



Mayor and Cabinet

Catford Regeneration Partnership Limited (CRPL) Business Plan Update Report

Date: 21 September 2022

Key decision: Yes

Class: Part 1.

Ward(s) affected: Rushey Green

Contributors: Director of Inclusive Regeneration; Director of Law, Governance & Elections; Director of Corporate Services; Head of Capital Programmes.

Outline and recommendations

The report seeks endorsement by Mayor and Cabinet to the following:

- note the update on the delivery plan and latest cashflow position of the company at the end March 2022 following approval of the Business Plan in July 2021;
- delegate authority to the Exec Director for Corporate Resources to agree the final terms of the loan needed to support the cashflow and that it will be similar to all previous loan facilities granted to the Company
- note a number of key areas of challenge for the company over the coming years;
- note that a new Business Plan will be presented to Mayor and Cabinet in the New Year;
- asks that Catford Regeneration Partnership Limited (CRPL) consider investing £400k into the Council's regeneration of the Catford Constitution Club (CCC) under a development agreement for the Council to progress this scheme.

Timeline of engagement and decision-making

- 2020 – 2023 CRPL Business Plan approved by CRPL Board – June 2021
- 2020 – 2023 CRPL Business Plan approved by Mayor and Cabinet – July 2021
- 2020 – 2023 CRPL Business Plan approved by Council – September 2021

1. Summary

- 1.1. The Catford Regeneration Partnership Limited (CRPL) is a wholly owned company of Lewisham Council. The company was originally created in January 2010 to purchase the leasehold interests in and around the Catford Centre in order to manage and regenerate the assets to improve the economic, social and environmental wellbeing of the people of the Lewisham.
- 1.2. The report provides an update and review on the implementation of CRPL's Business Plan for 2020 – 23. The delayed Business Plan was approved by Mayor and Cabinet in July and subsequently by Council in September 2021.
- 1.3. The report also seeks to highlight some key areas of challenge for the Company following the approval of the Catford Town Centre Framework Plan and the COVID 19 pandemic. CRPL.
- 1.4. It updates on the Council's regeneration programme generally, highlighting two projects involving CRPL assets and seeks Mayor and Cabinet approval to access a further loan facility from the Council to help fund the refurbishment of the Catford Constitution Club.

2. Recommendations

That Mayor and Cabinet:

- 2.1 note the update on the delivery plan and latest cashflow position of the company at the end March 2022 following approval of the Business Plan in July 2021;
- 2.2 delegate authority to the Exec Director for Corporate Resources to agree the final terms of the loan needed to support the cashflow and that it will be similar to all previous loan facilities granted to the Company;
- 2.3 note a number of key areas of challenge for the company over the coming years;
- 2.4 note that a new Business Plan will be presented to Mayor and Cabinet in the New Year;
- 2.5 asks that Catford Regeneration Partnership Limited (CRPL) consider investing £400k into the Council's regeneration of the Catford Constitution Club (CCC) under a development agreement for the Council to progress this scheme.

3. Policy Context

- 3.1 The Council's Local Development Framework sets the vision, objectives, strategy and policies that will guide development and regeneration in the borough to 2025 and together with the Mayor of London's 'London Plan', forms the statutory development plan for the Borough. It anticipates major change and includes a focus on Catford Town Centre as a major development opportunity. The London Plan reinforces this view by identifying Catford as having potential for significant urban renewal.
- 3.2 The content of this report is consistent with the Council's policy framework, namely the Corporate Strategy 2018-2022:

