

Report for: Mayor and Cabinet

Part 1

Part 2

Key Decision

Date of Meeting	20 th September 2023	
Title of Report	Catford Regeneration Partnership Limited (CRPL) Director Appointment	
Author	Kplom Lotsu – Head of Property, Estates and Capital Programmes	Ext. 49283

At the time of submission for the Agenda, I confirm that the report has:

Category	Yes	No
Financial Comments	X	
Legal Comments	X	
Cabinet Briefing consideration	X	
EMT consideration	X	

Signed:

Cabinet Member: Brenda Dacres – Cabinet Member for Housing Development and Planning

Date: 12th September 2023

Signed:

Executive Director: Nazeya Hussain – Interim Executive Director for Place

Date: 11th September 2023

Control Record by Committee Services

Action	Date
Listed on Key Decision Plan	
Date submitted to Legal & Finance	
Date submitted to Cabinet Members for sign off	
Date submitted to Executive Director for sign off	



Mayor and Cabinet

Catford Regeneration Partnership Limited (CRPL) Director Appointment

Date: 20th September 2023

Key decision: No

Class: Part 1.

Ward(s) affected: Rushey Green / Catford South

Contributors: Director of Inclusive Regeneration; Head of Property, Estates and Capital Programmes.

Outline and recommendations

Outline and recommendations:

This report seeks the appointment of directors for the wholly owned Council Company Catford Regeneration Partnership Limited (CRPL) following the resignation of two Directors. It proposes a review of the company and its Articles of Association to be reported to Mayor and Cabinet in due course.

Recommendation:

Mayor and Cabinet approves the appointment of Nick Penny and Melanie Dawson as Company Directors to replace John Bennet and David Austin who have both resigned as Directors. It also recommends that Mayor and Cabinet notes a proposed review of the company's operations and how it interacts with its shareholder – Lewisham Council.

Timeline of engagement and decision-making

- Nomination of a new directors by Exec Director for Place – July 2023

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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 London Borough of Lewisham (LBL).
- 1.2. The day to day activities of the Company are managed by two Directors comprising two Council officers supported by other Council employees in the Property, Estates and Capital Programme team. Following the resignation of two directors, it has been agreed to appoint two new officer Directors to manage and oversee the activities of the company.
- 1.3. This report recommends the appointment of Nick Penny, Head of Finance and Melanie Dawson, Principal Lawyer and Deputy monitoring Officer, as directors of the company to support the activities of CRPL. The appointments will be made using the same Director's Mandate agreed at the inception of the company.
- 1.4. The report also asks Mayor and Cabinet to note that a review of the company's operations and its interaction with the Council, as its sole shareholder, is proposed, and that this will be reported to Mayor and Cabinet in due course.

2. Recommendations

Mayor and Cabinet is asked to:

- 2.1 approve the appointment of Nick Penny and Melanie Dawson as a Directors of Catford Regeneration Partnership Limited (CRPL);
- 2.2 agree that Nick Penny and Melanie Dawson are indemnified as Directors in accordance with the attached Deed of Indemnity agreed at the inception of the Company.
- 2.4 to note that a review of the company is proposed, and that the outcome together with a new business plan will be reported to Mayor and Cabinet in due course.

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 In July 2021, Mayor and Cabinet agreed the Catford Town Centre Framework. The framework sets out a long-term strategy for the transformation of the town centre along with a 15-20 year development programme.

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- 3.3 The content of this report is consistent with the Council's policy framework, namely the Corporate Strategy 2022 – 2026. Delivering this strategy includes the following priority outcomes that relate to the Council's regeneration activities:
- Cleaner and Greener – working to tackle the climate crisis through our development policies.
 - A Strong Local Economy – continue to expand our apprenticeship programme and invest in our high streets, doing what we can to be the best place in London for new businesses.
 - Quality Housing and Safer Communities – we will deliver more social homes for Lewisham residents, providing as many people as possible with safe, comfortable accommodation that they can be proud of and happy to live in.
 - Open Lewisham – we will co-design services and ensure strong consultation processes that reach out to people whose voices are seldom heard.
- 3.4 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.
- 3.5 CRPL's core objectives accords with the above. It is against this policy background that the proposed appointments of Nick Penny and Melanie Dawson to the directorship of CRPL is being made as well as furthering the objectives of CRPL as set out in its Articles of Association.

4. Background and Narrative:

- 4.1. CRPL is a wholly owned company of Lewisham Council. The company was originally created in January 2010 to purchase leasehold interests in and around the Catford Centre in order to manage and regenerate the properties to improve the economic, social and environmental wellbeing of the people of the London Borough of Lewisham.
- 4.2. The Company's Articles of Association appear at Appendix 1. The appointment of Directors is the responsibility of the London Borough of Lewisham as the sole shareholder.
- 4.3. The primary duty for the Directors when considering company business is to the Company, with a secondary duty being owed to the Council.
- 4.4. In essence, Directors owe a fiduciary duty to act in the best interest of the company. A Director's Mandate (attached as Appendix 2) is also given to each director including reference to their indemnity, setting out their duties as a Director. The Mandate includes a requirement to respect their position as Council appointee and not to act in contravention of a properly given Council instruction.
- 4.5. Many key decisions in relation to the Company are classified as reserved matters and must be approved by the Council as sole shareholder. The complete list of shareholder reserved matters are listed in the Articles of Association at paragraph

