



COUNCIL

5 December 2019

To: The Mayor and Members of
WOKING BOROUGH COUNCIL

SUMMONS TO A MEETING

You are hereby summoned to attend an ORDINARY MEETING of the COUNCIL to be held in the Council Chamber, Civic Offices, Gloucester Square, Woking on THURSDAY, THE FIFTH DAY OF DECEMBER 2019 at 7.00 pm to transact the business specified in the agenda overleaf

RAY MORGAN
Chief Executive

Civic Offices,
Woking

NOTE: Filming Council Meetings

Please note the meeting will be filmed and will be broadcast live and subsequently as an archive on the Council's website (www.woking.gov.uk). The images and sound recording will also be used for training purposes within the Council. Generally the public seating areas are not filmed. However by entering the meeting room and using the public seating area, you are consenting to being filmed.



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AGENDA

Prior to the commencement of business, Dub Everitt, Outreach Pastor for the Welcome Church. Woking will say prayers.

1. MINUTES.

To approve the minutes of the Meeting of the Council held on 17 October 2019, as published.

2. APOLOGIES FOR ABSENCE.

3. MAYOR'S COMMUNICATIONS.

4. URGENT BUSINESS.

To consider any business which the Chairman rules may be dealt with under Section 100B(4) of the Local Government Act 1972.

5. DECLARATIONS OF INTEREST. (Pages 7 - 10)

- (i) To receive declarations of interest from Members and Officers in respect of any item to be considered at the meeting.
- (ii) In accordance with the Members' Code of Conduct, Councillor D J Bittleston declares a non-pecuniary interest in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that speaking and voting are permissible.
- (iii) In accordance with the Members' Code of Conduct, Councillor A Azad declares a non-pecuniary interest in any items concerning the companies of which she is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that speaking and voting are permissible.
- (iv) In accordance with the Members' Code of Conduct, Councillor C S Kemp declares a non-pecuniary interest in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that speaking and voting are permissible.
- (v) In accordance with the Members' Code of Conduct, Councillor D Harlow declares a non-pecuniary interest in any items concerning the companies of which she is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that speaking and voting are permissible.
- (vi) In accordance with the Members' Code of Conduct, Councillor G S Cundy declares a non-pecuniary interest in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that speaking and voting are permissible.
- (vii) In accordance with the Officer Employment Procedure Rules, the Chief Executive, Ray Morgan, declares a disclosable personal interest (non-pecuniary) interest in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mr Morgan may advise the Council on those items.

- (viii) In accordance with the Officer Employment Procedure Rules, the Deputy Chief Executive, Douglas Spinks, declares a disclosable personal interest (non-pecuniary) interest in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mr Spinks may advise the Council on those items.
- (ix) In accordance with the Officer Employment Procedure Rules, the Head of Democratic and Legal Services, Peter Bryant, declares a disclosable personal interest (non-pecuniary) interest in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mr Bryant may advise the Council on those items.
- (x) In accordance with the Officer Employment Procedure Rules, the Finance Director, Leigh Clarke, declares a disclosable personal interest (non-pecuniary) interest in any items concerning the companies of which she is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mrs Clarke may advise the Council on those items.
- (xi) In accordance with the Officer Employment Procedure Rules, the Director of Housing, Louise Strongitharm, declares a disclosable personal interest (non-pecuniary) interest in any items concerning the companies of which she is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mrs Strongitharm may advise the Council on those items.
- (xii) In accordance with the Officer Employment Procedure Rules, the Finance Director, Leigh Clarke, declares a disclosable personal interest (non-pecuniary) in any items concerning Woking Football Club and/or the GolDev Woking Limited development. The interest arises from (i) her husband having a small shareholding in Woking Football Club and (ii) being a Council-appointed director of Kingfield Community Sports Centre Limited. The interest is such that Mrs Clarke may advise the Council on those items.
- (xiii) In accordance with the Officer Employment Procedure Rules, the Head of Democratic and Legal Services, Peter Bryant, declares a disclosable personal interest (non-pecuniary) in any items concerning Woking Football Club and/or the GolDev Woking Limited development. The interest arises from (i) him being a member of the Cards Trust (the supporters' club for Woking Football Club), (ii) providing occasional unpaid assistance to Woking Football Club, e.g. acting as returning officer at the election of directors and (iii) being a Council-appointed director of Kingfield Community Sports Centre Limited. The interest is such that Mr Bryant may advise the Council on those items.

6. PETITION - TREASURE COVE CHILDREN'S PLAY CENTRE. WBC19-034 (Pages 11 - 14)

7. WOKING FOOTBALL CLUB DEVELOPMENT.

To receive an update on action taken following the Council's resolutions on (i) the Petition and (ii) the notice of motion, considered at its meeting on 17 October 2019.

8. QUESTIONS.

To deal with written questions submitted by Members under Standing Order 8.1. Copies of the questions and of the draft replies (which are subject to amendment by the Leader of the Council) will be laid upon the table.

9. RECOMMENDATIONS OF THE EXECUTIVE. WBC19-033 (Pages 15 - 18)

To receive and consider recommendations from the Executive.

9a. Review of Fees and Charges 2020-21. EXE19-021

9b. Housing Allocations Policy. EXE19-114

9c. School Place Provision. EXE19-122

10. THAMESWEY BUSINESS PLANS 2020. WBC19-035 (Pages 19 - 140)

11. CALENDAR OF MEETINGS - 2020-21. WBC19-037 (Report to follow.)

12. NOTICES OF MOTION.

To deal with any motions received in accordance with Standing Order 5.0. Any motions received before the deadline has passed for the receipt of motions will be published and a copy of the list will be tabled at the meeting.

13. EXCLUSION OF PRESS AND PUBLIC.

The Mayor will move, and the Deputy Mayor will second:-

"That the press and public be excluded from the meeting during consideration of item 14 in view of the nature of the proceedings that, if members of the press and public were present during this item, there would be disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A, to the Local Government Act 1972."

Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).

PART II – PRESS AND PUBLIC EXCLUDED

14. RECOMMENDATIONS OF THE EXECUTIVE. WBC19-036 (Pages 141 - 142)

To receive and consider recommendations from the Executive under Part II – Press and Public Excluded - of the Agenda.

14a.Land Management. EXE19-120

AGENDA ENDS

Date Published - 27 November 2019

Note: At the close of the meeting the Worshipful the Mayor, Councillor Beryl Hunwicks, will hold a Reception in the Council's Staff Rest Area on the second floor of the Civic Offices. The Mayor would like to invite Members of the Council, the Independent Co-Opted Member, the Independent Person, the Independent Directors of the Thameswey Group of Companies, Corporate Management Group and Officers attending the meeting, and Members of the Press, to the Reception.

Schedule Referred to in Declaration of Interests

Council-appointed directorships

Councillor D J Bittleston

Thameswey Limited
Thameswey Developments Limited
Thameswey Housing Limited
Thameswey Guest Houses Limited
Rutland (Woking) Limited
Rutland Woking (Carthouse Lane) Limited
Rutland Woking (Residential) Limited
Export House Limited
Victoria Square Woking Limited
Victoria Square Residential Limited
VSW Hotel Limited

Councillor A Azad

Thameswey Limited
Thameswey Developments Limited
Thameswey Housing Limited
Thameswey Energy Limited
Thameswey Central Milton Keynes Limited
Thameswey Guest Houses Limited
Thameswey Solar Limited
Thameswey Maintenance Services Limited
Thameswey Sustainable Communities Limited

Councillor C S Kemp

Thameswey Limited
Thameswey Housing Limited
Thameswey Guest Houses Limited

Councillor D Harlow

Thameswey Limited
Thameswey Housing Limited
Thameswey Guest Houses Limited

Councillor G S Cundy

Woking Necropolis and Mausoleum Limited
Brookwood Cemetery Limited
Brookwood Park Limited

Ray Morgan, Chief Executive

Thameswey Limited
Thameswey Maintenance Services Limited
Rutland (Woking) Limited
Rutland Woking (Carthouse Lane) Limited
Rutland Woking (Residential) Limited
Export House Limited
Woking Shopping Limited
Victoria Square Woking Limited
Victoria Square Residential Limited
VSW Hotel Limited

Douglas Spinks, Deputy Chief Executive

Thameswey Limited
Thameswey Energy Limited
Thameswey Central Milton Keynes Limited
Thameswey Solar Limited
Thameswey Sustainable Communities Limited
Energy Centre for Sustainable Communities Limited
Woking Necropolis and Mausoleum Limited
Brookwood Cemetery Limited
Brookwood Park Limited
Export House Limited
Woking Shopping Limited

Peter Bryant, Head of Democratic and Legal Services

Thameswey Limited
Thameswey Developments Limited
Thameswey Housing Limited
Thameswey Energy Limited
Thameswey Central Milton Keynes Limited
Thameswey Guest Houses Limited
Thameswey Solar Limited
Thameswey Maintenance Services Limited
Thameswey Sustainable Communities Limited
Energy Centre for Sustainable Communities Limited
Rutland (Woking) Limited (alternate for Ray Morgan)
Rutland Woking (Carthouse Lane) Limited (alternate for Ray Morgan)
Woking Necropolis and Mausoleum Limited
Brookwood Cemetery Limited
Brookwood Park Limited
Kingfield Community Sports Centre Limited
Dukes Court T S a.r.l

Leigh Clarke, Finance Director

Kingfield Community Sports Centre Limited
Dukes Court T S a.r.l

Louise Strongitharm, Housing Director

Thameswey Limited
Thameswey Developments Limited
Thameswey Housing Limited
Thameswey Guest Houses Limited

COUNCIL – 6 DECEMBER 2019

PETITION – RELOCATION OF TREASURE COVE CHILDRENS PLAY CENTRE

Woking Borough Council has received a petition which asks the Council to identify a suitable venue for the Treasure Cove Children's Play Centre. The Centre closed on 5 October 2019 and was based at 15 Guildford Road, Woking.

In accordance with Woking Borough Council's arrangements for petitions, the matter has been referred for consideration by the Council.

Recommendations

The Council is requested to consider the petition and determine accordingly.

Background Papers: Online Petition.

Reporting Person: Ray Morgan, Chief Executive
Email: ray.morgan@woking.gov.uk, Extn: 3333

Contact Person: Frank Jeffrey, Democratic Services Manager
Email: frank.jeffrey@woking.gov.uk, Extn: 3012

Date Published: 27 December 2019

Petition – Relocation of Treasure Cove Children’s Play Centre

1.0 Introduction

- 1.1 A petition has been received which asks the Council to identify a suitable venue for the Treasure Cove Children’s Play Centre. The petition has been received through the Council’s online e-petition scheme and contains 680 confirmed signatories and 132 unconfirmed signatories.
- 1.2 The number of signatures exceeds the threshold required for a petition to be referred to a meeting of Full Council and accordingly the Petitioner or their nominee has been invited to present the petition at Council.
- 1.3 The petition has been submitted in the following terms:

“Make every effort to assist and find a suitable, affordable premises for Treasure Cove to be relocated and remain open for the sake of Children in the local and surrounding area.

It’s come to our attention that Treasure Cove children’s play centre is being forced to close its doors to the public due to no suitable and affordable alternative sites being available for them to move to in the foreseeable future. Treasure Cove has become a much loved, one for all venue in this county. A safe haven suitable for children aged 1 to 6 and their parents alike. There is no other venue quite like it and we wish for it to remain open in a suitable premises within this ever progressing town.”

- 1.4 The on-line petition went live on 20 September 2019 for a six month period up to 20 March 2020. On 27 September 2019 the petitioner asked for the deadline to be brought forward to 20 November 2019; this change was made on 30 September.
- 1.5 The Centre, first established in November 2017, was based at 15 Guildford Road Woking and closed on 5 October 2019.

2.0 Petitions Scheme

- 2.1 As the number of signatories exceeds 400, the petition falls to be debated at full Council. In accordance with the Council’s scheme for dealing with petitions, the petitioner has been invited to attend the meeting and present the petition. The presentation of a petition is limited to not more than three minutes, and should be confined to reading out, or summarising, the purpose of the petition, indicating the number and description of signatories, and making supporting remarks relevant to the petition.
- 2.2 Following the presentation, Members will have the opportunity to ask questions of the petitioner. Thereafter, the Council will discuss the petition and determine what action, if any, is to be taken.

3.0 Officer Comments

- 3.1 Treasure Cove was a tenant of the Council. Officers had engaged with the operator to explore opportunities to relocate due to the future redevelopment of the site. In those discussions it became clear that the financial position of the business was challenging and Officers put forward proposals for a managed shut down of the business by February 2020.
- 3.2 However, in light of the financial challenges facing the business, the operator decided to close on 5 October 2019
- 3.3 Having subsequently met the operator it is difficult to see anywhere in the town centre to which the operation could cost effectively be relocated. It has however been agreed that if

Petition – Relocation of Treasure Cove Children’s Play Centre

an opportunity arises for lower cost accommodation elsewhere in the Borough that the operator would be given the opportunity to consider it.

- 3.4 It is suggested that the Council receives the Petition, notes the current position and takes no further action.

REPORT ENDS

COUNCIL – 5 DECEMBER 2019

RECOMMENDATIONS OF THE EXECUTIVE

Executive Summary

The Council is invited to consider the recommendations from the meeting of the Executive held on 21 November 2019. The recommendations as set out in the draft minutes of the Executive are outlined below.

EXECUTIVE – 21 NOVEMBER 2019

8a. REVIEW OF FEES AND CHARGES 2020-21 EXE19-021

The Executive received a report detailing the proposed discretionary fees and charges for 2020-21. Councillor Azad, Portfolio Holder for Corporate Financial Planning and Policy, reported that the proposed charges amounted to an overall increase of 0.8%. Members welcomed that there would be no increase in the cost of community meals for a third year in a row. The Executive noted that the Borough's community meals service was one of the lowest priced services in Surrey and that it would be necessary to look at the charges for 2021-22.

Following a question regarding paragraph 2.9 concerning the charge for the Brockhill guest room, the Executive was advised that there had been no increase for several years and that the proposed increase was modest. The unique character of the services offered by Brockhill was highlighted.

Discussion ensued on parking charges and the Leader of the Council explained that it was Council policy to increase car park charges by 10p every other year. Therefore, there were no increases proposed during 2020-21. Following a question regarding parking availability over the Christmas period, the Executive was advised that over 200 spaces had been achieved in Town Centre car parks through the relocation of staff parking. The Leader thanked staff colleagues who had moved to alternative parking provision.

Regarding the proposed leisure charges, it was explained that Freedom Leisure were experts in the leisure field and proposed charges which were competitive in the market. The Executive noted that leisure charges were reviewed and discussed at the Leisure Partnership Board. It was highlighted that the Council reserved the right to determine core charges due to their community importance.

RECOMMENDED to Council

That the discretionary fees and charges, as set out in Appendices 1 – 4 of the report, be approved.

Reason: The regular review of discretionary charges ensures that the Council maintains its income base and generates additional resources for the provision of services.

8b. HOUSING ALLOCATIONS POLICY EXE19-114

Councillor Harlow, Portfolio Holder for Housing Needs, Strategy and Enabling, introduced the report which recommended to Council the adoption of the Housing Allocations Policy which

had been updated following the implementation of the Homelessness Reduction Act 2017. It was noted that the updated Policy had been discussed and supported by the Housing Task Group. Discussion ensued on paragraph 2.1.4 of the report which concerned the removal of the cap for home owners for eligibility onto the Register for access to supported accommodation. Attention was drawn to Section 29 of the Policy which set out that home owners would not be included on the Housing Register unless there were exceptional circumstances.

RECOMMENDED to Council

- That (i) the Housing Allocations Policy, as updated, be adopted, with changes taking effect from 1 January 2020; and**
- (ii) the Director of Housing, in consultation with the Portfolio Holder for Housing, be delegated authority to make minor amendments to the Policy as part of an annual review.**

Reason: The Council has a legal duty to have an Allocations Policy, which states how priority will be awarded to applicants on the Housing Register and how the Choice Based Lettings Scheme operates. It is good practice to review the Housing Allocations Policy from time to time to ensure it reflects local housing priorities and changes in legislation. The revised Policy reflects this and will become subject to annual review.

8c. SCHOOL PLACE PROVISION EXE19-122

The Executive received a report which sought approval of the Executive to recommend to Council the provision of a loan facility to be made available to Greenfield School to cover the acquisition and development of its School at the site of the former International School of London (ISL). It was noted that the required loan facility of £21m had been provided in the Council's approved Investment Programme. The Executive was advised that the commercially sensitive Business Plan and Cost Plan for the school were set out in the Part II confidential report later on the Agenda. A private view of the new school site had been arranged for Members of the Council prior to the Executive. Councillor Azad reported that Greenfield School would be required, as a condition of the loan facility, to enter into a Community Use Agreement in order to ensure the long term benefit to the wider community from use of the school premises.