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

- Open Lewisham: Lewisham is a welcoming place of safety for all where we celebrate the diversity that strengthens us.
 - Tackling the housing crisis: Everyone has a decent home that is secure and affordable.
 - Giving children and young people the best start in life: Every child has access to an outstanding and inspiring education and is given the support they need to keep them safe, well and able to achieve their full potential.
 - Building an inclusive local economy: Everyone can access high quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
 - Delivering and defending health, social care and support: Ensuring everyone receives the health, mental health, social care and support services they need.
 - Making Lewisham greener: Everyone enjoys our green spaces and benefits from a healthy environment as we work to protect and improve our local environment.
 - Building safer communities: Every resident feels safe and secure living here as we work together towards a borough free from fear of crime.
- 3.3 The Local Authority has a duty to ensure the long-term growth of its town centres is planned and managed, to ensure that viable and vital functions of its town centres are integrated as part of a sustainable development strategy.
- 3.4 CRPL's core objectives accords with the above. Alongside all the above, CRPL has been impacted by the Covid-19 pandemic and the fundamental disruption that has taken place to normal cycles of resident and business life. Several businesses in Catford Town Centre have closed and footfall is struggling. This adds immediate pressure to the need to ensure CRPL continues as a going concern, which underpins the wider regeneration of the Town Centre.

4. Background

- 4.1. CRPL was set up in January 2010 following Council approval and following the Council's purchase of the Catford Centre the preceding year. The company was tasked with the following core activities:
- 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.
- 4.2. At the company's inception, the Articles of Association (Appendix 1) were agreed. These detail how and when the company must interact with its shareholders. In this case, Lewisham Council, which is the sole shareholder.
- 4.3. Operational responsibility for the company is given to Lewisham Council nominated company Directors of which there were three – David Austin (Director of Finance); Zahur Khan (Director of Public Realm) and Cllr Eva Stamirowski (Councillor for Catford South). The Directors are supported in their day-to-day management of the portfolio by the Council's Property and Estates team in the HRPR Directorate. The main contactors supporting the management of the portfolio are Workman, for the management of the estate and tenants; Aston Rose, for marketing and securing new tenants; and Field Fisher as the lawyers for the company. Contracts for works to maintain the portfolio are

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

appointed as needed.

- 4.4. The company is required to submit a business plan for approval by the Council as shareholder. The current Business Plan, which covers a 3-year period from 2020-23, was approved by Mayor and Cabinet in July 2021 and was designed to enable the company to stabilise its cash flow and to deal with the impact of Covid-19 more effectively, as well as continuing to meet the requirements of its original objectives.
- 4.5. The focus of the Company is to manage the meanwhile use of the assets pending the Council moving forward with the Catford Town Centre Framework Plan of regeneration and wider infrastructure developments in the town centre (e.g. road realignment). While regeneration is in the name of the company, no commitment or expectation to lead on regeneration work is set in the objectives for CRPL as set out in the Council's annual business plan.

5. Review of Current Business Plan:

- 5.1. Overall, the company continues, through its managing agents and other support team, to manage the Catford Centre and other CRPL assets, ensuring that the operational management standards remain high and that the full commercial potential of all assets are realised through letting and renewal strategies, including meanwhile and interim uses, events and hires. Despite the impact of COVID, the company has, through effective management, maintained a very high occupancy rate with voids within the portfolio at approximately 4%, that is, two vacant units.
- 5.2. Where lettings have proved challenging, the Company has enabled meanwhile uses to ensure the Centre and assets remain active and footfall is retained. This has also ensured that local initiatives such as House of Catford have continued to thrive, while also reducing the Company's overheads in maintaining empty properties.
- 5.3. When lettings occur, the lease terms include redevelopment break clauses that allow the company to terminate leases, when needed, in order to enable regeneration opportunities to proceed. It has meant that the company continues to grant shorter leases to prospective tenants and whilst not lucrative for the company, they remain in line with the development parameters for the centre, as set out in the town centre framework.
- 5.4. The Company's activities continue to support the Council's wider regeneration and investment aims, by increasing the night-time, entertainment and leisure uses in the portfolio whilst retaining a healthy distribution of food and beverage and convenience shopping offerings. Further, a joint investment between the Council and GLA in the Catford Constitutional Club (CCC) Yard will see a much loved and sought after facility, brought back into commercial and community use.
- 5.5. The approval of the Town Centre Framework has provided much needed clarity on the delivery timeframe and the Company is therefore developing a programme of modest investments in the public spaces within the portfolio to help address some health and safety concerns as well as improving the general look and feel of the centre. This includes installing new street furniture, better way finding, a replacement centre canopy, painting some facades and a better cleaning regime.
- 5.6. In addition to the improvements set out above, the Catford Library recently relocated to the Centre at units 23-24 Winslade Way. This is a significant addition to the precinct and is expected to generate increased footfall for the other commercial uses. The prospective developments at Thomas Lane Yard and refurbishment of the Catford Constitution Club are other projects that are seeking to invest in or utilise the company's assets to help further the council's regeneration objectives.
- 5.7. All the above noted, 2020 – 2022 has been a very challenging period for the company

