a result of CRPL letting and marketing strategy.
20	The LBL staffing costs associated with the regeneration aims of the council and CRPL are being met by the council.
21	Includes contingency for large store new lettings
22	2010/11 figure reflected outstanding renewals from prior to acquisition, which will be completed in current financial year. Fewer reviews/renewals expected to be completed in 2011/12.
23	Fewer lease expiries or renewals expected in 2011/12, means CRPL's liability for empty property costs on business rates (after a 3 month void period, the owner is liable for business rates on empty properties that are due to come back into use)and service charge (apportionment for any empty units) is reduced.
22/23 additional information	Figures includes costs for legal services. Given the regeneration objectives of CRPL, an asset management strategy is in place to negotiate lease agreements with a rolling landlord development break clause from July 2014. In order to ensure that there are as few empty units as possible in the centre in the period up to any redevelopment taking place, the rental tone for the units is generally negotiated at a level that is a compromise between the passing rent and the current estimated rental value, based on similar lettings in the area. Estimated fees for lettings and renewals may vary depending on the duration and nature of negotiations, and any court costs incurred by the company.
24/25	Ongoing repairs and maintenance, including health and safety works. Repairs and maintenance schedules have not identified any major works for 11/12
26-28	Allowing for a 5% increase in premiums in 2011/12
32	The main centre service charge is a separate cost to tenants and all expenditure must be reconciled with their payments at the end of the service charge year. The current service charge budget has been calculated using the actual spend figures for the Oct 2009 to Oct 2010 service charge year, assumptions on increased costs and the renegotiation of service contracts.

	In the case of the Mews, rent and service charge are charged to tenants as one figure and this budget could therefore result in the company having more or less rent than assumed from the Mews at the end of the service charge year.
35 (and 46)	Salaries of the 2 centre staff and the associated costs are re-charged to the tenants and this cost is proportionally shared between the main centre and the Mews.
36 (and 47)	The Council may recharge the company reasonable staff costs for Council staff where this work relates to the operational management of the centre, which is recoverable via the tenant service charge. The work carried out in relation to strategic management of the Catford Centre as an asset, which includes lease issues and the regeneration of the centre, is a cost to the council or the company, in line with the Service Charge code 2007.
37 (and 48)	Fees for the managing agents are a service charge recoverable cost, in accordance with the RICS Service Charge Code. This is proportionally shared between the main centre and the Mews.
39 (and 50)	Soft services include security and cleaning.
40 (and 51)	Hard services include mechanical/electrical services, lifts and standard repairs and maintenance.
41	Additional repairs/maintenance cost recommended by managing agents, in order to achieve maintenance and Health & Safety standards for the centre.
56	Loan payments: the loan from LBL to CRPL was lent at CRI (7% until the second anniversary of the loan and from then on as advised by the lender) on a commercial basis. The principal and interest repayments will be made on a quarterly basis (interest in arrears, accrued on a day to day basis and a year of 365 days).

## **APPENDIX A - Shareholder reserved matters**

- 1 CRPL's articles of association identify the following items as shareholder reserved matters:
  - 1.1 the approval of each Business Plan;
  - 1.2 the approval of each Budget and in any financial year changes over £20,000 in any one amendment to the Budget and changes to the Budget exceeding £100,000 in aggregate in any financial year;
  - 1.3 the declaration and/or payment of any dividends by the Company save where such declaration and distribution is made in accordance with the Company's dividend policy;
  - 1.4 the approval of and any change to the Company's dividend policy;
  - 1.5 the increase in any indebtedness of the Company other than in accordance with the prevailing Budget;
  - 1.6 the commencement by the Company of any new business not being ancillary to or in connection with the Business or making any change to the nature of the Business;
  - 1.7 the Company participating in any activity which is detrimental to and/or incompatible with the Business;
  - 1.8 the making of any political or charitable donation;
  - 1.9 the making of any acquisition or disposal by the Company other than in accordance with the then current Business Plan and Budget;
  - 1.10 writing off a bad debt exceeding £25,000 provided that if debts of that person or organisation have been written off by the Company in the previous three years in an aggregate amount of £50,000 or more, the decision to write off any further bad debts for that person or organisation shall also be a reserved matter;
  - 1.11 the making of any application for external funding;
  - 1.12 the repurchase or cancellation by the Company of any shares, or the reduction of the amount (if any) standing to the credit of its share premium account or capital redemption reserve (if any) or any other reserve of the Company;
  - 1.13 a change of name of the Company or location of its registered office;
  - 1.14 any issue of new shares in the Company.

- 1.15 the devolution or transfer of all or part of the management of the Company or its business to persons who are not directors of the Company and, if approved, the terms of such devolution;
- 1.16 without limiting the generality of article 25.15, the appointment of any Chief Executive Officer or person holding a similar role and the terms of such appointment;
- 1.17 the appointment or removal of any director of the Company;
- 1.18 the engagement of (and terms of engagement of) any individual person as a consultant (but excluding for such purposes any firm/professional advisers) or employee;
- 1.19 the engagement of (and terms of engagement of) any company, partnership, individual person or other entity for the provision of services to the Company where the services provided are not contemplated in the then current Business Plan and Budget and/or where the value of the services is above the Official Journal of the European Union limit for services and/or where the services have not been tendered in accordance with the [Company's Contract Lettings Procedure];
- 1.20 any change to the terms of employment/engagement and/or remuneration of a person referred to in articles 25.18 and 25.19;
- 1.21 the letting of any contract for the provision of supplies to the Company where the supplies provided are not contemplated in the then current Business Plan and Budget and/or where the value of the contract is above the Official Journal of the European Union limit for supplies and/or where the contract has not been tendered in accordance with the [Company's Contract Lettings Procedure];
- 1.22 the letting of any contract for the provision of works to the Company where the works provided are not contemplated in the then current Business Plan and Budget and/or where the value of the contract is above £200,000 and/or where the contract has been not tendered in accordance with the [Company's Contract Lettings Procedure];
- 1.23 the instigation of any court proceedings where the directors have not taken appropriate legal advice or where such proceedings would be against that legal advice;
- 1.24 the authorisation of the levying of distress against the occupants of land or property in arrears where the directors have not taken appropriate legal advice or where such actions would be against that legal advice;
- 1.25 the making of any application for planning permission;
- 1.26 the implementation of any regeneration initiative other than in accordance with the then current Business Plan;



1.27 the commencement of any winding-up or dissolution of or the appointment of any liquidator, administrator or administrative receiver of the Company or any of its assets unless it shall have become insolvent.