The Executive welcomed the report which would support the Council's objective of securing additional school places in the Borough so as to underpin the economic vitality of the Borough. The wider financial benefit to the community was highlighted, as the School would pay a 1% margin on its loan facility which was assumed to be £136,000 per annum. In addition, the proposed Community Use Agreement would provide a long term benefit to the wider community and provide opportunities for community groups. The challenges faced by schools in securing funding through other lenders, such as banks, was raised. Regarding security on the loan, it was noted that the Council would take a charge over the School's property assets.

The Leader highlighted an amendment to recommendation (v). It was noted that the Chief Executive would be the named Officer referred to in recommendation (v) and that consultation would take place with both the Portfolio Holder for Financial Planning and Policy, and the Portfolio Holder for Cultural and Community Development.

RECOMMENDED to Council

- That (i) the £21m loan facility, included in the Investment Programme for the provision of school places, be made available to Greenfield School to cover the acquisition and development of its new site to enable it to accommodate the projected increase in pupil numbers;
- (ii) the loan facility be subject to a 1% margin over the Council's cost of borrowing and that the borrowing period does not exceed 50 years;
- (iii) the detailed terms of the loan be determined by the Chief Finance Officer in consultation with Portfolio Holder;
- (iv) Greenfield School undertakes to seek to dispose of the assets it proposes in a timely manner; and
- (v) Greenfield School enter into a Community Use Agreement with the Council to ensure long term wider community benefit from the provision of the loan facility with terms of the Community Use Agreement being approved by the Chief Executive in consultation with the Portfolio Holder for Financial Planning and Policy and the Portfolio Holder for Cultural and Community Development.

Reason: To secure the provision of additional school places to support the economic vitality of the Borough.

The Committee has the authority to determine the recommendations set out above.

Background Papers: None.

Reporting Person: Ray Morgan, Chief Executive
Email: ray.morgan@woking.gov.uk, Extn: 3333

Contact Person: Frank Jeffrey, Democratic Services Manager
Email: frank.jeffrey@woking.gov.uk, Extn: 3012

Date Published: 27 November 2019

REPORT ENDS

COUNCIL – 5 DECEMBER 2019

THAMESWEY BUSINESS PLANS 2020

This Executive Summary report summarises the Thameswey Group Business Plan with the individual Business Plans for the companies listed below. The Business Plans are approved by the relevant Boards of the Thameswey companies. The Business Plans for Thameswey Limited, Thameswey Developments Limited, Thameswey Housing Limited and Thameswey Guest Houses Limited are due to be signed off by the Boards in the week leading to Council; any changes which arise from the Board Meetings will be reported at Council.

The financial year end for all companies in the Thameswey Group is 31st December; accordingly all plans and accounts are for calendar years, not the Council's year end of 31st March.

Audited accounts for each company for the year ending 31st December 2018 and prior years are available on the Group's website <https://www.thamesweygroup.co.uk/thameswey-group-companies/thameswey-ltd/> and the results were consolidated into the Council's accounts which have been approved by the Council at its meeting in July 2019.

The Directors of the Company are appointed by Council and reviewed each year. Appendix 1 sets out the Directors for confirmation.

The Business Plans for the Thameswey Group of Companies are set out in the following Appendices:-

- Appendix 2 - Thameswey Limited (Group Plan)
- Appendix 3 - Thameswey Energy Limited
- Appendix 4 - Thameswey Central Milton Keynes Limited
- Appendix 5 - Thameswey Housing Limited (includes Thameswey Guest Houses Ltd)
- Appendix 6 - Thameswey Developments Limited
- Appendix 7 - Thameswey Maintenance Services Limited
- Appendix 8 - Thameswey Sustainable Communities Limited

There are no business plans attached for Thameswey Joint Ventures with Rutland, proposals from the Joint Venture are considered individually by the Council through its Investment Programme.

The Council established the Thameswey Group of Companies to assist in the delivery of some of its highest priorities. These can be described in three main areas of activity:

- Achievement of the Council's Woking 2050 objectives;
- Achievement of the Council's Housing Strategy objectives; and
- Achievement of the Council's Economic Development Strategy objectives.

In establishing the Thameswey Group the Council took a long-term view of investment in environmental projects, infrastructure and housing with the intention of securing benefit for the residents of the Borough, whether the activity was undertaken within the Borough or elsewhere. This report continues this approach. The Business Plans are now considered as a going concern not a project with an end date, reinforcing the established approach of taking a long term view in the context of a sustainable Woking.

The benefits for Borough residents through these activities are summarised in the following paragraphs.

Support for Energy & Environmental Projects (Woking 2050)

Thameswey Limited (TL) charges a project fee for its intellectual property; this fee is set at up to 4% of the capital expenditure on new works. This project fee is then set aside as a reserve for TL to support energy, environmental, housing and economic initiatives in Woking in furtherance of the Council's Climate Change Strategy, Housing Strategy and Local Plan. TL also uses funds to support subsidiary companies where required.

The Dividend Policy identifies that 50% of Thameswey Developments Limited (TDL) profits should be paid as a dividend to Thameswey Limited to increase the funds available to deliver environmental projects.

Carbon Dioxide (CO₂) Savings

The Thameswey Group's energy companies focus on supplying renewable and sustainable energy and reducing greenhouse gas emissions. CO₂ is one of a number of greenhouse gases that contribute to man-made climate change. CO₂ equivalent emissions savings are achieved by generating energy through sustainable sources, for example by using a combined heat and power engine (CHP) or solar photovoltaic panels. The savings are calculated as the difference between the CO₂ emitted in producing each unit of energy and the amount of CO₂ (and other greenhouse gases) emitted in the production of conventional 'grid' energy.

During 2018 the Thameswey Group saved 2,849 tonnes of carbon dioxide emissions through the generation of energy across its sites. The aggregate CO₂ savings compares to 3,897 tonnes in 2016 and 4,406 tonnes saved in 2015. The fluctuations in net benefit are because the UK National Grid continues to be decarbonised through increased production of renewable energy.

Housing Strategy activity

- Thameswey Housing Limited (THL) and Thameswey Guest Houses Limited (TGHL) both hold and operate housing and Thameswey Developments Limited produce new residential units. The activity is summarised as follows:
- Provision of some circa 593 homes for rent to meet local need;
- Providing an additional 24 new homes a year at rents closer to Council rents;
- A development programme, excluding Sheerwater Regeneration, which should provide in excess of an additional 700 homes over the next four years for rent to meet local need;
- A development programme to enable the Council to deliver Sheerwater Regeneration; and
- Operation of Mayford Lodge which provided 3,359 nights of accommodation up to 30 September in 2019 as emergency bed & breakfast accommodation to help the Council alleviate homelessness.

Income from Loan Margins

The Council provides loans to some Thameswey Group Companies. In order to recognise the lending risk a risk premium is applied to some loans which result in a benefit to the Borough. The loans are provided to the Companies at a margin on the interest rate WBC pays to the Public Works Loan Board (PWLB). The margin varies by company with a lower premium applied to the residential loans given the strength of the property security.

Following revised government guidance requiring the repayment of new borrowing applied to share capital over a shorter period than the current policy the new financing arrangements are by way of loan only as opposed to the previous combination of shares and loan finance. This change has been implemented so as to be cost neutral to both the Council and Thameswey.

The net benefit to Council Tax taxpayers in the Borough during 2018 was £2.218m, which was equivalent to £54.82 at Band D. The forecast net benefit for 2019 is £2.432m which is equivalent to circa £59.68 at Band D and for 2020 is £2.650m which is equivalent to £63.14 at Band D.

Assessment of Loans & Investments

As part of its overall governance arrangements the Council carries out an annual assessment of its loans and investments in the Thameswey Group to determine whether any impairment has occurred. This analysis has been carried out over the last few years with the conclusion that no impairment has been required in the Council's accounts including for 2018/19.

Other Fees and Income

The Thameswey Group also contribute financially towards the Borough in other ways including:

- WBC charges TL £10,000 per annum for use of the Thameswey Trademark;
- TSCL rent premises from WBC for their offices at commercial open market rates;
- THL pays ground rent for the Middle Walk flats to WBC;
- Potential rebate from TGHL subject to financial performance (£40,000 in 2018); and
- When TDL and THL develop new housing in the Borough WBC will benefit from increased Council tax and, while it is still available, New Homes Bonus.

Main Requests by Thameswey Group

The details of the respective Business Plans are not reproduced in this Executive Summary. However the following is a summary of requests made by the Thameswey Group for the period 2020 to 2023:-

1. Confirm the appointment of the Directors of the Companies (Appendix1)
2. The Business Plans for the Thameswey Group of Companies be approved Appendices 2 - 8);
3. THL – Funding of £5m for 2023 (based on the previous Council agreement to build £5M per into Council financial strategies for long term debt servicing within THL);
4. TCMK – Additional funding of £3.5m for 2023 (previous business plan included finance up to 2022); and
5. Authorisation of investment in the provision of specialist need accommodation outside of the 30 minute commute to Woking area previously determined by the Council.

Requests 1- 4 are fully supported by Council Officers and are incorporated in the recommendations set out below. If these requests are approved the Council Investment Programme will be updated.

Request 5 seeks to extend the activities of the Council housing subsidiary beyond the boundaries originally determined by the Council. Given national concerns about Councils undertaking investments outside their area it is considered that this should not be supported. It is true that opportunities may exist outside of the 30 minute commute parameter previously set by the Council which may present the ability to meet a specialist need that cannot be sustainably delivered within the 30 minute commute zone. However if such opportunities arise they should be individually presented to the Council for approval.

Recommendations

The Council is requested to:

RESOLVE That

- i) the continued Appointment of the Directors of the Thamesway Group of Companies, as set out in Appendix 1, be approved;
- ii) the Business Plans for the Thamesway Group of Companies (appendices 2 – 8), subject to the removal of the request for Thamesway Housing Limited to operate outside of the 30 minute commute zone, be approved;
- iii) an increased Loan Facility of £5M in 2023 for Thamesway Housing Limited be approved; and
- iv) an increased Loan Facility of £5m for Thamesway Central Milton Keynes in 2023.

The Council has the authority to determine the recommendations set out above.

Background Papers: None.

Reporting Person:

Ray Morgan, Chief Executive
Ext 3333, E Mail: Ray.Morgan@woking.gov.uk

Douglas Spinks, Deputy Chief Executive
Ext. 3440, E Mail: Douglas.Spinks@woking.gov.uk

Peter Bryant, Head of Democratic and Legal Services/Monitoring Officer
Ext. 3030, E Mail: Peter.Bryant@woking.gov.uk

Leigh Clarke, Finance Director
Ext. 3277, E Mail: Leigh.Clarke@woking.gov.uk

Contact Person:

Ray Morgan, Chief Executive
Ext 3333, E Mail: Ray.Morgan@woking.gov.uk

Douglas Spinks, Deputy Chief Executive
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Peter Bryant, Head of Democratic and Legal Services/Monitoring Officer
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Leigh Clarke, Finance Director
Ext. 3277, E Mail: Leigh.Clarke@woking.gov.uk

Date Published: 27 November 2019

REPORT ENDS

Appendix 1

Thameswey Group Company Directors

Board	Directors
Thameswey Limited	Ray Morgan Douglas Spinks Peter Bryant Louise Strongitharm Cllr David Bittleston Cllr Ayesha Azad Cllr Colin Kemp Cllr Debbie Harlow Barry Maunders Terry Price William Prescott Clyde Secretaries Limited (Company Secretary)
Thameswey Housing Limited	Peter Bryant Louise Strongitharm Cllr David Bittleston Cllr Ayesha Azad Cllr Colin Kemp Cllr Debbie Harlow Barry Maunders Terry Price Clyde Secretaries Limited (Company Secretary)
Thameswey Guest Houses Limited	Peter Bryant Louise Strongitharm Cllr David Bittleston Cllr Ayesha Azad Cllr Colin Kemp Cllr Debbie Harlow Barry Maunders Terry Price Clyde Secretaries Limited (Company Secretary)
Thameswey Developments Limited	Peter Bryant Louise Strongitharm Cllr David Bittleston Cllr Ayesha Azad Terry Price Clyde Secretaries Limited (Company Secretary)
Thameswey Energy Limited	Douglas Spinks Peter Bryant Cllr Ayesha Azad Barry Maunders William Prescott Clyde Secretaries Limited (Company Secretary)

Thameswey Central Milton Keynes Limited	Douglas Spinks Peter Bryant Cllr Ayesha Azad Barry Maunders William Prescott Clyde Secretaries Limited (Company Secretary)
Thameswey Solar Limited	Douglas Spinks Peter Bryant Cllr Ayesha Azad Barry Maunders Clyde Secretaries Limited (Company Secretary)
Thameswey Maintenance Services Limited	Ray Morgan Peter Bryant Cllr Ayesha Azad Barry Maunders Clyde Secretaries Limited (Company Secretary)
Thameswey Sustainable Communities Limited	Douglas Spinks Peter Bryant Cllr Ayesha Azad Barry Maunders Clyde Secretaries Limited (Company Secretary)
Energy Centre for Sustainable Communities Limited	Douglas Spinks Peter Bryant Barry Maunders
Rutland (Woking) Limited	Ray Morgan Cllr David Bittleston James McAllister Marc Riggs Jonathan Riddings (Company Secretary) Peter Bryant (Alternate for Ray Morgan)
Rutland Woking (Carthouse Lane) Limited	Ray Morgan Cllr David Bittleston James McAllister Marc Riggs Jonathan Riddings (Company Secretary) Peter Bryant (Alternate for Ray Morgan)
Rutland Woking (Residential) Limited	Ray Morgan Cllr David Bittleston James McAllister Marc Riggs Jonathan Riddings (Company Secretary)



Thameswey Limited
Business Plan 2020

Covering the period 2020-2023

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1. Introduction

- 1.1 This Business Plan sets out the proposed arrangements for delivering the Thameswey Group's activities for the next year and seeks to define the strategic direction for the Group.
- 1.2 The business plan aims to ensure that the focus of activity within the Group is aligned with the shareholder, Woking Borough Council. This business plan reflects the Board's views on the medium- and long-term objectives for the Group.
- 1.3 This business plan refreshes the Business Plan approved in 2018 and reflects the activity and challenges over the last year. This plan also aims to draw out potential business development opportunities for the Group which it intends to investigate over the plan period. Not all will come to fruition and other opportunities may arise during the plan period, but it provides greater transparency of the company thinking on direction of travel. The Plan also highlights the focus on compliance and efficiency within the group.

2. Executive Summary of Plan

- 2.1 The key points of this plan are summarised below:
 - The Plan summarises the key activity and priorities for each subsidiary company;
 - At TL level the company will focus on Environmental Projects in support of the Council's 2050 Strategy including sponsoring research.
 - The Group, led by TL, will carry out a compliance review during this plan period to ensure that appropriate process and plans are in place given the rapid expansion of the group in the last plan period (a period of consolidation);
 - The Group will strengthen its branding and communications including promoting the 20th Anniversary of Thameswey in 2019;
 - The Group will continue to consolidate companies.

3. Group Purpose and Structure

Group Purpose

- 3.1 The Council established Thameswey Limited (TL) in 1999 to make long-term energy and environmental project investments in support of what subsequently became the Council's Climate Change Strategy. In 2004 the company's remit was extended to include provision of affordable homes in support of the Council's Housing Strategy. In 2008 the company's remit was further extended to take forward redevelopment proposals for parts of the Borough.
- 3.2 Following the adoption of the Councils 'Woking 2050 Strategy' the Group has used the main strategic goals of the Strategy as its purpose:
 - Protect and enhance the quality of the natural environment;
 - Promote the wise use of resources and conserve biodiversity;
 - Deliver a built environment which is developed sustainably, meets local needs and enables the local economy to prosper;
 - Prepare and adapt to the socio-economic, environmental and demographic changes of the future.
- 3.3 In effect to work towards enabling the development of 'sustainable communities'.

Structure

3.4 Thameswey Limited (TL) is wholly owned (100%) by Woking Borough Council (WBC). TL acts as the holding company of the Thameswey Group.

3.5 The Thameswey Group subsidiaries and company ownership are shown below:

Company Name	Abbreviation	Ownership Structure
Thameswey Energy Limited	TEL	TL
Thameswey Central Milton Keynes Limited	TCMK	TEL
Thameswey Housing Limited	THL	TL
Thameswey Guest Houses Limited	TGHL	THL
Thameswey Sustainable Communities Limited	TSCL	TL
Thameswey Maintenance Services Limited	TMSL	TL
Thameswey Developments Limited	TDL	TL
Rutland (Woking)Limited	RWL	50% TDL 50% Rutland Properties Limited
Rutland Woking (Residential) Limited	RWR	50% THL 50% Rutland (Woking) Limited
Rutland Woking (Carhouse Lane) Limited	RWCL	50% TDL 50% Rutland Properties Limited

3.6 During the business plan period, directors of the joint venture companies are reviewing the structure to ensure it meets future business requirements.