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

mainly due to the impact of COVID. Until recently, a general nervousness of the public to engage in big public activities such as exercise classes, going to the cinema and in some cases a preference to shop online rather than at the local supermarket, have all contributed to a reduced footfall in the centre and therefore the viability of some tenants' businesses.

- 5.8. A direct consequence of COVID on the operations of the company is that rent and service charge payments fell significantly over the past two years leading to an increase in arrears and debt owed to the company. The current commercial rent arrears on the portfolio is approximately £500k, from an annual rent roll of circa £1M and service charge arrears is approximately £400k from an annual budget of circa £500k. A significant part of the rent and service charge arrears is owed by a few entities and discussions are progressing to secure settlements.
- 5.9. The company has agreed payment plans with a number of the tenants giving them time to clear their arrears. This has been very successful and most are on a payment plan due to finish in 2024. Where arrears have accrued and no payment plan has been agreed, The company is implementing a collection policy whereby legal letters are sent to the tenants at both 30 & 60 days and then a move to Commercial Rent Arrears Recovery also known as CRAR via a bailiff at 95 days. To date, no CRAR has been implemented although it is acknowledged that some of the rent and service charge may not be collected and may therefore need to be written off.
- 5.10. The above factors, in particular, the impact of COVID has had implications for the Company in terms its finances. It is worthy of note that CRPL did not benefit from any COVID support either from the Council or central government.

6. 5-Year Cashflow Analysis:

- 6.1. The CRPL portfolio (mainly the Catford Centre) comprises a number of retail tenancies (some of which are double units). There are a number of units outside the main centre located on the Rushey Green as well as Catford Broadway. The portfolio also includes a number of flats let on assured short-hold tenancies (ASTs). Altogether, the portfolio has an annual rent roll / income of approximately £1M.
- 6.2. The March 2022 valuation of the Company's portfolio put its value at £17.5M. At the same time, the Company has a long-term debt in the form of a loan from the Council with an outstanding balance of approximately £16.1M.
- 6.3. In 2021, CRPL agreed with the Council that loan and interest repayments will be frozen for a period of 3 years from 2020-2023, restarting again in 2023/24.
- 6.4. There is an annual service charge budget of approximately £500,000 pa. Some tenants have leases, which incorporate a service charge cap and leaves a service charge gap of approximately £35,000. In addition, CRPL is required to cover the service charge liability for any vacant units, plus other outgoings such as empty rates, utility-standing charges etc.
- 6.5. The current rent and service charge arrears on the portfolio are £500k and £400k respectively as set out in section 5.8 above. Although payment plans have been agreed with a number of tenants and are progressing well, it is not expected that all rent and service charge arrears, particularly those accrued over the lockdowns during the pandemic, will be collected. There are therefore likely to be some write-offs which will impact the Company's cash balances.
- 6.6. Appendix 2 provides a breakdown of the cashflow forecast for the company over the next five years from 2021 – 2026 and table 1 below provides a summary over the same period.

