

CATFORD
REGENERATION
PARTNERSHIP
LTD
BUSINESS PLAN
2013/14

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 2013/14 for agreement by the Council as sole shareholder in accordance with the company's articles of association (listed at Appendix B)

Structure and governance

CRPL currently has two directors, Ralph Wilkinson (LBL Head of Public Services) 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 B, 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, chaired by the Chief Executive, 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 line with the plans presented to the Council in previous financial years, CRPL has continued to develop an effective and efficient management approach for the operation of the property through a team of professional advisors. In addition CRPL has continued to work alongside the Council to build on the proposed delivery strategy and commercial approach for a regeneration programme for Catford town centre. CRPL directors propose the following company objectives for the 2013/14 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 undertake a regeneration 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 continues to promote, commission, undertake or participate in a range of activities, including:

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 strategy (led by LBL)

- Council office design (led by LBL)
- Housing proposals (in conjunction with LBL)

Key professional services 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

2012/13 Budget review

The 2012/13 budget was developed by officers based on 2011/12 figures, projected CRPL running costs, the rental income from the Catford Centre and adjoining properties as well as the provisions of the service charging system.

The company is projecting a surplus for this financial year, which will broadly offset the deficit which was made in 2011/12. The main reason for this difference is that the costs of the conversion of the Catford Mews Indoor Market to the retail outlet occupied by Poundland were incurred in 2011/12, whereas rental income for the unit is being received from 2012/13 onwards.

Lettings fees – there have been a number of new lettings this financial year, including 150 Rushey Green (Subway), 36 Winslade Way (Grocers) and 1 Winslade Way (Hair salon) and there are further new lettings underway that are likely to contribute to the projected total cost, including 14/15 Catford Broadway and 34/35 Winslade Way. This is due to a number of lease and management issues that have arisen, including companies going into administration and CRPL taking positive management action to avoid a negative change in tenant mix in the town centre units under its control.

Professional fees – other professional fees, including those for lease renewal and centre management, have all been at or below projected levels. This is largely due to the development of good working practices that have been established with those providing the services to ensure that costs can be anticipated.

Repairs – due to works required on new letting units, there has been some spend on major repairs in the 12/13 financial year that was not projected. However overall the spend on unrecoverable costs is lower than projected, as other costs, including repairs to the centre (this category covers physical work to the communal areas of the centre) has been lower than projected.

2013/14 Budget

An analysis of rental income against the projected rental income has been undertaken. This considers issues such as rent free periods for new lettings and arrears and is considered to be a prudent assumption on likely future rental income. This analysis has been used to arrive at the rental income figure of £960k for the 13/14 financial year.

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 previous service charge year, assumptions on increased costs and the renegotiation of service contracts.

There are fewer opportunities for new lettings in 13/14 as a result of breaks in existing leases, but an increased likelihood of vacancies as the proposed redevelopment date approaches. Although CRPL will continue to pursue all opportunities for new lettings, it is considered likely that overall there will be fewer lettings in 13/14. However, due to the fact that there are some forthcoming lease renewals and given the current economic climate, which has resulted in many retailers being unable to continue with their leases, the budgets for letting and renewal fees, along with the budget for covering empty property costs, are being kept at the same level as the 12/13 budget.

The level of repairs liability to CRPL, which is anything that is not covered via the service charge (shared between all tenants and CRPL), is being reduced to £30k from £35k to reflect the level of projected repair work. Regular inspections are undertaken to ensure that all planned maintenance work can be factored into this budget allowance. However a contingency must always be allowed for unforeseen repair work.

CRPL is projecting a small surplus in 13/14. This shows that the company is operating successfully and it is felt that this is a fair budget assumption given the 12/13 budget position.

Future year budget projections

CRPL will continue to manage the Catford Centre on the same principles that have been in place to date in future financial years, until the redevelopment proposals are implemented. It is envisaged that with the agreed revised target vacant possession date of December 2015 (M&C 14 November 2012) in place, the 14/15 financial position will be largely similar to the 13/14 position. Budget projections for 14/15 are included in Appendix A.

The 15/16 financial year is likely to be significantly affected by a target vacant possession date of December 2015, as CRPL would in that scenario seek to exercise its lease break options (requiring 6 months' notice). This would reduce the overall rental income to the centre for that financial year, as there would be very little 4th quarter income, and may also coincide with the company accepting some lease surrenders to allow for vacant possession to be achieved. How this issue is dealt with will be part of the overall proposals for the redevelopment of the site as part of the wider regeneration programme for the town centre. As the nature of the redevelopment proposals is still to be decided, projections for the 15/16 financial year have not yet been carried out.

APPENDIX A

CRPL - 2012/13 BUDGET MONITORING AND FUTURE YEARS BUDGETS

	2012/13 Budget £	2012/13 Draft Outturn £	2013/14 Proposed Budget £	2014/15 Proposed Budget £
<u>INCOME</u>				
Lease Rents Receivable				
Shopping Centre	1,030,000cr	1,022,000cr	960,000cr	950,000cr
	1,030,000cr	1,022,000cr	960,000cr	950,000cr
Tenants Service Charges	159,000cr	154,600cr	156,500cr	156,500cr
TOTAL INCOME	1,189,000cr	1,176,600cr	1,116,500cr	1,106,500cr
<u>EXPENDITURE</u>				
<u>CRPL costs</u>				
Letting Fees	30,000	60,000	40,000	40,000
Renewal & Review Fees	20,000	10,000	20,000	20,000
Empty Property Costs	30,000	10,000	20,000	20,000
Repairs and Maintenance	35,000	10,000	10,000	10,000
Major Repairs and Works	-	25,000	20,000	20,000
DTZ Comm and Salary Costs	20,000	-	10,000	10,000
Property Insurance Liability	25,000	20,000	24,000	24,000
Employers Liability	5,500	5,500	6,000	6,000
Directors and Officers Liability	8,800	8,800	9,000	9,000
Prof and Other Fees	2,000	2,000	2,000	2,000
Auditors Remuneration	5,200	7,000	7,000	7,000
	181,500	158,300	168,000	168,000
<u>Tenants Service Charges</u>				
Staff Salaries	82,000	81,400	82,000	82,000
Other Employee Costs	5,000	1,200	1,500	1,500
LBL Staff recharge costs	72,000	72,000	73,000	73,000
	159,000	154,600	156,500	156,500
Loan Interest (5.62%) / Prin	699,000	757,520	757,500	757,500
TOTAL EXPENDITURE	1,039,500	1,070,420	1,082,000	1,082,000
NET DEFICIT / SURPLUS cr	149,500cr	106,180cr	34,500cr	24,500cr

APPENDIX B - 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.