3.7 All of the wholly owned companies listed above are supported by Thameswey, staff currently are either employed in TSCL or TMSL, as set out in the appendices, however during the business plan period, staff will also be employed by THL to facilitate VAT efficiency.

4. Group Directors

4.1 All directors of the subsidiary companies, with the exception of the Rutland companies are also Directors of Thameswey Limited. The Directors are:

Barry Maunders	Independent Director
Terry Price	Independent Director
William Prescott	Independent Director
ClIr David Bittleston	Councillor Director
ClIr Ayesha Azad	Councillor Director
ClIr Colin Kemp	Councillor Director
ClIr Debbie Harlow	Councillor Director
Peter Bryant	Officer Director
Douglas Spinks	Officer Director
Ray Morgan	Officer Director
Louise Strongitharm	Officer Director

5. Achievements since last Business Plan

- 5.1** The Group has started to scale up capacity, through its subsidiaries, to deliver the significant number of development projects being progressed by THL and TDL, to support the increased focus on self-delivery of services and the major programme of the Sheerwater Redevelopment. The Group has also successfully rolled out a new Website, launched the Earn Your Deposit Scheme within THL, delivered the first phase of power infrastructure to the Victoria Square development and boosted its Environmental Project capacity.

6. Group Operational Priorities

- 6.1** There are a number of operational priorities which will need to be addressed at a Group level over the coming plan period.

People Strategy and Capacity

- 6.2** The growth of Thameswey's housing portfolio has presented opportunities to expand the services offered by TSCL to support THL through self-delivery of tenant services. The expansion of the offer to THL has also led to the opportunity to co-ordinate these services with energy billing, energy efficiency and fuel poverty advice through a single integrated customer services team in TSCL. The implementation of the new PEX and ISTA database systems has further driven this integration which will continue over the business plan period. These changes will necessitate expansion of personnel in the Group and also personal development/training of existing staff to maximise capacity both within the customer services and housing teams. While initially these will be employed via TSCL during the course of this business plan a number of employees will be moved and/or employed via THL as it will be more tax efficient for the group regarding VAT.
- 6.3** With the proposed closure of TMSL during the business plan period and the shift in operational activity to TEL, TCMK and TSCL the group will need to ensure that there are appropriate skills to deliver the increased challenges and demands of the expanded activity within the group. This will include extra engineering capacity to help deliver Poole Road and other main infrastructure projects as well as new facilities management staffing and processes to support self-delivery.

Marketing and Branding Strategy

- 6.4** There are a number of opportunities to provide improved marketing and communications across the Thameswey group and the development of this capacity within TSCL will be a priority for the group as a whole over the plan period. This is of particular importance to the Group given the significantly higher media profile the Group will have as part of the ongoing developments of TDL and THL but also the increased communication needs with residents presented by self-delivery of management services. This will involve a repositioning of the Thameswey brand and the development of a communication strategy to effectively communicate to Thameswey existing stakeholders including improvements to the website of the group. The first phase of this communication approach was the implementation of new websites in 2018, improved published media, including Thameswey 20th Anniversary headings in 2019. During this plan period a significant focus will be on the development of new THL property including the Sheerwater/Canalside development.

Funding Strategy

- 6.5** WBC provides funding to Thameswey Group companies. In order to recognise the lending risk, a premium is applied to loans which results in a benefit to WBC. The premium is calculated as a margin on the interest rate WBC pays to the Public Works Loan Board (PWLb).

6.6 Subject to the approval of the business plans, the benefit to the Council Taxpayers in the Borough during 2020 will be £2,650,877, which is equivalent to £63.14 at Band D.

Appendix 2 shows a breakdown of the WBC income from loan margins.

Appendix 3 shows the share structure of Thameswey

6.7 In 2018 TGHL paid a dividend via TL to WBC of £40,000. A further dividend is under review for 2019, depending on occupancy levels.

6.8 Inter-company loans can be provided as per below:

- Thameswey Ltd can loan to any 100% owned Group Company
- Thameswey Housing Ltd to Thameswey Guest Housing Ltd and Thameswey Developments Ltd
- Thameswey Energy to Thameswey Central Milton Keynes Ltd, Thameswey Solar Ltd & Thameswey Developments Ltd
- Thameswey Developments to Thameswey Ltd

Environmental Project Delivery

6.9 The TSCL Environmental Projects Team will continue to deliver the Action Surrey project with partner Local Authorities to source grant funding and deliver energy efficiency services and advice to residents. In addition, a greater focus will be made on promoting environmental and sustainability projects and technology to Woking residents. This will involve a greater level of research and demonstration projects, with a particular focus on renewable technologies and wider habitat creation, using funding raised through development profit from TDL and project funding from investment in the energy companies (TEL/TCMK).

6.10 The research element of the environmental projects will be informed by working closely with academic researchers and other business partners to identify best practice and future trends which can be applied locally for Woking. Initially this work will look at the new Canalside development and proposed development at Brookwood Lye to see if the habitat creation, water and waste management and renewable energy can be improved beyond the current levels with a view on the UK Government objective of zero carbon development.

6.11 The use of this funding will be informed by the Climate Change Working Group of the Council and the 2050 strategy. The team will also look to directly deliver sustainable technology programmes previously proposed to be delivered via TMSL to bring the Group's environmental activities together under TSCL and help the Group address the Council's declared 'climate emergency' objective of carbon neutrality by 2030.

Consolidation of Companies

6.12 During the business plan period the Group will complete the consolidation of TSL. Further consolidation is under review.

7. Group Opportunities and Business Development

Direct Service Provision – Residential Services and Facility Management

- 7.1** The current residential stock held by THL is increasing and has passed a threshold where the running management costs to the group are of a sufficient scale to be cost effective to deliver the letting and property management service in house. Although a greater part of letting activity is now delivered through the on-line environment there is still a face to face component. This is increased within the tenancy profile of Thameswey Housing compared to the general population due to the vulnerable nature of a proportion of THL tenants. Therefore, THL has commenced development of its own letting service which will be rolled out over the remainder of 2019 and early 2020. This will reduce the reliance of the group on external agents as the majority of property will be managed in house. Where specialist services are required it is proposed that these are still provided by external specialist providers, including working with the Council's Family Support Programme and Independent Living service so not all of THL stock will be managed in house.
- 7.2** Linked to this roll out is the need to develop a wider Facilities Management (FM) role within the Group. This will be built from the merger of TMSL staff into TSCL and cover the need to provide services to our residential portfolio. With the introduction of new larger developments there will be a need to provide wider FM services than previously offered, for example waste management in large blocks, concierge services and wider cleaning and grounds maintenance contract management.

Wider Residential Offer

- 7.3** During the course of the business plan the Group will look to deliver, via TDL, THL and TGHL a wide spectrum of residential property to ensure that the Group can meet as wide a need as possible in support of the Woking 2050 Strategy. This will include the development of specialist accommodation, for example supported accommodation and 'eco-dwellings'. The move to a wider offer may also cover looking for property opportunities in a wider area of operation outside the traditional 30-minute commute. This will be focused on the provision of specialist accommodation where opportunities are not available more locally.

New Energy Connections

- 7.4** TEL will increase the connected load in Woking town centre and optimise the performance of its existing primary plant in Victoria Way. The company will work with TDL and TSCL on the development of a new Woking Energy Centre at Poole Road to service Victoria Square and the additional developments planned in the town.
- 7.5** New connection prospects for TCMK include sites near the energy centre include Palmer Capital's proposal for a residential block on land at Aubrey Place. Planning consent for a new hotel on adjoining land ('Building 1200') is has been issued and the building is expected to come online during the business plan period. Milton Keynes Council and its development arm (MKDP) are in discussions for a new university to be located on the B4 land in central Milton Keynes. Currently contact has been made with a number of consortia bidding to deliver the project and it is hoped that this will lead to a large future connection during the course of this business plan period.

Energy Delivery Model

- 7.6** The Group will look at alternative structures for energy delivery to allow continued expansion of TEL and TCMK within the current UK regulatory framework.

8. Planned Major Developments

- 8.1** Following an undertaking by the Leader of the Council to Full Council Thameswey have been required to list future Major Developments (as defined by the Local Planning Authority) which the Group plans to deliver prior to planning submission to ensure Councillors of Woking Borough Council who are not Board members are aware.
- 8.2** At the time of writing this Business Plan the only major development proposed by the Group which is not currently in the process of being determined by the LPA is the former nursery (Coblans) on Brookwood Lye Road.

9. Group Financial Highlights

- 9.1** During 2018, refreshed statutory guidance for the provision of Share Capital, results in the requirement to write down over a 20-year period, the impact is that Share capital is more expensive than the current model can support. Therefore, during this plan period it is not intended to increase share capital as part of the funding structure. During this plan period, the group will continue to work with WBC, as its funder, on alternative funding structures to address the medium-term cash flow risk of removing share capital.
- 9.2** THL business plan proposes additional funding to cover interest costs of £5M for the year 2023, at a margin to WBC of 1.5%, over the PWLB certainty rate. During the plan period THL intends to continue to take advantage of long term borrowing for projects where the interest rates are favourable.
- 9.3** Sheerwater funding has been agreed for pre-planning totalling £5M, the leisure centre totalling £26M, and purple phase totalling £48.4M.
- 9.4** THL has the facility to purchase Sheerwater properties within the Red Line regeneration scheme, properties will be rented on a short-term basis, or boarded dependant on specific requirements for each property.
- 9.5** The summary below, identifies capital expenditure during the business plan period:
- TEL £25M; including Poole Road and Energy Connections;
 - TCMK £2.5M in energy connections and capital refurbishments;
 - THL £262M, including Sheerwater of £87M, standalone developments of £140M, and street properties of £35M. Prior to the final business plan, it is expected additional Sheerwater expenditure will be agreed for development post purple stage
 - Fleet Replacement in TCMK, TMSL and TEL £75K
 - TSCL £95K, including IT equipment, office furniture and equipment. The fit-out costs for Poole Road office space have been excluded until more detail is known.

10. Group Benefits to Woking Community

- 10.1** The Thameswey group contributes financially towards the Borough in other ways including:
- Interest premium for 2020 is £2.65M
 - WBC charges TL £10,000 per annum for use of its Trademark
 - THL pays ground rent for middle walk flats to WBC
 - TGHIL rebate to WBC of £40,000 for 2018
 - Office Rents and NNDR for office and commercial space £60K

10.2 Non - Financial Benefits to WBC

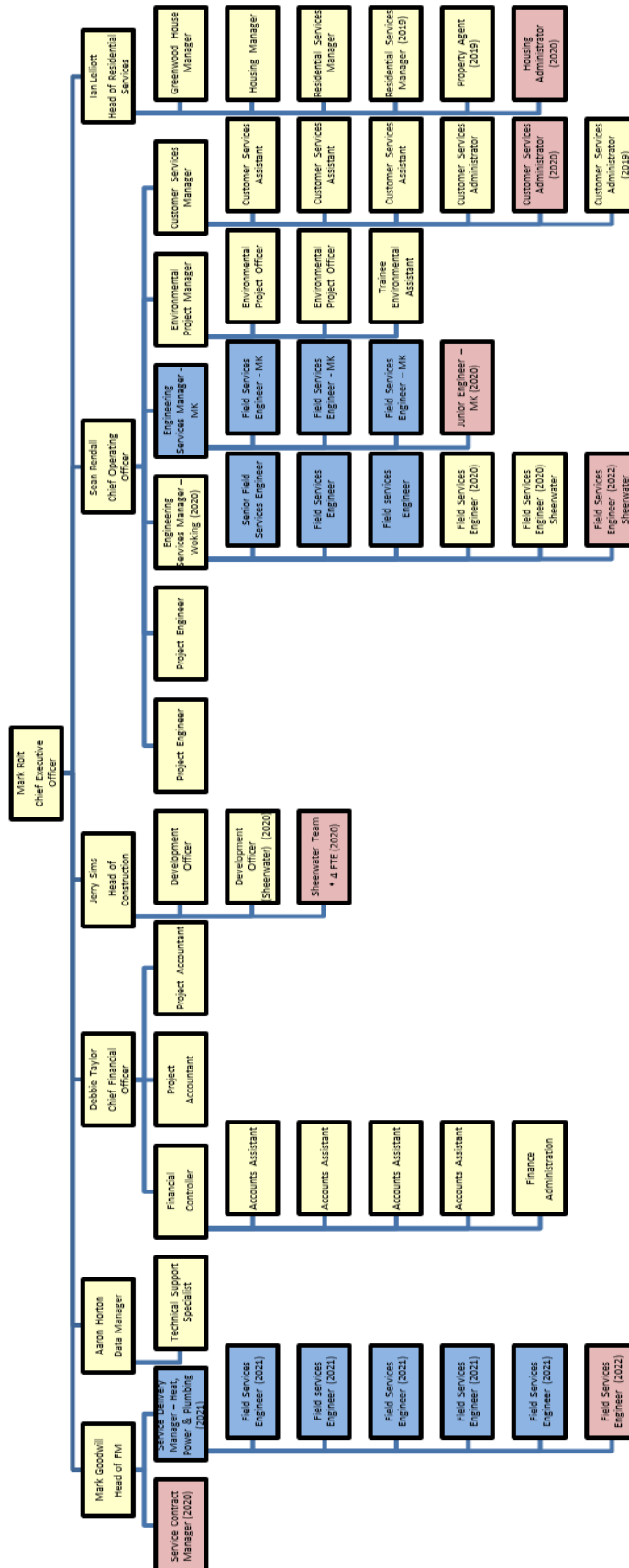
- Carbon dioxide emission savings
- Assisting WBC in Climate Change strategy
- Delivering borough redevelopment projects

11. Group Requests for Council Approval

11.1 This business plan outlines the headlines for the 2020 Group Business Plans. More detail in the individual activities are provided within the individual company business plans. However, in aggregate the following requests are made to Council:

- That the Council approve the 2020 submitted Business Plans for all the Group Companies;
- That the Council note the potential wider operational area for THL to provide specialist accommodation where it cannot be provided locally;
- That the Council approve the simplification and consolidation of the Group structure;
- THL funding for cashflow in 2023 of £5M
- TCMK funding for 2023 of £3.5M

Appendix 1: Organisational Chart



Key:

YELLOW – Current Staff

BLUE – Staff transfers from TMSL

PINK – New Posts During Business Plan Period

Appendix 2: WBC Income from Loan Margin

2018						
Company	Balance of WBC loans o/s on 01.01.18 £	New Loans in 2018 £	Less Repayments in Period £	Net Estimated Balance of loans 31.12.18 £	Net Benefit to WBC £	Equivalent to Band D 2017/18
TCMK	28,923,661	3,300,000	-1,676,082	30,547,579	916,478	22.65
TEL	13,857,252	1,000,000	-643,443	14,213,809	339,893	8.40
THL	100,903,556	61,106,995	-2,027,011	159,983,540	1,856,632	45.89
TSL	1,532,338	0	-142,942	1,389,396	56,985	1.41
<i>Less WBC Interest on TL Share Capital @ 31.12.18</i>				33,040,451	-951,851	-23.53
2018	Benefit to WBC excl Development Costs			173,093,873	2,218,137	54.82

Company	Balance of WBC loans o/s on 01.01.19 £	New Loans in 2019 £	Less Repayments in Period £	Net Estimated Balance of loans 31.12.19 £	Net Benefit to WBC £	Equivalent to Band D 2018/19
TCMK	30,547,579	1,392,470	-787,727	31,152,322	921,127	22.60
TEL	14,213,809	1,000,000	-532,422	14,681,387	328,664	8.06
THL	159,983,540	17,812,929	-28,925	177,767,544	2,083,144	51.10
TSL	1,389,396	0	-151,647	1,237,749	51,477	1.26
<i>Less WBC Interest on TL Share Capital @ 31.12.19</i>				33,040,451	-951,851	-23.35
2019	Benefit to WBC excl Development Costs			191,798,551	2,432,561	59.68

Company	Balance of WBC loans o/s on 01.01.20 £	New Loans in 2020 £	Less Repayments in Period £	Net Estimated Balance of loans 31.12.20 £	Net Benefit to WBC £	Equivalent to Band D 2019/20
TCMK	31,152,322	4,176,895	-2,337,442	32,991,775	931,301	22.18
TEL	14,681,387	500,000	-2,562,108	12,619,279	329,114	7.84
THL	177,767,544	63,000,000	-30,849	240,736,696	2,295,580	54.68
TSL	1,237,749	0	-160,883	1,076,866	46,732	1.11
<i>Less WBC Interest on TL Share Capital @ 31.12.20</i>				33,040,451	-951,851	-22.67
2020	Benefit to WBC excl Development Costs			254,384,165	2,650,877	63.14