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

Table 1

| | 2021 - 22 | 2022 - 23 | 2023 - 24 | 2024-25 | 2025-26 |
|--------------------------------|-----------------|-------------------|-------------------|-------------------|-------------------|
| Total Income | £993,593 | £1,415,000 | £1,565,000 | £1,521,000 | £1,552,200 |
| Total Expenditure | £797,962 | £1,254,000 | £1,453,424 | £1,484,924 | £1,506,424 |
| Net Income/Expenditure | £195,631 | £161,000 | £111,576 | £36,076 | £45,776 |
| Cash Available/brought forward | £85,000 | £280,631 | £441,631 | £553,207 | £589,283 |
| Cash Balance | £195,631 | £161,000 | £111,576 | £36,076 | £45,776 |

6.7. The cashflow forecast is underpinned by a number of assumptions including the following:

- Voids – the very low level of voids currently seen within the portfolio is expected to remain the same over the period however, as the timeline for regeneration draws closer, void levels may increase;
- Rent and service charge arrears – the forecast assumes that not all the rent and charge arrears will be collected, particularly those that were accrued during the pandemic;
- Capital costs and repairs – The Company will need to carry out some modest non-service charge recoverable repairs in the centre over the period. The level of works or investment will reflect the amount of time remaining before the Centre is needed as part of the regeneration proposals;
- New Income Streams – The Company has been able to secure a new income stream through the renovation of 17/18 Catford Broadway at a cost of £1.5m and that is expected to add a further circa £100k of net income to the portfolio;
- Rental growth – the forecast assumes that there will be rental growth of 3% per annum on the portfolio for the period to 2026. Some of this will be in form of lease renewals, rent reviews etc;
- Lease Surrenders – The lease for 9 Winslade Way has 50 years left to run, expiring in 2072. To progress the regeneration programme, CRPL/the Council will need to buy back the interest from the lease holder. Discussions are underway on a mechanism through which CRPL will be able to buy back that leasehold interest now. This approach is considered a cost effective means of CRPL/Council acquiring that leasehold interest in order to further the Council's regeneration objectives;
- Lockdowns – no further lockdowns have been assumed. Any further lockdowns due to COVID variants etc. will have an adverse impact on the forecast;
- Catford Constitution Club – the cashflow forecast does not include the new capital requirement to support the refurbishment works at the Catford Constitution Club.

6.8. The table above summarises CRPL's funding cashflow over 5-years from 2021/22 to 2025/26. It shows that assuming all the above assumptions hold, that CRPL will need a further loan facility of up to £1.5M over the next 4 years in order to remain a going concern. The likely drawdown of the facility is summarised below:

- 2022 / 2023 - £300,000
- 2023 / 2024 - £400,000
- 2024 / 2025 - £400,000
- 2025 / 2026 - £400,000

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

Total **£1,500,000**

- 6.9. The above also assumes that the CRPL loan interest repayment holiday agreed with the Council is in effect through to the end of 2023 and the value of the assets will increase to cover the securitisation needed to back the loan by 2025/26.

7. Catford Constitution Club (CCC):

- 7.1. In March 2020, following a bid to the GLA for Good Growth funding, the Council were successfully awarded a grant of £1.65m to enable investment in the Catford Constitutional Club (CCC) building that would seek to retain its place in Catford as a community asset and to develop Thomas Lane car park site, to provide for new business and employment opportunities in buildings focused around a public yard. Both schemes are central to the adopted Catford Town Centre Framework and have received widespread public support through consultation
- 7.2. The GLA grant was contingent on the Council being able to provide match-funding to the same level for both projects. In September 2020, Mayor and Cabinet subsequently agreed a match-fund of £1.65M to support both Thomas Lane Yard Project and the Catford Constitution Club (CCC) and officers were given permission to procure the works to the CCC. The CCC is CRPL's freehold interest and a development agreement between CRPL and the Council has been agreed to enable the undertaking of works. There is currently no financial commitment made by CRPL to the cost of the works.
- 7.3. The tender exercise to procure the refurbishment works to CCC was concluded on 25th May. After rigorous scrutiny of the tenders by officers, with the support of specialist heritage consultant team to ensure that the proposals offer the best value for money, a view has been reached on the most economically advantageous tender.
- 7.4. However, the preferred tender, which is also the lowest priced, is approximately £400k above the available budget for the works. There are a number of reasons for the increased cost of the works including the impact of COVID and the recent and sustained increase in cost of building materials.
- 7.1. There is now a funding gap, which will need to be bridged to allow the project to proceed. Regrettably, this gap cannot be funded by the Council or the GLA and therefore it is proposed that this falls to the property owner CRPL to fund. Conditions of the GLA grant include the requirement to spend their allocation by March 2023 and works are expected to start in November to ensure this delivery timescale is met. The project is due to complete in October 2023.
- 7.2. As the cashflow analysis above for the next 5-years shows, it will not possible for CRPL to fund this gap without the need for a further loan injection from the Council. It is therefore necessary for the Council to agree to advance that loan facility to CRPL on terms as all previous loan to enable the work to proceed.
- 7.3. It should be noted that the Company has been able to secure a lessee for the building and negotiations are currently ongoing to agree final terms. Allowing for a short rent-free period and a one year stepped rent, the CCC will generate a rental income of approximately £90k a year from year two. This means that the CRPL investment of £400k could be repaid within 5 years of completion. Failure of this scheme at this stage would trigger the claw back of GLA funds and would leave the building in an increasing state of disrepair.
- 7.4. Separately, the Thomas Lane Yard development will have implications for the CRPL portfolio because it proposes to include one of CRPL's assets in the mixed use development of the car park and the former Council depot, now leased to Supersets. The details of the proposal and the impact on CRPL will be the subject of a future Mayor and

