
Catford Regeneration Partnership Ltd

Business Plan 2017/18

Introduction

Catford Regeneration Partnership Limited (CRPL) is a wholly owned subsidiary 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 property to improve the economic, social and environmental wellbeing of the people of the London Borough of Lewisham (LBL).

The purpose of this business plan is to set out the company's objectives, activities, and budget for 2017/18 for agreement by the Council as sole shareholder in accordance with the company's articles of association (listed at Appendix B).

Structure and governance

The CRPL currently has two directors, Ralph Wilkinson (LBL Head of Public Services) and Selwyn Thompson (LBL Head of Financial Services). 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. The directors are appointed and removed by the Council as sole shareholder.

In line with the plans presented to the Council in previous financial years, the CRPL has continued to develop an effective and efficient management approach for the operation of the property through a team of professional advisors, including an in-house surveyor from the LBL Estates team and external agents that oversee daily management of the property and report to the directors of CRPL. Officers from the Capital Programme Delivery Team as part of the Catford Regeneration Programme support the CRPL in relation to the regeneration aspects of their objectives. The in-house officers' time is recharged to the company as and when appropriate.

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 in Appendix B, with key matters including:

- the approval of each Business Plan;
- the approval of each Budget and in any financial year changes over £50,000 in any one amendment to the Budget and changes to the Budget exceeding £200,000 in aggregate in any financial year (as set out in section 25.2 of the Articles of Association).
- 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 Executive Director for Resources & Regeneration, has had responsibility for setting the overall direction on the regeneration of Catford town centre. The CRPL is represented at these programme board

meetings, which have been used as the mechanism for updating the Council on progress against the company's objectives.

As the Catford Regeneration Programme gains momentum over the coming year, with key decisions expected on the realignment of the South Circular, and the implementation of a master-planning process, it may be appropriate for the Council to revisit the list of shareholder reserved matters, to enable the CRPL to move forward more efficiently in the delivery of its objectives. In this case, any suggested amendments will be brought to Full Council for approval.

Objectives

The 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. The CRPL directors propose the following company objectives for the 2017/18 financial year:

- To continue the effective management of 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.
- To agree with the Catford Programme Board revised timescales for the regeneration programme for Catford Town Centre.
- To ensure sustainable financial models are developed that allow progression from current holding and operation positions through redevelopment, into successful future investment positions.
- To enable the redevelopment or partial/comprehensive refurbishment of the Catford Centre and other CRPL assets by working with Lewisham Council to evolve and undertake a regeneration process and reach a commercial agreement with key stakeholders/potential partners.
- Work with Lewisham Council, in order to contribute to the regeneration and investment aims as a whole through property related activities.
- To enable CRPL to acquire and dispose of key properties that are considered strategic or surplus to further regeneration aims within the borough. This is not to be limited only to properties with commercial use.

Activities

In order to achieve these objectives, CRPL continues to and will in the future promote, commission, undertake or participate in a range of activities, including:

Centre and Property 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 regears (such as lease renewals, rent reviews and new lettings);
- Legal proceedings relating to leases and rental arrears;
- Data management; maintenance of accurate records and accounts;
- The CRPL contracts; procurement and management of services provided to the CRPL by outside parties. These include centre management, legal, accountancy, landlord and tenant advice and asset management services.

Regeneration

- Procurement of professional services (in conjunction with LBL)
- Consultation (in conjunction with LBL)
- Commercial negotiation with other land owners/potential partners
- Engagement with stakeholders (in conjunction with LBL)
- Retail, Commercial, Leisure and Residential proposals
- Design/feasibility/master-planning/place-making/financial modelling work
- Planning strategies (led by LBL)
- Milford Towers decant strategy (led by LBL)
- Council office design (led by LBL)
- Residential proposals (in conjunction with LBL)
- Development management.

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

- Cushman & Wakefield - Managing agents
- Mason Owen – Retail letting agents
- Johnson Fellows - Surveyors & rent review negotiators
- Field Fisher – Solicitors

Operational Review 2016/17

Commercial Lease lettings and renewals – CRPL continue to take a flexible approach in entering into leases with commercial tenants including temporary lettings to cover service charge and business rates. There have been a number of changes of occupiers in the past year with Urban Rebel vacating Unit 1 Winslade Way and the Romanian Deli and Sue Ryder taking leases of units 27 and units 30-31 respectively. As there is no specific timetable for redevelopment at this point, we are currently offering leases for a term certain of up to 5 years. This has slightly improved the popularity of the centre, with current interest being shown from Savers and Card Factory, who would both enhance the retail offer.

There are currently 3 vacant units in the centre, units 1, 2-3 and 6-8, with interest being shown in all 3. *Residential leases and renewals* – CRPL hold a number of self-contained residential flats situated above the commercial shops. The majority of these are leased on Assured Shorthold Tenancies (ASTs) with two leased to the London Borough of Lewisham Private Sector Lettings team. Numbers 17a and 18a Catford Broadway are both vacant in need of significant refurbishment in order to make them habitable. Consideration is currently being given as whether to carry out the refurbishment works ourselves or grant a lease to a developer.

Brookdale Club Purchase – CRPL completed the purchase of the Brookdale Club in December 2016 as intended. The acquisition is a significant component of the Council's wider

regeneration initiatives to facilitate the regeneration of the town centre. Now that the purchase is completed it is intended that the property is leased for an appropriate use, subject to necessary licensing and planning requirements. This is intended to be an interim or 'meanwhile' use, prior to the expected eventual demolition and site redevelopment as part of the wider Catford regeneration programme.