Appendix 3: Share Capital

Company	
	31.12.18 £
THL	24,490,000
TEL	5,050,450
TDL	10,001
TMSL	660,000
TSCL	250,000
TSL	1,110,000
Sub Total	31,570,451
Share Capital from THL	
TGHL	360,000
Sub Total	31,930,451
Share Capital from TEL	
TCMK	1,110,000
Total	33,040,451



Thameswey Energy Limited
Covering the period 2020 - 2023

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	2018	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Budget	Budget	Budget
	£	£	£	£	£	£
FIXED ASSETS						
Land & Buildings	342,162	333,823	325,484	5,758,210	5,517,077	5,275,945
Plant & Machinery	11,077,852	11,350,324	8,481,627	25,561,327	24,689,214	23,817,994
Engine Service	264,478	235,950	241,594	295,683	247,691	199,699
Assets Under Construction	1,045,662	655,420	366,437	366,437	366,437	366,437
	12,730,154	12,575,517	9,415,141	31,981,657	30,820,419	29,660,074
LONG TERM INVESTMENTS						
TCMK Share Capital	1,110,000	1,110,000	1,110,000	1,110,000	1,110,001	1,110,002
CURRENT ASSETS						
Trade Debtors	590,037	404,037	238,224	379,381	433,467	511,732
Provision for Doubtful Debts	(1,927)	(1,319)	(1,851)	(1,585)	(1,718)	(1,652)
Corporation Tax	159,208	159,208	159,208	159,208	159,208	159,208
Accrued Income	366,999	272,700	219,027	416,141	423,879	428,385
Prepayments	5,037	3,449	2,034	3,239	3,700	4,368
Parts in Stock	35,926	24,601	14,505	23,100	26,393	31,158
TDL Poole Rd Advance	1,000,000	1,000,000	4,800,000	0	0	0
VAT Payable other	29,346	0	0	0	0	0
Group Recharges Asset	94,011	0	0	0	0	0
Solar Cash Adjustment	76,177	43,357	106,108	81,055	62,388	50,476
Bank Account	910,585	1,044,418	1,619,340	646,982	599,243	467,964
	3,265,400	2,950,451	7,156,595	1,707,521	1,706,560	1,651,639
CURRENT LIABILITIES						
Trade Creditors	768,483	548,525	549,839	700,379	758,060	841,811
Service a/c Woking Park	178,985	178,985				
Accrued Expenses	328,320	243,959	195,943	372,283	379,204	383,236
VAT Payable	39,951	29,686	23,843	45,301	46,143	46,633
Deposit on Account	186,040					
	1,501,778	1,001,154	769,625	1,117,962	1,183,408	1,271,680
NET CURRENT ASSETS	1,763,622	1,949,297	6,386,970	589,559	523,152	379,959
LONG TERM LIABILITIES						
Long Term Loans	14,213,809	14,681,387	12,619,279	30,864,851	31,071,568	30,987,380
Grants/Contributions	834,476	775,302	4,516,127	4,533,940	4,408,639	4,287,982
TCMK Lombard Deposit	0	0	0	0	0	0
	15,048,284	15,456,688	17,135,407	35,398,791	35,480,207	35,275,361
Solar Net Adjustment	77,194	(1,208)	2,028	(95,693)	(203,964)	(323,428)
NET TOTAL ASSETS	478,298	179,333	(225,323)	(1,621,882)	(2,822,671)	(3,801,898)
CAPITAL & RESERVES						
Share Capital	5,050,450	5,050,450	5,050,450	5,050,450	5,050,450	5,050,450
P&L Account brought fwd	(4,167,637)	(4,572,153)	(4,871,116)	(5,275,774)	(6,672,332)	(7,873,121)
Profit/(Loss) YTD	(404,516)	(298,964)	(404,657)	(1,396,558)	(1,200,789)	(979,227)
	478,297	179,334	(225,324)	(1,621,882)	(2,822,671)	(3,801,898)

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10. APPENDIX 5 : CASH FLOW 19

	2018	2019	2020	2021	2022	2023
	£	£	£	£	£	£
Operating Activities						
Profit/(Loss) Before Financing	355,423	376,648	235,930	(138,631)	46,348	248,432
(Increase)/Decrease in Debtors	(1,426,062)	415,962	(3,568,471)	4,451,663	(65,445)	(88,273)
Increase/(Decrease) in Creditors	924,276	(500,624)	(231,530)	348,338	65,445	88,273
Amortisation	838,074	925,464	646,657	1,095,201	1,078,354	1,105,642
OPERATING ACTIVITIES	691,711	1,217,450	(2,917,413)	5,756,570	1,124,702	1,354,073
Investing Activities						
(Purchase)/Disposal of fixed assets	(660,861)	(830,000)	2,454,544	(23,793,904)	(42,417)	(65,954)
INVESTING ACTS.	(660,861)	(830,000)	2,454,544	(23,793,904)	(42,417)	(65,954)
Financing Activities						
Increase in Share Capital	0	0	0	0	0	0
Interest Received	13,622	1,184	1,000	1,000	1,000	1,000
Interest Paid	(769,956)	(722,378)	(701,102)	(1,331,595)	(1,337,741)	(1,336,211)
Grants Received	191,802	0	3,800,000	150,000	(0)	0
Loans Received	1,000,000	1,000,000	500,000	19,000,000	1,000,000	750,000
Loan Repayments	(643,443)	(532,422)	(2,562,108)	(754,429)	(793,283)	(834,188)
FINANCING ACTS.	(207,976)	(253,616)	1,037,790	17,064,976	(1,130,024)	(1,419,399)
CASH	(177,126)	133,834	574,921	(972,358)	(47,739)	(131,280)
Solar Adjustment	76,177	(32,820)	62,751	(25,053)	(18,667)	(11,913)
Cash Balance @ Beginning of Period	964,313	863,364	964,378	1,602,050	604,640	538,234
Cash Balance @ End of Period	863,364	964,378	1,602,050	604,640	538,234	395,041

1. Introduction

- 1.1 This business plan sets out the proposed priorities for Thameswey Energy Limited (TEL) to deliver the Thameswey Group companies' strategic objectives for the near future up to 2023. The plan ensures that the focus of activity within this company is clearly aligned with those of Thameswey Limited, and ultimately with Woking Borough Council's strategic objectives for the Thameswey Group.
- 1.2 The plan refreshes the 2019 to 2022 business plan (approved by Council in December 2018). It identifies the business opportunities and priorities for investment in the near future, including the main capital projects that will require investment to enable TEL to deliver its objectives for the Council.

2. Executive Summary of Plan

- 2.1 The over-arching theme of this Business Plan is a clear focus on delivery over the next two-three years of large projects that are critical to achieving a period of significant growth in activity.
- 2.2 The key points of the plan are summarised below:
 - Thameswey Energy Limited is playing a major role in supporting the Council's plans for new housing, economic growth and environmental sustainability. As a result, TEL is embarking on a period of unprecedented growth arising from high levels of mixed use, high density development that is underway or anticipated over the next 5 years or more in Woking town centre and Sheerwater.
 - The company has a well-established operational basis on which to build in delivering this period of growth. However, alongside the clear opportunities arising from sustained growth, there are challenges that will need to be addressed. For example, its core engineering resource will need to be strengthened in order to maintain the capacity to deliver high standards of service whilst keeping pace with new customer acquisition.
 - In order to realise the opportunities available to it, TEL is committing to capital expenditure that balances the short-term pressures to maintain and replace its aging assets with investment in new generating and distribution infrastructure to secure new connections.
 - TEL is adopting a direction of travel that will ensure it is capable of transitioning to lower carbon, high efficiency and 'smarter' energy systems that will ensure its infrastructure investments are sustainable over the long term.

3. Company Overview

Business Purpose

- 3.1 Thameswey Energy Ltd was established to provide a long-term delivery vehicle for sustainable energy infrastructure investment both within the borough of Woking and elsewhere, with the objective of securing reductions in carbon dioxide equivalent emissions. The company achieves this through its generation, distribution and supply of sustainable, low carbon and renewable energy to public, commercial and private domestic customers in the borough (and in Milton Keynes via its subsidiary).

Financial Requirements

- 3.2 The business is financed by way of loans and share capital.
- 3.3 TEL has the use of intellectual property owned by Thameswey Limited (TL) and is obliged to pay an annual licence fee of £1,000. At its discretion TL also charges a project fee for capital work of up to 4% of the value of the works. These fees are used to benefit the residents of the borough as TL contributes towards environmental, social and carbon dioxide equivalent emission reduction projects. Further information on the projects that have benefited from these funds is provided in the Thameswey Limited business plan.
- 3.4 The current programme of planned capital expenditure over the next three years is shown in the table below and described in Section 3 of this Business Plan. Major Capex beyond 2022 has not been identified at this stage and will be largely determined by the opportunities for new connections arising from new development activity at that time. Where reference is made to future connections to supply energy to new developments, these will be subject to planning approval and contractual negotiations.

Year	Capital Expenditure
2020**	£0.7M
2021	£24.0M
2022	£0.0M

** The sale of Woking Park assets is excluded 2020 spend

Company Ownership & Governance

- 3.5 Thameswey Energy Ltd is a private Limited Company registered in the United Kingdom and is a 100% subsidiary of Thameswey Limited (the holding company of the Thameswey Group), which is in turn solely owned by Woking Borough Council. TEL has a wholly owned subsidiary company, Thameswey Central Milton Keynes Limited (TCMK) which provides embedded generation facilities in the Central Milton Keynes area. Both companies have separate business plans and their results are not incorporated into the results of TEL.
- 3.6 In 2019 Thameswey Solar Ltd (TSL) was wound up and its activities and assets subsumed into TEL, bringing all solar energy generation in Woking within the responsibility of a single business entity.
- 3.7 The current board of Directors is set out below:
- Barry Maunders - Independent Director (Chairman)
 - William Prescott - Independent Director
 - Peter Bryant - Officer Director
 - Douglas Spinks - Officer Director
 - Ayesha Azad - Councillor Director

Significant Assets

- 3.8 The Victoria Way Energy Centre has been operational since 2001. The energy station includes a 1.3 MWe Deutz gas fired Combined Heat & Power (CHP) engine with two 1.2MW gas boilers, two absorption chillers and a thermal store to provide security of heat supply. During 2019 a third (peak) air cooled chiller was added to increase cooling capacity and enhance operational flexibility and

resilience. This energy station provides heat, cooling and power to a number of buildings within the town centre. Distribution assets include district heat and cooling mains and an extensive 11,000v mains distribution system and HV substations with a second HV network currently under construction.

- 3.9 During 2019 TEL wound down its activities in Woking Park and transferred its assets back to Woking Borough Council. This has enabled the Council to rationalise responsibility for the operation and maintenance of mechanical and electrical equipment in the Park as part of its contractual relationship with Freedom Leisure.
- 3.10 TEL owns and operates sites previously developed by WBC including a number of domestic sites with small scale CHP installations.
- 3.11 Following the transfer of TSL's assets, TEL owns and operates approximately 1850kWp of solar photovoltaic installations in the Borough.

Current Business Position

- 3.12 During the period 2020-2023 business priorities for TEL will focus on the delivery of a programme of new major infrastructure to support growth in Woking town centre. This includes:
 - Continued expansion of existing energy distribution infrastructure connected to Victoria Way energy station to supply new developments coming forward in the eastern half of Woking town centre
 - Completion and commissioning of the energy distribution infrastructure in the Victoria Square development
 - Completion and commissioning of the new energy centre at Poole Road
 - Connection of new major developments in the town centre to the Poole Road infrastructure
- 3.13 Alongside an expansion in generating and distribution capacity, TEL's existing business plans have committed to the phased refurbishment of aging assets at the Victoria Way energy centre in order to maintain operational reliability and release further capacity to connect new developments. Over the last three years (2017-2019), refurbishment and renewal of major plant has been carried out to the CHP generator, chillers and SCADA control system. The final phase of this programme will commence in 2020 with refurbishment or replacement of boilers and cooling towers.
- 3.14 During this Business Plan period work will commence on construction of the first phases of new energy infrastructure serving the Sheerwater Canalside development.

Major achievements since the last business plan

- 3.15 During 2018 Victoria Way energy station and Woking Park CHP produced 7,314 MWh and 4375 MWh respectively of heat and 3,711 MWh and 2,539 MWh of power respectively. TEL and TSL photovoltaic installations generated a combined total of 1,244,909 kWh of solar electricity.
- 3.16 The renewal of TEL's gas and electricity import contracts were tendered. A new supplier was appointed that provided the best commercial offer and has guaranteed the supply of 100% renewable electricity at no additional cost. The new gas supply contracts have been structured to enable purchase of biomethane certificates where demanded by customers as a means of offering greater carbon savings. As 'green gas' certificates are a separately traded commodity, the price varies against the wholesale costs of gas. However, in recent years purchasing green gas certificates would add between 5% and 15% to the cost of gas. This rate of increase is rapidly escalating as the demand for certificates is outstripping supply.
- 3.17 A new electricity supply to the 'SPACE' office development in Chertsey Road was energized.

- 3.18 A new district heat supply was extended to Chertsey Road, continuing from the first phase of a district heat network extension which commenced in 2018.
- 3.19 The central chiller capacity and chilled water (CHW) pump distribution infrastructure at Victoria Way energy centre was replaced and additional capacity added with the installation of a peaking air-cooled chiller.
- 3.20 Work continued on the installation of a second private wire town centre ring, with construction of a new main substation at Board School Road and supply points completed into the Victoria Square development. A second new switching substation was installed alongside TEL's existing Peacocks substation to complete dual high voltage interlinks enabling automated switching between the existing and new town centre private wire networks.
- 3.21 Construction commenced on the first of nine new electricity substations within the Victoria Square development, along with installation of control and fibre optic communications and SCADA systems.
- 3.22 Planning consent was granted for the new Poole Road energy centre and a delivery team appointed led by the main contractor Galliford Try.

4. Industry Outlook and Business Opportunity

Industry Developments

- 4.1 Government support for the growth in decentralised energy is continuing with the roll out of the financial support for heat networks (Heat Networks Investment Project or 'HNIP'). The scheme opened to applicants in 2019 and will run until March 2022. An application for funding to support further expansion of heat distribution infrastructure in Woking town centre will be submitted during 2020/21.
- 4.2 Industry support is continuing to grow for development of lower temperature, lower loss systems with greater use of 'smart' technology to provide performance feedback between a network and individual customer installations. Opportunities are expected to arise for partnering with technology firms developing new systems to support 'next generation' heat networks and Thameswey will seek to engage with such opportunities where appropriate.
- 4.3 The drive towards higher efficiency heat networks corresponds with changes proposed by Government in the Standard Assessment Procedure (SAP) methodology for energy compliance assessment for new developments as part of the Building Regulations. The introduction of a new SAP methodology is expected to set higher standards for performance of district heat networks, with lower efficiency systems penalised in comparison to conventional 'grid energy' systems. This lends importance to the drive towards higher efficiencies both within existing and new networks.
- 4.4 Government has announced its intention to introduce regulation to the UK heat market to provide greater protection for consumers against badly designed or operated systems. There is currently no fixed timetable for regulation, but the industry is taking steps to voluntarily align operators with the mandatory standards that are anticipated. These include setting up the Heat Trust (which TEL is seeking to join) as a customer-facing intermediary and the establishment of a new Heat Network Compliance Scheme to provide independent certification in respect of the quality of design, operation and maintenance of heat networks (i.e. a 'kitemark' for heat networks).
- 4.5 There is increased national pressure to expand the electric vehicle charging infrastructure and Woking Borough Council is seeking to actively promote the installation of new charging points.

Significant upgrades to the electrical distribution infrastructure will be required to support the roll out of increased numbers of charging points and more rapid chargers.

- 4.6 The Feed in Tariff for solar energy was closed to new applications during 2019 and is to be replaced from 1 January 2020 with Smart Export Guarantee (SEG). Licensed electricity suppliers with more than 150,000 domestic customers will need to provide at least one export tariff which must always be above zero. The export value available to generators will be determined by the market, but the scheme has the potential to offer an accessible route to market for PV generated power that is more responsive to price signals, offering greater value to generators when the grid is under stress.
- 4.7 The regulatory position for supply of electricity and heat is still an issue which will affect Thameswey during the course of this business plan period. Both TCMK and TEL will potentially need to look at how they structure the legal ownership of their assets to comply with their current license exempt status should their proposed generation, transmission and supply plans come to fruition.