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

8. Town Centre Framework Update:

- 8.1. The Catford Town Centre Framework provides the foundation and structure to help guide a programme of phased change and delivery over a 25-year period. The final document was approved by Mayor & Cabinet on 14 July 2021.
- 8.2. The Catford Town Centre Framework document aims to provide a vision for the future of Catford. It identifies the need for new homes, a new civic strategy, a greener town centre plus other town centre infrastructures as well as new public realm and a more diverse commercial offer that can thrive in Catford Town Centre.
- 8.3. The Council has progressed a number of projects to begin the delivery and implementation of the framework's aspirations. This includes the recently completed Holbeach Road public realm improvements, which have delivered the regeneration of approximately 500sqm of public realm to the pedestrianised section of the road.
- 8.4. As noted above, further work is also progressing on a first phase programme of works to the Catford Constitutional Club and development at Thomas' Lane Yard as part of the proposals enabled by the GLA's Good Growth Fund. Discussions are also underway for a programme of modest improvements to improve access at the stations utilising s106 funding from the former Catford stadium development. The Council and TfL are also working closely to progress designs for the road realignment scheme.
- 8.5. The Council will also be shortly be seeking to appoint a consultancy service to provide advice on the delivery strategy for the wider programme including Laurence House, Milford Towers and the shopping centre. Sites in private ownership are also expected to come forward in the near term. A development on the Plassy Island site has also undertaken consultation earlier this
- 8.6. In summary, progress continues to be made on early stages of implementation of the agreed Catford Town Centre Framework plan. Some phase one works including the CCC and Thomas Lane Yard works will shortly be commencing on site. However, the Framework is a 10 – 15 year programme and the soon to be commissioned delivery strategy is a key document which will inform, not only how this will be delivered, but also provide an indication of potential funding routes too.

9. Key Challenges For CRPL:

- 9.1. Short-term - The Company is currently relatively stable in-year, despite the wider market challenges for the retail sector. While the short-term position is being managed, the medium position remains more uncertain. Areas of both short-term managed concerns and medium term uncertainty include:
 - 9.1.1. The growing pressure of the capitalised interest on the level of the loan to the Council (which in turn will need to be recouped from the development value of Council controlled land interests in the town centre framework). The company agreed a short (3-year) deferment of the interest payments on loans from the Council to enable it stabilise its cashflow due to the impact of COVID. With a stabilised cashflow and improving income from the refurbished units at 17/18 Catford Broadway, the Company expects to resume the loan interest repayments from 2023/24 reducing any growing pressure on the overall loan. Further, the asset to loan value remains positive with the asset appreciating in value year on year.
 - 9.1.2. Managing the post COVID level of arrears of rent and service charge in the region of £900k and requests for some of that to be written off with debtors. The situation

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

continues to be monitored very closely, regular meetings are held with CRPL's managing agents Workman and with individual tenants that have difficulties. For many tenants, payment plans are already in place and some cases are being settled. With the likelihood of further COVID lockdowns diminishing, it is anticipated that the arrears situation will continue to improve. Further update on the arrears will be provided when the next Business Plan is presented to be agreed by Mayor and Cabinet in the new year.