Financial Review 2015/16

Overall the company budgeted for a surplus of £50k for this financial year and due to a low level of repairs and maintenance, this was actually £150k. This broadly offsets the deficit which was made in 2014/15, mainly due to major repairs work undertaken on residential lettings.

Employee Costs – These costs have reduced due to the transfer of the two employees to Cushman and Wakefield. There is a corresponding reduction in the service charge Income recovery.

Professional Fees – These have been kept at low levels due to the establishment of good working practices with those providing the service. Cushman's annual management fee is £49,500, increasingly annually with RPI. Most of this is recovered via the service charge in the shopping centre, with the remainder relating to the Catford Broadway and Rushey Green properties.

Working Capital Loan – A loan of £250,000 from LB Lewisham was taken out in May 2015, as provided for in the original agreement.

Interest Rate on Outstanding Loans – The interest rate charged on the loan to the CRPL by the Council has been further reduced from 4.8% to 4.3% with effect from 10th May 2015. This reflected the continuing downward movement in interest rates and the reduced risks now that the company has been trading for over 5 years.

Operational Preview 2017/18

Until a decision is taken on the vacant possession approach by the elected members of the Council, the CRPL will take the best interim commercial view of all property management activity and will fully assess actions and risks on the basis of the best information available at that time with regards to the vacant possession date. For the time being all new lettings and renewals that fall within the development scheme are being renewed on the basis of 5 year lease excluded from the Landlord and Tenant Act 1954. A 5 year lease means that the centre remains reasonably attractive to a wider range of retailers and is realistic in terms of the expected timescales for redevelopment.

In line with the Company's objects (section 2 - Articles of Association) to carry on a business that will improve the economic, social and environmental well being of the area and the residents of Catford and the wider London Borough of Lewisham, CRPL will continue to take a pro-active view in relation to acquisitions, regeneration, development and investment activities both within Catford and the wider London Borough of Lewisham.

CRPL's strategic approach will help the company to become more financially resilient whilst also assisting the Council to further its regeneration and meet its corporate objectives. In doing this, the following areas will specifically be reviewed and additional professional advice sought to ensure that the Business Plan is deliverable and that risks are appropriately managed.

- **Tax Implications** of CRPL buying and selling properties

- **Procurement procedures** – to have CRPL’s own procedures or deploy those of the Council.

Budget Preview 2017/18

The CRPL is projecting a small budget surplus in 2017/18. This shows that the company is operating successfully and it is considered that this is a fair budget assumption given the 2016/17 likely outturn position. . It is based on the 2016/17 likely outturn and projects the running costs and rental income from the Catford Centre and adjoining properties.

Rental and Service Charge Analysis –Regular meetings are held with our managing agents, Cushman and Wakefield to review such items as management and letting strategies; rental income and arrears; service charge and expenditure; maintenance and repairs;

CRPL takes a flexible approach to its lease renewals and lettings. This approach includes temporary lettings to cover service charge and business rates and also short term lettings to allow flexibility around future regeneration plans.

The shopping centre service charge is a separate cost to tenants and all expenditure is reconciled with their payments at the end of the service charge year. The budget is based on actual spend figures for the previous service charge year, assumptions on increased costs and the renegotiation of service contracts. The accounts are externally audited to ensure that CRPL is meeting all of the requirements of the service charge code. The service charge year runs from the 1st October and the total expenditure up to 30th September 2016 was £459,318

Repairs – The level of the CRPL repairs budget, which relates to anything that is not covered by the service charge, has been maintained at the level of previous years. Regular inspections are undertaken to ensure that all planned maintenance work can be undertaken. However a contingency has been allowed for unforeseen repair work. The main capital repair work that has been budgeted for in 2017/18 is essential repair works to the sprinkler system in the shopping centre. This has been costed at circa £30,000.

APPENDIX A

CATFORD REGENERATION PARTNERSHIP LTD

PAST, CURRENT AND FUTURE YEARS' BUDGETS

	17-18 Business Plan			
	2015/16 Final Outturn £000	2016/17 Original Budget £000	2016/17 Forecast Outturn £000	2017/18 Original Budget £000
<u>INCOME</u>				
-	-	-	-	-
Lease Rents Receivable	1,110cr	1,100cr	1,080cr	1,100cr
Other Income	-	-	-	-
Service Charge				
Recoveries	113cr	52cr	40cr	40cr
TOTAL INCOME	1,223cr	1,152cr	1,120cr	1,140cr
<u>EXPENDITURE</u>				
-	-	-	-	-
<u>CRPL costs</u>				
CRPL Employee Costs	35	-	4	5
LBL Staff Recharges	67	64	60	50
Letting and Renewals				
Fees	63	80	80	90
Property Running Costs	118	130	120	110
Major Works, R & M	35	100	80	50
Major Works	-	-	-	50
Property Purchase Costs	-	-	-	-
Insurance Costs (Net)	16	16	16	20
Fees and Miscellaneous	17	20	20	20
	351	410	380	395
<u>Loan Repayments</u>				
Interest	510	496	507	530
Principal	211	218	210	185
	721	714	717	715
TOTAL EXPENDITURE	1,072	1,124	1,097	1,110
NET PROFIT (cr) / LOSS	151cr	28cr	23cr	30cr

APPENDIX B - Shareholder reserved matters

- 1 the 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 £50,000 in any one amendment to the Budget and changes to the Budget exceeding £200,000 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.