

CATFORD
REGENERATION
PARTNERSHIP
LTD
BUSINESS PLAN
2012/13

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 2012/13 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, 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 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 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 2010/11 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 proposed 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.

These objectives will remain in place for the 2012/13 financial year.

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

2011/12 Budget review

The 2011/12 budget was developed by officers based on 2010/11 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 majority of the costs of vacating and remodelling of the former Catford Mews (32 Winslade Way) were accounted for. This work is now complete.

As anticipated a CRPL will report net deficit in 2011/12. This is due, in part, to the vacating, converting and re-letting of 32 Winslade Way. A projected decrease in short term rental yields and an increase in maintenance costs were outlined in the 2011/12 business plan. Increased letting fees are expected to return to the baseline level in 2012/13. A larger than expected major repairs budget was required to complete the full conversion of the unit. Additionally, increased costs associated with empty units have also resulted in higher than anticipated insurance liability costs.

The amount for professional and other fees in the 2011/12 outturn is substantially higher than the amount set out in the original 2011/12 budget. This includes an amount paid to Deloitte for advice about VAT registration. Officers weighed the decision to register for VAT against the impact on non VAT registered small businesses and the costs associated with the remodelling work required to adapt 32 Winslade Way. The alteration of the unit and the subsequent reduction of the number small businesses weighed in the favour of registration. Following advice, the company has been registered.

2012/13 Budget

CRPL is expected to return a net surplus in 2012/13. This will be achieved through a combination of increased income generated by rents received- including the letting of 32 Winslade Way as a single unit- and reduced expenditure. The allowance for letting and renewal fees has been balanced with figures from 2010/11 and adjusted in line with the schedule of expiries and renewals.

32 Winslade Way is due to produce the full anticipated rental, once the full amount is charged to the current occupier. There are rent free and part rent periods agreed in the lease terms, as per industry standards. The CRPL standard landlord redevelopment break clause is also in place for July 2014. Early information, based on footfall in the newly developed unit, indicates that there has been a significant increase in the level of custom in the centre, which is a promising sign for the short term sustainability of the centre and the longer term development plans for the site.

There are no plans to carry out any significant works to the property and as such there is no allowance in the budget for major repairs. All work to bring the property up to the required health and safety standard is now complete. There remains an amount for unscheduled repairs and maintenance to the property. This is set in accordance with advice from the managing agent.

The budget includes a projected reduction in the interest payments for the loan from LBL to CRPL. The initial agreement for the provision of the loan set the interest rate at 7% for two years, with the subsequent rate being determined by the lender on a commercial basis. Current analysis of the market suggests that an interest rate of 5% would be in line with market rates. A reduction in interest payments would have a substantial impact on the balance of the budget by reducing the company's most significant area of expenditure. Discussions with the Council are in their early stages but a reduction from either Lewisham or from a renegotiation with a commercial lender would have a substantial impact on the 2012/13 budget.

2013 onwards

Outline projections for 2013 onwards indicate that the company would continue to produce a year on year surplus. This is due in part to the full rent on 32 Winslade Way being received in 2014/15 and subsequent years. In the event that the regeneration being led by Lewisham Council is significantly re-designed, stalled or cancelled the lettings strategy for the property could be realigned to maximise commercial income, without the requirement for landlord break clauses. Depending on the rationale and the timescale for the re-thinking of the regeneration, rents receivable would be expected to rise from 2014/15. However, a budget would need to be allocated for repairs and maintenance to keep the property in good condition.

Alternatively, the intended agreement of a development deal and the ensuing regeneration of the town centre would require the company to offer up vacant possession of the property for development in mid 2014. As such rents receivable and service charges would reduce to near zero in 2015/16. However, costs would still be incurred by the company in the form of insurance liabilities, fees and routine maintenance. The development deal, which should be resolved in 2014/15, would be expected to provide an alternative source of funds for the business.

Budget notes

Line	Note
Letting fees	No major lettings are anticipated in 2012/13. Projections for future years take in`to account a number of lease surrenders which will not be re-let at the same rental level.
Empty property costs	The 2011/2012 outturn figure for empty property costs is substantially lower than the amount set out in the original 2011/12 budget. The this does not take into account the void period between the vacating of a property and the accrual of costs – which may be incurred in early 2012/13. Empty property costs will increase towards July 2014 if the company enters into a regeneration development deal. A deal would likely require the company to offer up vacant possession of the property.
Repairs and maintenance	The anticipated level of responsive repairs and maintenance have not been incurred. A suitable contingency for future years is advised by DTZ and has been built into the business as usual costs for future

	projections.
Property insurance liability	This allows for an index linked increase in premiums in future budgets. CRPL is liable for all insurance costs not recharged to tenants.
Service charges	
	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.
Staff salaries	Salaries of the 2 centre staff and the associated costs are re-charged to the tenants. The decreased outturn figure for 2011/12 is due to the variation in staff working hours and a decrease in staff overtime. Salary costs are projected to increase marginally in future years.
Soft services	This includes security and cleaning.
Hard services	This includes mechanical/electrical services, lifts and standard repairs and maintenance.
Repairs and maintenance	No anticipated repairs and maintenance costs from the service charge budget.

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.