- 9.1.3. The current and emerging cost of living crisis is creating a very challenging environment for commercial tenants and individual households. Although one of the key indicators, cost of fuel, has started to fall recently, increases in energy prices is expected to push inflation to approximately 13% by the end of the financial year. The CRPL portfolio, has to date, fared well through difficult times, with high levels of interest expressed for vacant properties and low void rates. This is backed up by recent analysis of national commercial data which showed fewer shop closures on highstreets in the last year. However, it is too early to gauge the full impact of rising inflation and the resultant worsening cost of living. There is likely to be governmental response on the cost of living this Autumn and the implications to the Company will be set out in the next Business Plan update.
- 9.1.4. Absorbing more non-commercial priorities on behalf of the Council will be a challenge for the officers whose roles are split on Council and Company business to ensure segregation of responsibilities is maintained. To help mitigate some of this, officers in the estates team, who support the CRPL operations, are working even more closely with the Council's Regeneration team to ensure that the burdens of non-commercial priorities are effectively managed and remain aligned with corporate priorities.
- 9.1.5. The cost and quality of the main contractors for managing the affairs of the company continues to be monitored. The delivery from the appointed contractors, is getting more expensive. The tendering of contracts in 2022 will provide the opportunity to reassess the Council and CRPL Director's expectations for the support required;
- 9.1.6. Managing the growing expectations of the company given its controlling land interests and their being central to the future regeneration of the town centre will require clear distinction between what are Council decisions and actions and those of the company, and the related reputational risks. As noted in 4.2 above, the Company currently interacts with the Council, its sole shareholder, on terms set out in the Articles of Association which were agreed at its inception. As the timeline for regeneration draws closer and shareholder expectations as well as operating environment change, it may be necessary to revisit the Articles of Association to ensure that they and the current Company composition remains fit for purpose.

9.2. Medium Term

- 9.2.1. Planning for the transition to the regeneration phase of the town centre will likely lead to a necessary period of run off, impacting CRPLs income, which will only be able to be managed with a parent guarantee from the Council for any losses (and this will likely add to the development value of the master plan);
- 9.2.2. The Catford Town Centre framework envisages development delivery implications for the CRPL estate (mainly Catford Centre) within the next 5 - 10 years. The only exception being the Council led Thomas Lane Yard scheme, which forms part of our current housing delivery pipeline and requires the site assembly of a CRPL leasehold interest. This scheme is currently programmed to come forward for delivery in 2024 and complete by 2026.
- 9.2.3. CRPL is currently not offering break free tenancies beyond 2026. As we get closer to this date, there is and will become an increasing pressure on CRPLs ability to attract

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

tenancies which therefore may create cash flow pressures. The dates at which the Company secures development breaks in leases will need to be reviewed in the next business plan term and will be informed by work on the wider framework delivery strategy, which the Council will shortly be commissioning. It's likely that this will inform a more nuanced approach to leases and terms across the CRPL managed estate.

- 9.2.4. The Council will continue to work closely with CRPL to ensure that the wider ambitions for Catford are supported. The market for commercial lettings is challenging and may well worsen in the coming years. Maintaining a mix of uses and amenities in Catford will remain important as more substantial physical development starts to come over the next 5 – 10 years.
- 9.3. The Catford Town Centre Framework document and the work flowing from that in terms of delivery approach is key to the operations of CRPL over the short to medium term. In particular, responding to the medium term challenges of the Company relies on the delivery strategy agreed for the Framework Plan. As noted in section 8.5 above, the Council is in the process of commissioning external support to develop a delivery strategy for the Framework. The work is expected to deliver recommendations in the early part of 2023.. Following that, there will a separate report to Mayor and Cabinet setting out the implications for CRPL in particular on the some of the medium term challenges highlighted above.