Business Opportunities

- 4.8 The strategic direction of travel for this Business Plan is largely influenced by two factors:
- The emergence in recent years of a greater level of Government-led support, investment and regulation for heat networks. This is driving a more rapid phase of expansion in district heat in the UK than previously experienced and (for the first time) imposing industry-wide standards
 - The greatest phase of business expansion through new networked connections and growth in customer base since TEL was established
- 4.9 The combination of these two factors comprises an unprecedented growth phase for the business, whilst transitioning to a new commercial and regulatory landscape.
- 4.10 The volume of anticipated development in Woking town centre has been boosted by the award of a government Housing Infrastructure Fund (HIF) grant. This has the potential to unlock development on 13 sites in the town centre comprising over 3,300 new residential units in addition to those already granted planning consent. All these sites are potentially capable of being supplied with district energy and represent a 3-fold increase in the number of new customers over and above those anticipated to be supplied initially by Poole Road. Initial discussions are also underway with developers promoting further high density residential and mixed-use schemes in the east of the town centre, with a view to being supplied by the Victoria Way energy centre.
- 4.11 Beyond the town centre, the principal opportunity exists at Sheerwater where the Canalside regeneration scheme includes a new energy centre and phased expansion of network supplies to new domestic, leisure and commercial customers.
- 4.12 Further opportunities exist to expand TEL's solar energy assets through the installation of solar thermal and solar PV equipment. Unlike the Feed in Tariff mentioned in 4.6, solar thermal still attracts subsidy in the form of RHI. The Poole Road energy centre will also feature a solar roof that will add 11.5kW. All of the power generated will be used within the Poole Road development, contributing to the energy centre's sustainability.
- 4.13 In addition to expanding its conventional district energy networks, TEL will continue to actively seek opportunities to further reduce carbon emissions associated with energy generation and consumption. The business will work alongside the Council and strategic partners to adopt new and emerging opportunities, including 'smart' energy technologies, in support of this objective.

5. Investment strategy

- 5.1 TEL's forward investment strategy for the period 2020-2023 is based on a continuation of the objectives first defined in the 2018-2021 Business Plan; to achieve sustainable growth in the business through increased customer connections to district energy arising primarily from redevelopment in the town centre and at Sheerwater.
- 5.2 Capital expenditure will be primarily focused on new generating assets and distribution infrastructure to deliver these objectives, combined with plant renewal to improve resilience and increase efficiency of existing assets.
- 5.3 A programme of major plant replacement and refurbishment at Victoria Way energy centre will be completed during this Business Plan period which will extend the operating life of the station for a further twenty years. New heat and power distribution infrastructure and generating capacity at Poole Road will provide the platform for supplying customers in the centre, west and south of the town.
- 5.4 In future years, networks connected to Poole Road will be further developed to enable reinforcement of generating capacity at Victoria Way to meet further growth in demand from new customers in the east of the town centre.

6. The Business Model

Assumptions and Critical Factors in Model

- 6.1 TEL has a financial model which has been used to make long term financial projections. The model is updated each year to reflect the previous year's activity and any updates on market forecasts. The model also takes into account new projects / connections, engine running strategies and capacity of the engines.
- 6.2 The model assumes that inflation will run at 2.0% per annum for the business plan period. In practice short term inflation rates will vary. Increased inflation will provide an improvement in the return for the company due to increasing revenues and margins.
- 6.3 The nature of the Council's investment is long term. The established business has an underlying sound foundation with a good customer base and considerable opportunity for growth. The business plan covers the financial period 2020 to 2023 in detail, as this can be accurately predicted. However, the economic model has been extrapolated into the future to facilitate the established business including Poole Road energy station.

Sources of Revenue

6.4 TEL's revenue in 2018 from energy sales and energy service charges is summarised in the table below.

Revenue	2018
Electricity	£1,155,497
Export of Electricity	£129,468
Triad Income	£11,079
Heat	£530,030
Cooling	£85,050
Standing Charge	£411,193
Admin Charges	£24,499
Energy Service Charge	£1,408,500
Sale of ROCs	£11,354
Feed in Tariff	£26,725
Plant Maintenance. Recharge	£256,709
Non-Trading Income	£390,722
Total	£4,440,832

Major Operational Costs

6.5 The most significant costs that the company incurs are primary energy costs (natural gas and electricity import) and operation and maintenance (O&M) costs

6.6 The growth in activity associated with new connections to the existing networks and development of new infrastructure inevitably results in additional Operation and Maintenance demand.

6.7 Some inflation in wholesale gas and electricity prices was experienced during 2018, but prices fell back in 2019. However, as TEL's supply contracts for commercial customers link the energy tariffs charged to customers using a formula based on RPI and the UK natural gas price index this has negatively impacted on revenues from energy sales. Whilst this pricing formula provides TEL's business model with some protection against volatility in wholesale energy prices, the net effect of falling wholesale energy prices is adverse for TEL.

Operational Plan

6.8 During the Business Plan period the Operational Plan will be developed to include adoption of planned maintenance regimes for new assets at Poole Road and Victoria Square, and at Sheerwater.

6.9 In response to the growth in activity the in-house engineering maintenance resource is being strengthened during the business plan period to ensure growth in activity is sustained.

6.10 Areas identified for improving operational efficiency in relation to existing assets include:

- Installation of automatic meter reading (AMR) to replace all manually read meters, along with integration of meter data into the Ista system

- Control of planned maintenance regimes using QFM software
- Adoption of Heat Trust standards for service and maintenance activities
- Updating of emergency response and supply continuity plans

Capital Investment

6.11 Capital expenditure in the period 2020-2023 will focus on:

- Major plant refurbishment and replacement at Victoria Way Energy Centre
- Further expansion of new heat and power distribution infrastructure in the eastern half of the town centre, subject to developments coming forward
- Completion of new HV (high voltage) private wire network capacity to serve the Victoria Square scheme and other new developments throughout the town centre.
- Completion of mechanical (district heat) and SCADA controls infrastructure at Victoria Square
- New energy generating capacity at Poole Road

7. Financial Strategy

Finance Structure

Appendix 1 shows the Finance Structure of TEL

- 7.1 TEL is financed by both share capital and loans. TL (ultimately WBC) has a nominal total of £5,050,450 in share capital finance in TEL, £1,110,000 of this share capital was used by TEL to invest in its subsidiary TCMK.
- 7.2 WBC charges TEL a margin on its loan rates which is used for the benefit of the Council. In 2018 the loan will contribute approximately £340,000 to WBC in the form of loan margin.

Shareholder Return on Investment

- 7.3 Average annual return on investment has been calculated up to 2035 as 3.5% in the 2016 business plan based on historical connections. New connections are calculated by individual business cases and are required to meet a minimum of 4.5%.

Appendix 2 shows the other benefits to WBC

Profit & Loss Account

- 7.4 The profit & loss account has 2018 actual data as a comparator, against 2019 expected outturn, and a budget for 2020 to 2023.

- 7.5 The budget has been based on historical costs, expected inflation and modelled revenue and costs. TEL has a good level of confidence in the budget. It should be noted that increases in the gas price index lead to increases in the prices charged to commercial customers with prices calculated on a monthly basis, this helps to reduce financial risk to TEL.
- 7.6 Amortisations of grants from connections are written off over the contract term, to match capital investment depreciation.
- 7.7 Revenue in 2019 is expected to be £3.8M, falling to £2.5M in 2020, this is due to Woking Park contract returning to WBC, revenue impact of £1.2M, cost of sales impact of £0.6M, and depreciation £0.3M saving, as the assets will be sold at Net book Value to WBC. The impact on profit is a reduction of £102K in 2020.
- 7.8 The plan shows a fluctuating profit (before interest, tax and depreciation) with the introduction of Poole Road, the business will not produce consistent profits until connections are complete, and a steady income and cost base is achieved.
- 7.9 During 2021 the Big Apple site redevelopment will commence, impact on revenue is a reduction of £200K for the year, offset by Poole Road income generation. Depreciation and finance costs increase from 2021 as Poole Road site comes on-line.
- 7.10 Staffing levels during 2020 will be increased to support TEL call centre by 0.5 FTE, and the engineering team by 3 FTE between 2021 and 2022 to support Poole Road development.

Appendix 3 shows the Profit & Loss Account for the business plan period

Balance Sheet

- 7.11 At the start of 2020 Woking Park assets are sold to WBC reducing the fixed assets held in the business during 2020. During 2021 Poole Road assets are capitalised, expecting to cost £24M.
- 7.12 Loan requirements from WBC have been agreed for Poole Road at £25M, and no additional funding is required during the business plan period. However, if the customer base increases, potential funding may be required to support infrastructure investment.
- 7.13 Due to the Chiller replacement and the impact on profitability in 2019 the profile of loan draw down has altered, resulting in working capital cash requirement, the profile of cash required is summarised below:
- 2020 £0.5M
 - 2021 £19M
 - 2022 £1M
 - 2023 £0.75M
- 7.14 During the business plan period, long term loans increase from £14.2M in 2019 to £31M in 2023, the loans support the development of Poole Road energy station.

Appendix 4 shows the detailed balance Sheet for the business plan period

Cash Flow

Appendix 5 shows the forecast Cash Flow

Appendix 1: TEL Finance Structure

Share Capital Summary	Total Share Capital
Date	£
01.06.2000	720,000
01.02.2002	920,000
01.10.2003	800,450
31.12.2005 (invested in TCMK)	1,110,000
30.12.2011	500,000
30.07.2012	500,000
24.12.2012	500,000
Total Share Capital as at 31.12.2019	5,050,450

Appendix 2: Benefits to WBC

Description	2018	2019	2020
Net Interest Margin	£339,893	£328,664	£329,114
Carbon dioxide Emission Savings (tonnes)	1,041	TBC	TBC
Payment of NNDR	£19,209	£19,560	£19,951
Assist WBC in its Climate Change Strategy	✓	✓	✓

8. Appendix 3 : Profit and Loss Account for the Period 2019 to 2023

	2018	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Budget	Budget	Budget
	£	£	£	£	£	£
Turnover	4,440,833	3,866,137	2,545,594	2,855,358	3,262,427	3,851,475
Cost of Sales						
Cost of Gas	833,079	586,686	350,138	397,022	450,185	510,467
Cost of Electricity Import	1,193,696	1,019,425	608,399	689,866	782,241	886,986
Non Trading Costs	388,473	148,018				
Climate Change Levy	41,968	45,791	27,328	30,987	35,137	39,842
Cost of Water	5,012	5,961	3,558	4,034	4,574	5,187
Plant Maintenance	436,994	348,399	207,926	235,769	267,339	303,136
Total Cost of Sales	2,899,222	2,154,279	1,285,687	1,457,845	1,683,791	1,965,430
Gross profit/(loss)	1,541,611	1,711,858	1,259,907	1,397,513	1,578,636	1,886,045
GP % of turnover	34.7%	34.7%	49.5%	48.9%	48.4%	49.0%
Indirect Costs						
Administration Charges	159,991	271,948	230,799	250,711	259,251	333,224
Data Collection/Metering	1,899	1,937	1,976	2,015	2,056	2,097
Energy Management	31,679	23,966	24,445	24,934	25,432	25,941
Customer Services	502	385	392	400	408	416
Rent, Rates & Utilities	14,619	17,864	23,759	35,638	36,351	37,078
Insurance	63,553	61,298	62,524	93,786	95,662	97,575
Prof Fees - Legal	9,970	10,687	10,901	11,119	11,341	11,568
Prof Fees - Consultancy	31,747	0	0	0	0	0
Audit & Tax Advice	8,828	7,189	7,332	7,479	7,629	7,781
Trade Mark Fees	1,000	998	998	998	998	998
Non Exec Remuneration	9,305	9,523	9,714	9,908	10,106	10,308
Bank Charges	1,763	1,998	2,038	2,079	2,121	2,163
Bad Debts	9,114	1,576	1,909	2,142	2,447	2,889
Doubtful Debt Provision	-9,119	378	532	-266	133	-66
Total Costs	334,850	409,746	377,319	440,943	453,934	531,971
EBITDA	1,206,762	1,302,112	882,587	956,570	1,124,702	1,354,074
Depreciation	878,617	984,638	705,831	1,227,388	1,203,655	1,226,299
Profit Asset Disposal	13,265	0				
Amortisation	40,544	59,174	59,174	132,187	125,301	120,657
Operating Profit	355,423	376,648	235,930	(138,631)	46,348	248,432
Finance Income	13,622	1,184	1,000	1,000	1,000	1,000
Finance Costs	769,956	722,378	701,102	1,331,595	1,337,741	1,336,211
Profit/(Loss) Before Tax	(400,911)	(344,546)	(464,172)	(1,469,226)	(1,290,393)	(1,086,779)
Solar Net Adjustment	(1,016)	45,582	59,515	72,668	89,604	107,551
Corporation Tax Prov.	2,588	0	0	0	0	0
Profit/(Loss) After Tax	(404,516)	(298,964)	(404,657)	(1,396,558)	(1,200,789)	(979,227)

9. Appendix 4 : Balance Sheet

	2018	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Budget	Budget	Budget
	£	£	£	£	£	£
FIXED ASSETS						
Land & Buildings	342,162	333,823	325,484	5,758,210	5,517,077	5,275,945
Plant & Machinery	11,077,852	11,350,324	8,481,627	25,561,327	24,689,214	23,817,994
Engine Service	264,478	235,950	241,594	295,683	247,691	199,699
Assets Under Construction	1,045,662	655,420	366,437	366,437	366,437	366,437
	12,730,154	12,575,517	9,415,141	31,981,657	30,820,419	29,660,074
LONG TERM INVESTMENTS						
TCMK Share Capital	1,110,000	1,110,000	1,110,000	1,110,000	1,110,001	1,110,002
CURRENT ASSETS						
Trade Debtors	590,037	404,037	238,224	379,381	433,467	511,732
Provision for Doubtful Debts	(1,927)	(1,319)	(1,851)	(1,585)	(1,718)	(1,652)
Corporation Tax	159,208	159,208	159,208	159,208	159,208	159,208
Accrued Income	366,999	272,700	219,027	416,141	423,879	428,385
Prepayments	5,037	3,449	2,034	3,239	3,700	4,368
Parts in Stock	35,926	24,601	14,505	23,100	26,393	31,158
TDL Poole Rd Advance	1,000,000	1,000,000	4,800,000	0	0	0
VAT Payable other	29,346	0	0	0	0	0
Group Recharges Asset	94,011	0	0	0	0	0
Solar Cash Adjustment	76,177	43,357	106,108	81,055	62,388	50,476
Bank Account	910,585	1,044,418	1,619,340	646,982	599,243	467,964
	3,265,400	2,950,451	7,156,595	1,707,521	1,706,560	1,651,639
CURRENT LIABILITIES						
Trade Creditors	768,483	548,525	549,839	700,379	758,060	841,811
Service a/c Woking Park	178,985	178,985				
Accrued Expenses	328,320	243,959	195,943	372,283	379,204	383,236
VAT Payable	39,951	29,686	23,843	45,301	46,143	46,633
Deposit on Account	186,040					
	1,501,778	1,001,154	769,625	1,117,962	1,183,408	1,271,680
NET CURRENT ASSETS	1,763,622	1,949,297	6,386,970	589,559	523,152	379,959
LONG TERM LIABILITIES						
Long Term Loans	14,213,809	14,681,387	12,619,279	30,864,851	31,071,568	30,987,380
Grants/Contributions	834,476	775,302	4,516,127	4,533,940	4,408,639	4,287,982
TCMK Lombard Deposit	0	0	0	0	0	0
	15,048,284	15,456,688	17,135,407	35,398,791	35,480,207	35,275,361
Solar Net Adjustment	77,194	(1,208)	2,028	(95,693)	(203,964)	(323,428)
NET TOTAL ASSETS	478,298	179,333	(225,323)	(1,621,882)	(2,822,671)	(3,801,898)
CAPITAL & RESERVES						
Share Capital	5,050,450	5,050,450	5,050,450	5,050,450	5,050,450	5,050,450
P&L Account brought fwd	(4,167,637)	(4,572,153)	(4,871,116)	(5,275,774)	(6,672,332)	(7,873,121)
Profit/(Loss) YTD	(404,516)	(298,964)	(404,657)	(1,396,558)	(1,200,789)	(979,227)
	478,297	179,334	(225,324)	(1,621,882)	(2,822,671)	(3,801,898)

10. Appendix 5 : Cash Flow

	2018	2019	2020	2021	2022	2023
	£	£	£	£	£	£
Operating Activities						
Profit/(Loss) Before Financing	355,423	376,648	235,930	(138,631)	46,348	248,432
(Increase)/Decrease in Debtors	(1,426,062)	415,962	(3,568,471)	4,451,663	(65,445)	(88,273)
Increase/(Decrease) in Creditors	924,276	(500,624)	(231,530)	348,338	65,445	88,273
Amortisation	838,074	925,464	646,657	1,095,201	1,078,354	1,105,642
OPERATING ACTIVITIES	691,711	1,217,450	(2,917,413)	5,756,570	1,124,702	1,354,073
Investing Activities						
(Purchase)/Disposal of fixed assets	(660,861)	(830,000)	2,454,544	(23,793,904)	(42,417)	(65,954)
INVESTING ACTS.	(660,861)	(830,000)	2,454,544	(23,793,904)	(42,417)	(65,954)
Financing Activities						
Increase in Share Capital	0	0	0	0	0	0
Interest Received	13,622	1,184	1,000	1,000	1,000	1,000
Interest Paid	(769,956)	(722,378)	(701,102)	(1,331,595)	(1,337,741)	(1,336,211)
Grants Received	191,802	0	3,800,000	150,000	(0)	0
Loans Received	1,000,000	1,000,000	500,000	19,000,000	1,000,000	750,000
Loan Repayments	(643,443)	(532,422)	(2,562,108)	(754,429)	(793,283)	(834,188)
FINANCING ACTS.	(207,976)	(253,616)	1,037,790	17,064,976	(1,130,024)	(1,419,399)
CASH	(177,126)	133,834	574,921	(972,358)	(47,739)	(131,280)
Solar Adjustment	76,177	(32,820)	62,751	(25,053)	(18,667)	(11,913)
Cash Balance @ Beginning of Period	964,313	863,364	964,378	1,602,050	604,640	538,234
Cash Balance @ End of Period	863,364	964,378	1,602,050	604,640	538,234	395,041

Thameswey Central Milton Keynes Limited
Business Plan covering the period 2020-2023

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1. Introduction

- 1.1 This business plan sets out the proposed priorities for Thameswey Central Milton Keynes Ltd (TCMK) to deliver the Thameswey Group companies' activities for the period up to 2023. The business plan ensures that the focus of activity within this company is clearly aligned with those of Thameswey Limited, and ultimately with Woking Borough Council's strategic objectives for the Thameswey Group.
- 1.2 The plan refreshes the 2019 to 2022 business plan (approved by Council in December 2018). It identifies the business opportunities and priorities for investment in the near future, including the main capital projects that will require investment to enable Thameswey Central Milton Keynes Ltd (TCMK) to deliver its objectives for the Council.