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25. These reserved matters ensure that the Council retains control over the direction of the Company and that the Company operates strictly within its approved business plan.
- 4.6. At its inception, two Directors were appointed, both of them Council officers. Initially one was a senior finance officer and the other a senior regeneration officer. However, to avoid any perception of conflict of interest for the regeneration officer, it has become the Council's practice not to appoint a senior regeneration officer.
- 4.7. The most recent directorships were David Austin, Director of Finance and John Bennett, Head of Economy, Jobs and Partnerships. Together, the directors have been actively managing the affairs of the company until recently. David Austin can no longer act as a Director because of his new role as Acting Executive Director for Corporate Resources and Council's s151 Officer and John Bennett has resigned from the Council's employ leaving both director positions vacant.
- 4.8. To ensure effective management and governance of the affairs of the company, it is proposed that Nick Penny – Head of Finance and Melanie Dawson, Principal Lawyer and Deputy Monitoring Officer, are appointed to fill the vacancies left by David Austin and John Bennett.
- 4.9. If the Council agrees to the appointment of Nick Penny and Melanie Dawson, it is proposed that it should be on the same terms as for all former and current directors and that they are given the same indemnity against personal liability as is currently afforded David Austin and John Bennett.
- 4.10. Further, the newly appointed Directors will be offered training from Institute of Directors (IoD) who offer reputable accredited courses for Directors in a number of sectors including the Public Sector.
- 4.11. The proposed appointment acknowledge the current status of the wider Catford Town Centre Regeneration Framework plan recently agreed by Mayor and Cabinet and its implications for the operations of the company.
- 4.12. In the meantime however, the ongoing cost of living crisis continues to create a very challenging environment for commercial tenants and individual households. Although some key indicators such as cost of fuel, energy price and general inflation have started to fall in recent months, the full impact has not filtered through to the commercial tenants and households due in part to rises in interest rates. This, together with managing the post COVID debt of arrears in service charge and rent continues to create challenges for the company.
- 4.13. Although the majority of tenants continue to meet the contractual obligations of their lease with CRPL, for some, this still remains a challenge and this places further pressure on the company and its ability to meet its own obligations including loan and interest repayments to the Council. As a mitigation, the company agreed a short (3-year) deferment of the interest payments on loans from the Council to enable it stabilise its cashflow over the current business plan period which ends in 2023.
- 4.14. As set out in the Financial Implications, the deferral of the payment of the interest costs, coupled with the recent valuation of the property portfolio, has meant that the Council is likely to have to make a Minimum Revenue Provision (MRP) charge for the outstanding debt to the Council.

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- 4.15. In light all of the above, CRPL's financial position and operations will need to be reviewed given its current asset value and the growing pressure of capitalised interest on Council loan and the company's likely ability, in the very near future, to continue to meet its own obligations. Further, 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.
- 4.16. As noted in 4.5 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 has become necessary to review the company and its operations along side the Articles of Association to ensure that they and the current company composition remains fit for purpose.
- 4.17. It is therefore proposed that a review of the company and the Articles of Association is undertaken urgently and the outcome together with a new Business Plan is reported to Mayor and Cabinet in due course.

5. Financial Implications:

- 5.1. Directors are nominated by the Council and do not receive additional remuneration for undertaking this role. There is therefore no direct financial implications resulting from this appointment.
- 5.2. The indemnity against personal liability provided to the proposed new director will be on the same terms as all former and current directors and is therefore not expected to lead to an increase in the relevant insurance premium.
- 5.3. The Council undertook an independent valuation of the CRPL assets as at 31 March 2023 which equates to £16.6m. At the start of the financial year the value of the loan liabilities was £16.3m. However, as the interest is not being paid it is forecast that the loan liability and capitalised interest as at 31 March 2024 will be £16.9m, meaning that the value of the loan liabilities will exceed the current property valuation by £0.3m.
- 5.4. As the value of the loan will no longer be fully backed by the value of the assets, the Council will be required to make a MRP charge to its balance sheet in the year 2023/24, chargeable on the difference between the asset and loan value. The value of the MRP charge to the Council's balance sheet is estimated to be circa £3k, noting that this is a partial year impact.
- 5.5. In the event that the value of the properties remained at £16.6m and the interest continued to be capitalised this would increase to £27k for 2024/25.
- 5.6. This will remain under review, as the MRP calculation and charge will change if the property valuation changes, or if CRPL are able to start making interest payments.
- 5.7. It is noted that there will be a further report to Mayor & Cabinet following the wider review of the company, and the financial impact on the Council will be carefully considered and reported alongside any financial implications for the company itself.

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6. Legal Implications:

- 6.1. Appointments to CRPL are an executive function, under Part III of the Council's Constitution and must therefore go to Mayor and Cabinet for approval. There is no constitutional change required.
- 6.2. Under the Local Authorities (Indemnities for Members and Officers) Order 2004 (Statutory Instrument 3082) local authorities are empowered to indemnify Members and officers in a wide range of circumstances and any additional appointment would be subject to the existing Director's Mandate and Indemnity.

7. Equalities implications

- 7.1. There are no immediate equalities implications directly arising from this report.

8. Climate change and environmental implications:

- 8.1. There are no immediate climate change and environmental implications directly arising from this report.

9. Crime and disorder implications

- 9.1. None specific to this report.

10. Health and wellbeing implications

- 10.1. None specific to this report.

11. Background papers

- 11.1. None

12. Report author and contact

- 12.1. Kplom Lotsu – Head of Property, Estates and Capital Programmes
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13. Comments for and on behalf of the Executive Director for Corporate Resources

- 13.1. Katharine Nidd – Acting Director of Finance
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14. Comments for and on behalf of the Director of Law & Corporate Governance
- 14.1. Jeremy Chambers – Director of Law and Corporate Governance, Monitoring Officer
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