10. Financial Implications

- 10.1. To date, the loans and interest charges from the Council are circa £16.1m and the report recommends another loan of up to £1.5m, increasing the loan value to £17.6m, plus interest which will accrue prior to the repayments re-commencing.
- 10.2. The March 2022 valuation of the Company's portfolio put its value at £17.5m, thus the extension of the further loan would mean that the loan value exceeded the current asset value by £100k, and that the loans are required to enable CRPL to remain viable.
- 10.3. The cashflow analysis does forecast that over the Business Plan period the Company will re-start making loan and interest payments from 2023/24 onwards, and that this will total £2.1m.
- 10.4. Due to rising costs, build cost inflation, tender values etc there is now a requirement to fund an additional £400k for CCC and Thomas Lane Car park. The Council's investment in the scheme is now £2.1m, increasing from £1.65m.
- 10.5. Despite the increase in cost, the current project assumptions is still forecasting a positive NPV of £5.45m (uninflated) over the 40 year model period, although this scheme is modelled as a combined scheme of Thomas Lane and the CCC as part of the Building for Lewisham programme.
- 10.6. The summary cashflow financial implications are set out in table 1 above which provides an overview of the Company's cash-flow projection over the next 5 years. This shows that overall, the Company requires additional loans to enable it to remain viable.
- 10.7. The cashflow is underpinned by a number of assumptions and the full details of the cashflow are set out in appendix 2.
- 10.8. The Covid-19 pandemic has meant that the past couple of years has undoubtedly been extremely difficult for all of the retailers in the CRPL portfolio, many of whom are small independent businesses. There is currently significant arrears on the rent and service charge account and although payment plans are in place for a number of business to pay down the arrears, some of the debt will likely be written off. This is reflected in the cashflow forecast.

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

- 10.9. The implications of the emerging cost of living crisis on the general economy is not yet fully understood and so not forecast within the cashflow. The next company Business Plan in the new year will reflect any impact on the company once the implications are understood.
- 10.10. It is likely that the Company's liabilities will exceed the assets at the point at which the Council's regeneration plans take effect. Therefore the Council will need to provide a parent guarantee at this point.
- 10.11. The next Business Plan will need to set out how the long term viability of CPRL will be managed in light of the Council's ambition for regeneration and the impact this will have on the Company.

11. Legal Implications:

- 11.1. The approval of the Business Plan for CRPL and matters related to it, such as the contents of this report, are shareholder reserved matters and is therefore required to be approved by Mayor & Cabinet.
- 11.2. Other key legal implications which set out how the company interacts with the Council (its sole shareholder) are set out in section 25 – Shareholder Reserved Matters – of the enclosed Articles of Association (Appendix 1).

12. Equalities implications

- 12.1. There are no immediate equalities implications directly arising from this report. Any equality implications for the future regeneration programme will be considered at the appropriate time as Catford undergoes its redevelopment.

13. Climate change and environmental implications:

- 13.1. There are no climate and environmental implications directly arising from this report. Any climate and environmental implications for the future regeneration programme will be considered at the appropriate time as Catford undergoes its redevelopment.

14. Crime and disorder implications

- 14.1. There are no immediate crime and disorder implications directly arising from this report. Any crime and disorder implications for the future regeneration programme will be considered at the appropriate time as Catford undergoes its redevelopment.

15. Health and wellbeing implications

- 15.1. There are no health and wellbeing implications directly arising from this report. Any health and wellbeing implications for the future regeneration programme will be considered at the appropriate time as Catford undergoes its redevelopment.

16. Background papers

- 16.1. CRPL Business Plan 2020 - 2023

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

17. Report author and contact

17.1. Kplom Lotsu – kplom.lotsu@lewisham.gov.uk

Appendix 1: Articles of Association

Appendix 2: CRPL 5-Year Cashflow Analysis

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>