2. Executive Summary

- 2.1 Following a period of slow growth in central Milton Keynes, this Business Plan coincides with the emergence of several major new development proposals in close proximity to TCMK's assets. These present realistic opportunities for significant expansion of TCMK's business by connecting its energy supply networks to major new customers. Ultimately, if all the planned developments proceed and connect to TCMK's energy networks, their combined additional demand is estimated to be broadly equivalent to existing total demand.
- 2.2 This Business Plan focuses on ensuring TCMK is well positioned to capitalise on the opportunities for expansion as they come forward the key points are:
 - Government support for the district heat industry is growing, alongside setting higher standards for operators of heat networks with the prospect of the heat supply market becoming regulated (similar to the electricity and gas markets)
 - There are strong signs of a new period of major development in central Milton Keynes and the number of enquiries received from developers seeking to connect to TCMK's networks has risen significantly
 - TCMK needs to ensure it can capitalise on the opportunities that are now emerging and has a well-established operational basis on which to build in order to realise the potential for major growth
 - Capital expenditure will be required in order to connect new developments, through a combination of connection fees charged to developers and direct investment by TCMK. Where this meets the qualifying criteria, financial support will be sought from the government's Heat Networks Investment Project
 - Alongside a focus on growth through new customer acquisition, TCMK must ensure it maintains the highest standards of operational quality and reliability. This requires continued investment in plant maintenance and its staff resource.

3. Company Overview

Business Purpose

3.1 TCMK was established by TEL to provide a long-term strategy for infrastructure investment for its operations in Milton Keynes, with the objective of securing reductions in carbon dioxide (CO₂) equivalent emissions and generating investment returns through sales of energy it has generated by use of Combined Heat and Power (CHP). This is achieved through its embedded generation facilities at the energy station in Central Milton Keynes and heat and electricity distribution networks. All customer services, billing and revenue collection is provided in parallel with the Thameswey Energy Ltd services from Woking.

Financial Requirements

3.2 The nature of the Council's investment in TCMK is long-term. It is an established business that has an underlying sound foundation with a good customer base and considerable opportunity for growth. The plan covers the financial period 2020 to 2023 in detail as this can be accurately predicted.

3.3 The business is financed by way of loans and share capital. In establishing TCMK the intention was to maintain a share capital to loan ratio of 20% share capital finance to 80% loan finance (at 7.0% interest per annum). The authorised share capital was originally set at £5m with anticipated loans of £25m. In 2010 WBC Executive agreed that all new financing for TCMK would be via loans at 6.0% annual interest with the share capital investment remaining at £1.11m; this was to be reviewed annually. Providing loan finance to TCMK is more attractive to the Council as it charges a margin on the interest rate.

Company Ownership and Governance

3.4 Thameswey Central Milton Keynes Ltd is a private Limited Company registered in the United Kingdom and is a 100% subsidiary of Thameswey Energy Ltd. Thameswey Energy Limited is a 100% subsidiary of Thameswey Limited, which is the holding company of the Thameswey Group, which is in turn solely owned by Woking Borough Council.

3.5 The current board of Directors is set out below:

- William Prescott - Independent Director (Chairman)
- Barry Maunders - Independent Director
- Peter Bryant – Officer Director
- Douglas Spinks – Officer Director
- Ayesha Azad – Councillor Director

3.6 The board composition meets the requirements of the Thameswey Group Protocols as approved by the Council in February 2018. In order to be quorate a board meeting must have at least one independent, one Councillor and one officer Director in attendance.

Significant Assets

3.7 The primary assets within TCMK's central energy station (ES1) comprise two gas-fired 3.0 MWe Combined Heat & Power (CHP) engines, a 10 MW back-up gas boiler, three thermal stores and ancillary equipment. Energy is supplied to customers via an energy distribution network in Central Milton Keynes through approximately 6 km of heat distribution pipes, 10 network substations, 15 network 11/0.4kV 1000kVA electricity transformers and 2 CHP local transformers. It also owns over 900 heat interface units and the electricity and heat meters for all connected customers.

- 3.8 ES1 and its associated distribution system in Central Milton Keynes provides TCMK with a strong asset and operational base and considerable opportunity for growth and will continue to be developed to meet the needs of new customers as they connect.

Current Business Position

- 3.9 TCMK currently supplies over 950 residential and commercial customers located on four main development sites in central Milton Keynes
- 3.10 In 2018 turnover from sales of energy was £3,758,603. This compares with turnover of £3,279,010 in 2017. Revenue in 2018 was significantly higher than the previous year due to higher underlying energy sales to a major corporate customer due to failure of their infrastructure. TCMK's retail energy sales have, in common with all energy suppliers, experienced some volatility during the year as a result of weak wholesale markets in the first half of the year followed by significant rises in markets during the second half. Current sales are broadly split 20% residential customer consumption and 80% business customer consumption.

Major achievements since the last business plan

- 3.11 During 2018 TCMK supplied over 18,000 MWh of heat and nearly 19,900 MWh of electricity. The production and sale of low carbon energy by TCMK saved the equivalent of 1,808 tonnes of carbon dioxide (CO₂) equivalent emissions (as compared to the emissions emitted in the production of an equivalent amount of grid energy)

4. Industry Outlook and Business Opportunity

Industry Outlook

- 4.1 Government support for the growth in decentralised energy is continuing with the roll out of the financial support for heat networks (Heat Networks Investment Project or 'HNIP'). The scheme opened to applicants in 2019 and will run until March 2022.
- 4.2 Industry support is continuing to grow for development of lower temperature, lower loss systems with greater use of 'smart' technology to provide performance feedback between a network and individual customer installations. Opportunities are expected to arise for partnering with technology firms developing new systems to support 'next generation' heat networks and Thameswey will seek to engage with such opportunities where appropriate.
- 4.3 The drive towards higher efficiency heat networks corresponds with changes proposed by Government in the Standard Assessment Procedure (SAP) methodology for energy compliance assessment for new developments as part of the Building Regulations. The introduction of a new SAP methodology is expected to set higher standards for performance of district heat networks, with lower efficiency systems penalised in comparison to conventional 'grid energy' systems. This lends importance to the drive towards higher efficiencies within existing networks.
- 4.4 Government has announced its intention to introduce regulation to the UK heat market to provide greater protection for consumers against badly designed or operated systems. There is currently no fixed timetable for regulation, but the industry is taking steps to voluntarily align operators with the mandatory standards that are anticipated. These include setting up the Heat Trust as a customer-facing intermediary (which TCMK is seeking to join) and the establishment of a new Heat Network Compliance Scheme to provide independent certification in respect of the quality of design, operation and maintenance of heat networks (i.e. a 'kitemark' for heat networks).

- 4.5 The regulatory position for supply of electricity and heat is still an issue which will affect Thameswey during the course of this business plan period. Both TCMK and TEL will potentially need to look at how they structure the legal ownership of their assets to comply with their current license exempt status should their proposed generation, transmission and supply plans come to fruition.

Business Opportunities

- 4.6 TCMK's main prospects for growth arise from new developments and the refurbishment of existing stock within the western half of central Milton Keynes where ES1 and the energy networks are located. However, until recently, there have been few major developments within the vicinity and there was little evidence of recovery in development values.
- 4.7 Milton Keynes Council has established its own regeneration vehicle (Milton Keynes Development Partnership) and has been actively promoting sites for residential, commercial and other uses.
- 4.8 There is now good evidence of a recovery in development in central Milton Keynes. During 2019, TCMK was requested by two developers to provide feasibility assessments for connecting to major commercial/mixed use schemes, both in close proximity to the TCMK's distribution networks. Feasibility studies have been carried out and commercial offers made to supply both schemes. A further enquiry has been received in relation to an existing leisure facility which is located in close proximity to ES1 and has expressed an interest in connecting to TCMKs' heat network.
- 4.9 An initial enquiry was received in Q1 2019 in relation to supplying the first phase of a proposed new university campus. The scheme is a flagship development for Milton Keynes Council in conjunction with Cranfield University. The 10-hectare site lies adjacent to TCMK's main heat distribution spine in Avebury Boulevard and the initial phase falls within the area of the Project Development Agreement. A design competition for the university campus masterplan was launched in 2019, with the ambition of being open to the first students by 2023.
- 4.10 Development sites adjacent to ES1 were granted consent in 2019 for a residential-led mixed use scheme and a new hotel on adjoining land. Both sites are subject legal obligations to connect to ES1 and, subject to agreeing commercial terms, connection is anticipated during the business plan period.

5. Investment Strategy

- 5.1 The investment strategy for TCMK is focused on enabling growth in the sale of energy through investment in new energy distribution infrastructure (district heat pipes, electricity distribution network and control communications) to supply new customers.
- 5.2 Investment in new connections to the network would be required to target an acceptable shareholder return on investment and may require additional loan finance from WBC or appropriate support in respect of any third-party finance. Any requirement for WBC support and any projects requiring TCMK to make a large capital investment outside this business plan would be subject to WBC approval.
- 5.3 In addition to new distribution infrastructure, TCMK will invest in plant replacement of assets as they reach the end of their operational life in order to maintain reliable energy supplies to its customers. As part of its plant replacement strategy, opportunities will be taken to adopt lower carbon technologies in order to continue to offer an environmental benefit to existing and prospective customers.

6. The Business Model

Assumptions and Critical Factors in the Model

- 6.1 TCMK has a financial model which has been used to make the financial projections in the Business Plan (Appendices 2 to 4). The model is updated to reflect the previous year's activity and any updates on market and new connection forecasts. The model also considers the engine running strategies and capacity of the engines.
- 6.2 The model assumes that fuel price inflation and retail price index inflation will run at 2.0% per annum for the business plan period. In practice short term inflation rates will vary. Increased inflation will provide an improvement in energy prices charged to commercial customers as these are based on a combination of the national gas price index and inflation.

Sources of Revenue

- 6.3 The main sources of revenue for TCMK are from sales of energy to the customers of Energy Station 1. Energy is currently supplied to four major developments within the Central Milton Keynes, with 'surplus' electricity supplied to the grid at times when it is economically advantageous to export power to the grid.
- 6.4 TCMK earns additional revenue through participation in national grid Demand Side Management (DSM) services. The market for DSM is steadily evolving, with new schemes such as Capacity Market replacing established DSM opportunities such as triad. TCMK uses its 'spare' generating capacity to participate in DSM services, and will continue to actively pursue these opportunities as they arise.

Major Operational Costs

- 6.5 The purchase of gas and imported electricity comprise approximately 73% of direct costs. Following a period of volatility in primary energy costs during 2018, greater stability in prices returned in 2019. Whilst commodity prices for primary energy tend to be cyclical, the non-commodity prices have steadily risen due to 'green' taxes and surcharges for infrastructure and capacity reinforcement. However, as TCMK's supply contracts for commercial customers link the energy tariffs charged to customers using a formula based on RPI and the UK natural gas price index this has negatively impacted on revenues from energy sales. Whilst this pricing formula provides TCMK's business model with some protection against volatility in wholesale energy prices, the net effect of falling wholesale energy prices is adverse for TCMK.
- 6.6 During 2019 TCMK's gas and electricity import contracts were tendered and new suppliers appointed for the electricity contract who supply a 100% renewable power at no additional cost. The appointed gas supplier provides the facility to purchase renewable gas certificates at additional cost.
- 6.7 Plant maintenance costs contribute a significant share of overall operational costs. These are controlled by careful forward planning of major service intervals and planned maintenance activities.

Operational Plan

- 6.8 A well-established operational and maintenance plan ensures TCMK achieves high levels of operational reliability. Independent energy management consultants are retained to assist in improving and optimising use of the CHP engines and minimise running costs. This involves balancing the hours that the engines are run and the output level that the engines are running at with customer demands for heat and grid electricity import/export prices. In addition, the impact of different running patterns on asset life and operating costs are considered. Engine running

strategies are regularly reviewed throughout the year to optimise asset operation. Monthly performance monitoring of a number of operational factors is used to inform adjustment of operating strategies.

- 6.9 Operational procedures are being aligned with emerging industry-wide standards for district heat networks and heat customer codes of service. During 2019 a contingency and service continuity plan was adopted to ensure rapid and effective emergency response procedures are in place, and will be regularly reviewed as new customer connections are made.
- 6.10 The engineering support team based in Milton Keynes will be strengthened during the Business Plan period by the addition of a junior engineer/mechanical fitter to provide additional general support and maintain resilience for out-of-hours call out as the customer base grows.

Capital investment

- 6.11 Further connections to Energy Station 1 distribution network are expected during the Business Plan period as new buildings are constructed in central Milton Keynes. Applications for grant funding from the Government's Heat Network Investments Project will be made where circumstances meet the qualifying criteria. The total capital investment in new connections is estimated to be £2.5m.

7. Financial Strategy

Finance Structure

- 7.1 TCMK is financed by both share capital and loan finance.
- 7.2 This business plan requests approval of an amended financing profile and additional years of funding facility. An incremental borrowing facility is requested of £3,500,000. In 2020 the borrowing facility has been increased due to timing differences on capital expenditure.
- 7.3 Loans will be spent on capital expenditure and cashflow funding.

Year	Authorised Borrowing Facility in 2019	Expected Profile of Borrowing Facility
2019	£3,200,000	£2,000,000
2020	£2,700,000	£3,200,000
2021	£2,300,000	£3,000,000
2022	£2,500,000	£2,500,000
2023		£3,500,000
TOTAL	£10,700,000	£14,200,000

Shareholder Return on Investment

- 7.4 Benefits to WBC and the community are set out in Appendix 1.

Profit & Loss Account

- 7.5 The budget has been based on historical costs, expected inflation and modelled revenue and costs. TCMK has a good level of confidence in the budget. It should be noted that increases in the gas

price index lead to increases in the prices charged to commercial customers with prices calculated on a monthly basis, this helps to reduce financial risk to TCMK.

Appendix 2 shows the forecast Profit & Loss

Balance Sheet

Appendix 3 shows the Balance Sheet

Cash Flow

Appendix 4 shows the forecast Cash Flow

Appendix 1: Benefits to WBC & Community

Description	2018	2019	2020
Net Interest Margin	£916,478	£921,127	£931,301
Carbon dioxide emission savings (tonnes CO ₂ equivalent)	1,808	-	-
New Project Fee levied by TL for investment in Woking based Environmental Projects	£50,000	£20,000	£4,200
Assist WBC in its Climate Change Strategy	✓	✓	✓

Appendix 2: Forecast Profit & Loss

	2018	2019	2020	2021	2022	2023
	<i>Actual</i>	<i>Forecast</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>
	£	£	£	£	£	£
Turnover						
Income	3,758,603	3,521,841	3,676,895	3,945,119	4,217,674	4,385,349
Cost of Sales						
Direct Costs	2,446,775	2,335,921	2,271,217	2,423,087	2,621,196	2,723,084
Gross Profit	1,311,828	1,185,921	1,405,678	1,522,032	1,596,478	1,662,265
GP % of turnover	34.9%	33.7%	38.2%	38.6%	37.9%	37.9%
Overheads						
Administration Charges	302,511	237,643	275,571	283,095	315,202	349,147
Energy Management	17,266	19,994	19,003	19,888	19,835	20,259
Customer Services	9,405	8,812	9,200	9,871	10,553	10,973
Rent, Rates & Utilities	31,463	32,331	32,535	33,082	33,464	33,939
Insurance	60,537	63,427	63,222	64,591	65,184	66,185
Prof Fees - Legal	6,263	3,408	4,932	4,254	4,685	4,559
Prof Fees - Consultancy	33,996	30,328	32,805	32,198	33,152	33,328
Other Misc Costs	470	579	535	569	563	577
Data Collection	31,191	32,950	32,712	33,487	33,761	34,297
Audit & Tax Advice	7,729	6,953	7,488	7,365	7,575	7,620
Trade Mark Fees	10,200	10,302	10,456	10,587	10,732	10,872
Non Exec Remuneration	9,504	9,598	9,742	9,864	9,999	10,130
Bank Charges	4,562	4,625	4,685	4,748	4,811	4,875
Abortive Connection Costs	10,921	6,085	8,673	7,527	8,262	8,052
Bad Debts	3,606	3,379	3,528	3,785	4,047	4,207
Doubtful Debt Provision	0	0	0	0	0	0
Total Costs	539,623	470,415	515,087	524,910	561,824	599,020
EBITDA	772,205	715,505	890,591	997,122	1,034,653	1,063,245
Depreciation	804,842	841,074	845,258	961,895	961,895	929,281
Amortisation	273,147	277,105	277,105	324,327	324,327	324,327
Operating Profit/(loss)	240,510	151,536	322,438	359,554	397,086	458,291
Finance Income	779	1,040	1,061	1,082	1,104	1,126
Finance Costs	1,924,535	1,951,695	1,990,360	2,054,071	2,099,647	2,142,616
Loan Arrangement Fees	33,000	15,267	28,205	28,111	21,970	28,898
Profit/(Loss) Before Tax	(1,716,246)	(1,814,385)	(1,695,066)	(1,721,546)	(1,723,428)	(1,712,097)
Tax Income	0	0	0	0	0	0
Profit/(Loss) after Tax	(1,716,246)	(1,814,385)	(1,695,066)	(1,721,546)	(1,723,428)	(1,712,097)

EBITDA is earnings before interest, taxation, depreciation and amortisation.

Appendix 3: Forecast Balance Sheet

	2018	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Budget	Budget	Budget
FIXED ASSETS						
Land & Buildings	1,530,404	1,498,957	1,467,511	1,436,064	1,404,617	1,373,171
Plant & Machinery	15,501,682	14,782,640	15,813,598	15,602,333	14,786,068	15,169,804
Engine Service	657,723	567,137	553,052	521,082	411,082	333,696
Assets Under Construction	389,998	389,998	538	538	538	538
	18,079,807	17,238,733	17,834,699	17,560,017	16,602,306	16,877,208
LONG TERM INVESTMENTS						
	0	0	0	0	0	0
CURRENT ASSETS						
Trade Debtors	414,427	475,042	544,523	624,165	715,457	820,100
Provision for Doubtful Debts	(15,081)	(14,131)	(14,753)	(15,829)	(16,922)	(17,595)
Accrued Income	405,032	379,519	396,227	425,132	454,502	472,571
Corporation Tax	229,017	214,590	224,038	240,381	256,988	267,205
Prepayments	16,716	15,663	16,353	17,546	18,758	19,504
Group Recharges	2,047	1,918	2,003	2,149	2,297	2,389
Parts in Stock	68,530	64,213	67,040	71,931	76,900	79,958
Short Term Deposit	5,000	4,685	4,891	5,248	5,611	5,834
Bank Account	713,619	100,000	100,000	100,000	100,000	100,000
	1,839,308	1,241,501	1,340,323	1,470,723	1,613,591	1,749,965
CURRENT LIABILITIES						
Trade Creditors	716,089	756,047	684,140	753,525	829,143	901,513
Accrued Expenses	427,931	435,836	485,247	550,448	621,882	690,069
	1,144,020	1,191,884	1,169,388	1,303,972	1,451,025	1,591,582
NET CURRENT ASSETS						
	695,289	49,617	170,935	166,751	162,567	158,384
LONG TERM LIABILITIES						
Long Term Loans WBC	30,547,579	31,152,323	32,991,775	34,758,783	35,844,643	37,551,786
Grants/Contributions	5,542,094	5,264,989	5,837,884	5,513,557	5,189,230	5,464,904
	36,089,673	36,417,311	38,829,660	40,272,341	41,033,874	43,016,690
NET TOTAL ASSETS						
	(17,314,577)	(19,128,962)	(20,824,027)	(22,545,574)	(24,269,001)	(25,981,098)
CAPITAL & RESERVES						
Share Capital	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000
P&L Account B/F	(16,708,331)	(18,424,577)	(20,238,962)	(21,934,028)	(23,655,573)	(25,379,001)
Profit/(Loss) YTD	(1,716,246)	(1,814,385)	(1,695,066)	(1,721,546)	(1,723,428)	(1,712,097)
	(17,314,577)	(19,128,962)	(20,824,028)	(22,545,573)	(24,269,001)	(25,981,098)

Appendix 4: Forecast Cash Flow

	2018	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Budget	Budget	Budget
	2018	2019	2020	2021	2022	2023
	£	£	£	£	£	£
Operating Activities						
Profit/(Loss) Before Financing	240,510	151,536	443,756	359,554	397,086	458,291
(Increase)/Decrease in Debtors	(12,869)	(15,811)	(98,822)	(134,584)	(147,053)	(140,557)
Increase/(Decrease) in Creditors	219,017	47,864	(22,496)	134,584	147,053	140,557
Add Back: Depreciation / Amortisation	531,695	563,969	568,153	637,568	637,568	604,954
NET CASH FLOW FROM OPERATING ACTIVITIES	978,353	747,558	890,591	997,122	1,034,653	1,063,245
Investing Activities						
(Purchase)/Disposal of investments	(309,790)		(712,540)	(683,030)	0	(600,000)
(Purchase)/Disposal of fixed assets	0	0	0	0	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	(309,790)	0	(712,540)	(683,030)	0	(600,000)
Financing Activities						
Increase in Share Capital	0	0	0	0	0	0
Interest Received	779	1,040	1,061	1,082	1,104	1,126
Interest Paid	(1,957,535)	(1,966,961)	(2,018,565)	(2,082,182)	(2,121,617)	(2,171,514)
Loans Received	3,300,000	1,726,651	2,820,507	2,811,060	2,447,018	3,489,785
Repayment of Loans	(1,676,082)	(1,121,908)	(981,054)	(1,044,052)	(1,361,158)	(1,782,642)
NET CASH FLOW FROM FINANCING ACTIVITIES	(332,839)	(1,361,177)	(178,051)	(314,092)	(1,034,653)	(463,245)
Taxation						
Corporation Tax	0	0	0	0	0	0
NET CASH INFLOW/(OUTFLOW) OF CASH	335,725	(613,619)	0	0	(0)	0
Cash Balance @ Beginning of Period	377,894	713,619	100,000	100,000	100,000	100,000
Cash Balance @ End of Period	713,619	100,000	100,000	100,000	100,000	100,000



Thamesway Housing Limited
Thamesway Guest Houses Limited
Business Plan 2020

Covering Period 2020-2023

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1. Introduction

- 1.1 This Business Plan covers the residential activities of the Group which are split between two legal entities. Thameswey Housing Limited (THL) and Thameswey Guest Houses Limited (TGHL).
- 1.2 The Business Plan comprises the following Format:
- A summary of the Purpose of the Company;
 - Structure and Scope of current operations;
 - Activity since last business plan;
 - Proposed medium term objectives;
 - Financial Performance.
- 1.3 This is a four-year plan which reflects the long-term nature of the housing businesses within the Group.
- 1.4 The Business Plan ensures the focus of the company activity is clearly aligned with Thameswey Limited and ultimately with Woking Borough Council's (WBC) strategic objectives for the Thameswey Group and the Woking 2050 Strategy.

2. Executive Summary of Plan

- 2.1 The key points of this plan are summarised below:
- THL will look to consolidate its capacity during the course of this business plan period. Ensuring that it has the appropriate resources and processes in place to manage its growing property holding. A 'compliance review', which is in effect an internal peer review will be carried out as part of this consolidation to self-assess capacity.
 - THL will continue with the roll out of self-delivery of tenancy management, reducing reliance on third party providers.
 - THL will work with TDL and TSCL to contribute towards the Woking 2050 environmental objectives by reducing the carbon footprint of its stock and promoting wider environmental benefits such as habitat creation and reduction of resource consumption.
 - TGHL will look to review its current offer and expand into a wider spectrum of service.
 - THL will significantly increase its stock holding, taking on property in development from TDL including the first phases of Sheerwater property, during the course of this plan.
 - THL will look to invest in a wider geographical area to ensure it can provide an appropriate range of property and tenure types within its portfolio.

3. Purpose of the Companies

- 3.1 Thameswey Housing Limited (THL) is established to support WBC's delivery of the Woking 2050 Strategy, the Housing Strategy and the Economic Development Strategy through the provision of residential accommodation of all tenures and types. A core objective is to provide homes which are affordable to those who, due to their circumstances, are not able to access open market provision but are equally unable to access Social Rented Accommodation provided by the Council or a Registered Social Landlord (RSL).
- 3.2 While Thameswey Housing's rental structure covers rents from 50% to 100% of the local open market rent, the target for THL, with the exception of stock which will be held as part of the Sheerwater Redevelopment Project and that which has been provided under THL's commitment to 24 Band C properties per year as part of the £200m funding agreement, is the provision of

property at an intermediate rent in the region of 80% of the local open market rent. This intermediate product remains the target for THL property provision, but in order to provide the cross-subsidy needed to achieve a viable economic model at a submarket rent (without any external subsidy) THL will hold approximately two thirds of its property portfolio at open market rents.

- 3.3 Thameswey Guest Houses Limited currently provides accommodation on a temporary basis to those who cannot access permanent or temporary accommodation on the open market.
- 3.4 THL was incorporated in 2005 by its ultimate owner Woking Borough Council (WBC). THL is specifically referred to in the WBC Housing Strategy Action Plan to assist WBC in the provision of affordable housing. This is supported by Council section 106 Planning Agreements referencing THL as an accepted provider of affordable housing.
- 3.5 THL has a 50% share in Rutland Woking (residential) Limited (RWRL), the remaining 50% is held by Rutland Properties Limited. During the business plan period the Rutland Joint venture companies are expected to consolidate into one entity, being Rutland Woking Ltd.
- 3.6 The current directors for the residential companies are set out below:

<u>Name</u>	<u>Class</u>
Terry Price	Independent (Chairman)
Barry Maunders	Independent
Peter Bryant	Officer Director
Louise Strongitharm	Officer Director
Clr David Bittleston	Councillor Director
Clr Ayesha Azad	Councillor Director
Clr Colin Kemp	Councillor Director
Clr Debbie Harlow	Councillor Director

- 3.7 The Board composition meets the requirements of the Thameswey Group Protocols. In order to be quorate a board meeting must have at least one director from each class present.

4. Structure and Scope of Companies

Business Concept - THL

- 4.1 The acquisition (or development) of property by THL is predicated on a no net cost to the Woking Council Taxpayer. In order to do this the company must charge rent at such a level to support the cost of purchasing and running the property that it holds. Each property will be purchased or developed based on a property specific economic model (set at 50 years) and an appropriate rent is charged based around the cost and the local market conditions. In order to set rents at a submarket level this economic model will normally require a subsidy. The subsidy will need to come in either the form of a grant (such as subsidised land or section 106 Payments from the Council) or as a cross subsidy from other THL property.
- 4.2 The financial impact of this economic model is that for the initial period of property ownership the company will operate negative cash flow on the majority of properties so as to secure rent levels at affordable prices. Each property (in effect each project) is then aggregated into the company's overall financial model to allow cross subsidy where properties are performing better than originally modelled. When modelling no account is taken of capital appreciation as this is maintained as a safety buffer in case property disposal is required. However, capital appreciation is used in the accountancy treatment of the company.

4.3 THL was not established to make a return for the ultimate shareholder (WBC), its objective is to secure additional homes and assist the Council in achieving its 2050, Housing and Economic Development strategy targets. Accordingly, profits generated by THL will be retained in THL and earmarked to support the provision of homes in the future. The intention is that this is done by providing revenue support to future investments allowing lower rental levels to be achieved.

Business Concept - TGHL

4.4 TGHL has been set up to operate the transitional and temporary accommodation operated by the group. The property type is normally supported or bed and breakfast style accommodation which are VAT chargeable services. As such the company is VAT registered which differentiates it from THL. Currently the company only operates Maybury Lodge, but growth is expected within this business plan period to operate additional properties. Unlike THL, an element of accumulated profit generated by TGHL is returned as a premium to WBC.

5. Activity since the last Business Plan

5.1 THL and its subsidiary TGHL have continued to perform well over the last 12 months. TGHL has maintained an average occupation of 88% and has supported WBC and neighbouring local authorities by helping to prevent homelessness. To date over 3359 nights of accommodation have been provided in 2019 (at the end of Sept 2019) with over 90% from Woking. During this period significant improvement to the infrastructure of Maybury Lodge has been carried out including improvements in fire safety and communal catering facilities. The extensive refurbishment at Maybury Lodge and the under-occupation during part of 2018 has meant that TGHL paid a reduced premium of £40,000 during 2018.

5.2 THL has completed the acquisition of 124 street properties since the last business plan and has continued to agree further purchases. The company has focussed its street acquisitions on property types which can deliver lower rental levels (B and C band) and can also help to address the Council commitment to provide accommodation for Syrian refugees. The company has also continued to try and acquire property in the vicinity of the Sheerwater redevelopment and in Knaphill and Byfleet, areas which are under-represented in the company's stock holding. These acquisitions bring THL total property holdings as of Sept 2019 to 679.

5.3 During the year THL has progressed the implementation of self-delivery of property management. The company has bought its new property management software online (PEX) and has started to bring property across from external providers. By the middle of 2020 all property, with the exception of 36 Assured Tenancies which will continue to be managed by New Vision Homes due to their expertise in dealing with secure tenants, will have come across for self-delivery. New processes have been implemented as part of the PEX roll out and new staff recruited to manage the tenant interaction. The implementation of the self-delivery infrastructure has been a significant focus for the team over the last period and will continue to use resource over the next few years as the team adapt to delivering the entire rental customer experience.

5.4 THL has also produced new marketing material, allowing online advertising of new property in line with self-delivery roll out. It has also introduced promotional information for the Earn Your Deposit Scheme (EYDS) including an information cartoon setting out the process in easy to understand terms. The EYDS adoption has been rolled out across our shorthold tenancies and has been used to promote tenants moving from old assured tenancies to new Thamesway Assured Shorthold Tenancies. This has been successful, particularly at the Pirbright Development and will continue to be promoted to encourage residents to change tenancies.

5.5 THL has continued to improve the energy efficiency of its stock and the roll out of renewables. Solar water heating has been rolled out to our void stock to complement the standard insulation

upgrades. The completed energy efficiency upgrade at Pirbright, delivered with Thamesway Sustainable Communities Limited (TSCL) has continued to be monitored and battery performance analysed to determine if they are sensible to roll out to other THL property. Initial readings are positive although they will need to be monitored for a longer period before a final decision is made.

6. Proposed Medium - Long Term Objectives

Overview 2020-2023

- 6.1 Market conditions within the residential market continue to be volatile in the Woking area and it is expected that this will continue during the period of this plan. While the impact of the planned UK exit from the European Union is causing uncertainty and depressing the market the overall lack of supply, despite the pace of residential apartment building, particularly with family housing is keeping underlying property prices high. Development sites remain in limited supply and have continued to hold or increase value. The Green Belt review and Local Plan is due to complete during this business plan period which may increase the availability for future development although the current view is that property prices will remain strong despite the challenges.
- 6.2 The historic local increase in property price, even with the recent market turbulence (which has led to some local reduction in prices), means where THL secures a purchase there is currently less scope to offer a rental level below market without additional subsidy. This subsidy has taken the form of either section 106 commuted housing payments, cross subsidy from existing THL properties which are making a return above model parameters and profit made on property disposals.
- 6.3 The other side to the challenge of purchasing, due to the increase in property prices, has been the increase in the value of THLs current stock. Historically THL stock has been valued at cost in the accounts but in discussion with the Auditors an external valuation of the stock was carried out as of the 31 December 2015 to take into account the current occupancy and condition. This resulted in a revaluation reserve of £26,924,187. With the market uncertainty referred to above the annual assessments carried out since have been based on RICS data and have indicated that the growth since has not been material. However, going forward it is expected that an external valuation, delayed from 2019, will be required once the market has started to settle, probably late 2020.

Priorities 2020-2023

- 6.4 Given the rapid growth in THL over the last business plan period with significant increases in stock numbers, the introduction of self-delivery of lettings and the planned growth in residential numbers over this business plan period a period of consolidation and in-ward focus will be a key priority during this plan period. The company will need to develop its letting processes, including out of hours services, to reflect the increased demand and service offer. The integration of the new letting management software with other back office systems and the development of a comprehensive asset management system in partnership with our facilities management staff will be a priority. Staffing levels in TSCL will also need to be reviewed to ensure that we have sufficient capacity to deal with the whole tenancy process. The key part of this consolidation will be a 'compliance review' to self-assess the company as a mini-peer review to determine and compare existing practice against good practice within the industry.
- 6.5 The consolidation mentioned above is of particular importance given the level of property due to come into THL from Thamesway Developments Limited (TDL) during this plan period. Harrington Place is due to be handed over in early 2020 and this will be followed by major developments at

121 Chertsey Road, Brookwood Lye, Cornerstone, Christchurch Way and Sheerwater within the plan period. With the current scale of TDL property development and hand over to THL it is unlikely that the company will look to acquire any substantial more sites within the early part of the plan period but will focus with TDL on getting the existing sites delivered and let.

- 6.6 THL will continue to purchase on street property where it makes economic sense or fulfils a strategic development opportunity (for example unlocks a wider development) or addresses a specific accommodation need highlighted by the Council. The majority of Band C rental property will be fulfilled by this on-street acquisition.
- 6.7 The current articles of association of the Company allow investment in property outside of WBC administrative boundaries. Historically, the Company has been working with a 30-minute commute to Woking railway station as its main operating area with any purchase outside of this being treated as an exception requiring separate Board and WBC approval. While this area will remain the main focus for THL this plan proposes that this restriction on operating area is relaxed, especially for 'specialist accommodation'. The aim of widening the area is to provide access to property markets which may be cheaper than the Woking area and could provide greater opportunity for specialist accommodation. Any property acquired outside of the traditional 30-minute commute will still need to have a link to Woking by addressing a specific need which cannot be met within the current 30-minute commute area.
- 6.8 Due to recent activity THL will have a significant property holding within Woking Town Centre during this plan period. In order to minimise the risk of over-concentration of property holdings in one location and potentially competing against itself THL will look to prioritise acquisition of property outside of the town centre during the plan period.
- 6.9 During August 2017, WBC agreed to support THL in purchasing Sheerwater properties within the red line regeneration scheme. THL will continue to purchase properties from Sheerwater residents as the redevelopment progresses both within the development 'red line' but also neighbouring property. During the plan period THL will also be taking its first stock from TDL within the new Canalside Development (Sheerwater Regeneration). The first 'purple phase' will be 50% affordable with the other 50% a mix of sale and open market rent. Although the stock will be held in Thamesway Housing Limited to reflect the Council's desire for a different rental structure the property will be ring fenced in its own financial and accounting model.
- 6.10 The priority for TGHL will be to continue to provide short term transitional and specialist accommodation with a focus on bed and breakfast. During the plan period the type of offer at Maybury Lodge will be reviewed as the current management contract is due for renewal at the end of 2019. TGHL will take the opportunity, in consultation with WBC, to review the offer currently provided at the property. TGHL will also look to see if there is demand for additional expansion of its offer during the plan period including accommodation services other than bed and breakfast. TGHL will continue to provide an annual premium to WBC, based on volume of occupation and any operating profit, to support the housing service.

Property Enhancement and EPC rating

- 6.11 During the previous plan period THL undertook a review of the Energy Performance Certificate (EPC) ratings across the housing stock and set a target of EPC at a minimum of EPC level C. Work will continue during this plan period to ensure all property held by THL achieves this minimum level. THL will also work with TDL to promote a higher EPC rating on new build property. For example, the new Sheerwater development in the first residential phase is aiming for an EPC level A.
- 6.12 THL will also look to work closely with the Environmental Projects Team of TSCL to build on the successful 'Pirbright Project' to enhance energy efficiency across the stock but also to build

on the wider potential for THL stock to contribute towards the Woking 2050 strategy on an environmental basis. Projects such as providing enhanced habitats within THL stock (hibernacula, Swift Boxes, Intensive Green Roofs) and reducing the carbon impact of the stock through low maintenance products, renewable energy and limiting resource consumption (water use mitigation etc).

7. Operational Support

- 7.1 As identified within the TSCL business plan Thamesway has started to reinforce its in house capacity through recruiting additional Housing Managers and development staff to reflect the increase THL stock. This growth will continue through this plan period as additional properties and developments come online and the self-delivery process embeds. However, THL will still continue to use appropriately qualified commercial advisors on an ad-hoc basis, particularly in valuation and development appraisals as well as to assist in development. Synergy LLP and Madlins LLP have been appointed to provide Quantity Surveying, Employers Agent and CDMC (health and safety) support to THL and TDL. Bed and breakfast and transient accommodation owned by TGHL will also be managed by specialist providers determined on a project by project basis
- 7.2 Corporate legal services for the company are provided by Clyde & Co LLP and the day to day contract requirements/conveyancing for acquisitions are undertaken by the Council's legal services. Where additional capacity is required framework solicitors are used to provide conveyance support. Thamesway has also started to use Freeths through the Council's Regeneration Framework for construction contract work for appointing advisors and contractors to both THL and TDL. HR functions for THL, as with the rest of the group, will be supported by the Council.

8. Property Portfolio

- 8.1 The companies will continue to aim to provide accommodation across a broad range of types, tenures and rental levels. The vast majority will be held for rental and the proportion of each type will be driven by the rental policy structure outlined in other sections of this business plan. The main split of two thirds open market rent and a third submarket (including a minimum of 24 per annum Band C for the business plan period) will apply at a total portfolio level as opposed to property type.
- 8.2 All THL rental tenants are not eligible for the Right to Buy. However, THL has introduced the Earn Your Deposit Scheme which all tenants on an Assured Shorthold Tenancy are eligible to accumulate.

Affordable Housing at Intermediate Rent

- 8.3 THL aims to continue to provide affordable homes at an intermediate tiered rent. The rental level of each property is assessed on a project finance basis with close reference to the current need and the ability to fund the property. The base rental position will be 80% of the open market rental value as independently valued on acquisition.
- 8.4 Despite acquiring in cheaper areas, the company is aware that the rental market is exceptionally strong and likely to continue within the plan period making intermediate rental levels (80% of market) increasingly challenging for some residents on an affordability aspect. The company will therefore look to generate rental subsidies from open market property to lower the rental levels being charged for those on intermediate rent. The rental cross subsidy from open market property will be used to suppress rents to intermediate levels (80%). However, a key challenge, and

objective, of the company will be to provide a number of units within rental Band C (supported rent) which will address an affordability challenge locally. The success of the supply of Band C will be predicated on leveraging additional subsidy as the rental cross subsidy cannot support this lower yield. With the lack of availability of section 106 payments from WBC other forms of subsidy will be required such as discounted land value or access to reduced cost funding.

- 8.5 Affordable properties at intermediate rent through THL have been let on a mix of assured short hold (AST) and assured tenancy basis. It is intended that going forward the default tenancy position will be AST. Where tenants currently occupying under an assured tenancy move the re-lets will be on AST. Where the company offers an AST, unless there are any issues associated with payment of rent or breach of tenancy conditions, the tenancy is allowed to go periodic after the initial term of 6 months. The default tenancy period to be offered to new tenants within this business plan period is 3 years to encourage household stability, encouraging tenants to consider the property as a long-term home, while saving the company costs from property turnover. However, on Sheerwater, in line with the Council's secure tenant consultation, THL will offer a 10-year tenancy period for displaced secure tenants. This will necessitate a land charge and may generate an SDLT liability for the tenant.

Shared Ownership

- 8.6 THL will not offer Shared Ownership within this business plan period. However, it will continue to hold a mortgage protection reserve on the balance sheet of 10% of the value of the sold proportion of any shared ownership property still held.

Transitional Rented, Specialist and Temporary Accommodation

- 8.7 During the period of this business plan THL and TGHL will look to provide property which can address the needs of potentially vulnerable residents. This could be due to age, infirmity or people who have an institutional background such as the care system, armed forces or the justice system. This transitional category can also be used to help the Council manage its homelessness and temporary accommodation duties. TGHL is likely (subject to tax compliance) to be the vehicle for the majority of property held to address these needs as the VAT status of TGHL will be more appropriate.
- 8.8 Accommodation of this type will need to be located within close proximity of support networks which will allow people to manage in their own home. Where appropriate the properties will be selected in consultation with partner agencies who will also confirm the appropriate support networks are in place. There may need to be some element of support and while the default position is that the properties will be managed in the same way as the company's intermediate rent properties there may be projects which will require on site or specialist management.
- 8.9 Where the accommodation is let on a transitional or temporary basis the property will either be let on a corporate basis direct to a partner scheme providers, under a licence to occupy to individuals or in the case of the guest house on a nightly basis to individuals/the Council to allow ease of mobility. Where rents are paid directly, the individual rental levels will be in line with THL intermediate rents. Where they are direct corporate lets, the rent will be determined in negotiation with the provider.

Investment Rental and Sales

- 8.10 When THL was established, the initial business strategy provided for the company to develop and sell properties on the open market to either cross subsidise future investment in affordable rented accommodation or to help maintain the financial stability of the company. In later years this has been supplemented by Open Market Rental which is now aimed to apply to two thirds of THL

stock. The combination of the prevailing market conditions and the outlook for the housing market over the period of this plan means that this option is a priority in this plan. The regeneration of Sheerwater to provide Canalside is also predicated on the disposal of a significant number of properties.

- 8.11 The company will also look to alternative styles of open market property to ensure that it isn't competing with itself in a geographical area and also to address the wider strategic objective of the group 'to support the local economy'. This may involve co-living developments, micro-living via conversion property and student accommodation if it is to support a locally based institution.
- 8.12 THL has also had a series of investments placed with it in the form of Equity Loans given to former residents of Sheerwater under the Council's Community Charter. These investments take the form of an interest free equity share in the former resident's new home. Technically THL will be able to share in any capital appreciation on the property upon disposal. The premium when returned to THL would then be paid to WBC as the original loan is provided by WBC under the Community Charter. To date over £1.4m of loans have been issued.

9. Funding of THL and TGHL

Capital Funding

- 9.1 In April 2016 the Executive approved the medium-term financial strategy for the Council which proposed changing the scope of the THL loan arrangements. The Council's medium-term financial strategy (MTFS) reintroduced the provision of Share Capital at 25% of the investment, total commitment from WBC totalled £200M over a four-year period. During the 2018 business plan an additional £50M was awarded. Latterly WBC has also proposed further investment during 2021/22 and part of 2022/23 as part of a revised medium-term financial strategy. This would provide the company with an additional £130M borrowing approval.
- 9.2 However, since these funding commitments were made by the Council the treatment of share capital (Minimum Revenue Provision treatment) has been amended via Statutory Guidance This means that share capital will need to be written down over a much shorter period of 20 years than originally modelled making it more expensive than the current model can support. Therefore, during this plan period, it is not intended to take share capital as part of the funding structure of THL and TGHL. During this plan period the companies will work with the Council, as its funder, on alternative funding structures to address the medium-term cash flow risk of removing share capital.
- 9.3 The effective cost of capital to the company proposed in the MTFS is 1.5% above the Council's certainty rate for non-Sheerwater property provision. Sheerwater has its own funding arrangement reflecting the significant public benefit of the regeneration. The funding is on a 50-year period with 25 years interest only and 25 years annuity. The initial 25-year period can either be borrowed short term or long term fixed to aid treasury management for the company. Funding available for THL is listed in the appendices.
- 9.4 Additional funds are requested for 2023 of £5M on top of previous funding authorisations. The purpose is to continue to fund housing developments, and to support loan financing. For the period 2023 to 2025 an assumed level of project spend has been calculated based on current data, at the point projects become live the phasing of spend will be updated. It is possible that further additional funding may be requested for specific projects outside of the business plan approvals although this will be on a case by case basis to the Executive.
- 9.5 The timing and order of borrowing will affect the final margins applied to individual loans. It is also acknowledged that current borrowing approvals are indicative as projects will not necessarily follow financial years. Therefore, some expenditure may move to later years or come forward

within these approved borrowing limits should opportunities for larger projects arise. The movement of borrowing between years will be managed in consultation with the Council's section 151 officer.

Operational Modelling and Funding

- 9.6 Each batch of acquisitions, or in the case of large purchases or developments each individual transaction (excluding Sheerwater), is modelled based on the underlying THL financial model of 50-year loans, 25 years interest only and 25 years annuity.
- 9.7 The financial model is used to forecast both revenue and costs for property purchases. It is used to provide information on the different levels of rent needed to service the debt and is used to assist in setting rent levels. It is updated depending on market and inflation forecasts. The basic or base case model assumes cost inflation will run at 2% per annum. Due to the different acquisition costs for property some will have a revenue contribution above the minimum required to service the cost under the model. This surplus will be used to keep rental levels lower in other properties where there would not be a surplus, in effect pooling the total rent and cost. As referred to earlier in the plan external subsidy, in the form of section 106 grant money or subsidised land will become increasingly necessary to support affordable rental levels within the model as property prices, construction costs and market rental levels continue to increase significantly.
- 9.8 In line with WBC adopted MTFs, which sets out a facility of up to £50m per annum, THL intends to increase investment significantly over the rest of the business plan period. The company has already started a number of projects and feasibility studies with TDL which, although they have a long lead in period, will make a significant step forward in scale of the company. Between these projects THL aims to supply additional c.700 properties, subject to planning, over the next four years.

10. Financial Performance – Thamesway Housing Limited

Projected Profit & Loss Account

- 10.1 Over the business plan period the rental revenue will increase from £5.5M to £15M per year.
- 10.2 The cost base is expected to rise with inflation at 2%, however the scale of the business will incur additional staff, and as such costs are stepped as the additional units are purchased. During 2020 additional services are required to support the block management of Harrington Place, such as recycling, concierge and cleaning, which includes a dedicated team, initially expected to be outsourced.
- 10.3 PEX is expected to be fully operational by 2020, with a minimum quantity of property management being retained by NVH. Staffing levels are expected to increase in THL to support the business growth. Staffing in the call centre will increase by 2 FTE, and within the housing team by 2 FTE in 2019, and a further 1 FTE in 2020. The dedicated housing team is expected to include a total headcount of 7 FTE by the end of 2020, with a shared back office support team of 7 FTE.
- 10.4 During the business plan period the dedicated staff will be employed directly by THL, the benefit being a reduction in intercompany VAT transactions and a reduction in administrative burden.

- 10.5 Doubtful debts and bad debts are expected to remain at the current proportional levels, even though the property portfolio is increasing, this is due to a rigorous internal process and the requirement of deposits for properties.
- 10.6 Loan interest will increase significantly compared to prior years due to the significant capital investment, during the business plan period, expected costs are increasing from £6.4M in 2018 to £18.4M in 2023.
- 10.7 The Earn Your Deposit Scheme (EYDS) provision remains the same levels as previous business plans at an expectation of 9% tenant take up. The scheme will be monitored closely at the point tenants start to benefit from exiting a property.
- 10.8 The current business plan does not take into account property revaluation provision.

The profit and loss account for the period 2018 to 2023 is included in appendix 2.

Projected Balance Sheet

- 10.9 Fixed Assets increase over the business plan period from £164.2M to £521.3M, the profile is based on developments completed by TDL, plus the purchase of street properties, where appropriate.
- 10.10 Stock will reduce as the land purchases are developed and become fixed assets.
- 10.11 Long term loans are forecast to increase to support the capital expenditure, loans outstanding over the business plan period increase from £159.9M in 2018 to £531.8M in 2023.
- 10.12 Share capital remains at £24.5M during the business plan period, due to the significant investment over the business plan period the capital and reserves are reducing from £37.5M to £8.8M, this is being driven by the loan interest payments, impacting the annual profits.

The balance sheet for the period 2018 to 2023 is included in Appendix 3

Projected Cash Flow

- 10.13 Generation of operational profits increase from 2019 to 2023 from £3M to £9M. The profits are used to assist the purchase of assets, alongside additional loans from WBC.
- 10.14 Dividends are being forecast from TGHL expecting to total £0.5M, receivable annually in arrears.

The cash flow forecast for the period 2019 to 2023 is included in Appendix 4.

Long Term View

- 10.15 THL runs as an established business, making long term strategic decisions.
- 10.16 A review of property prices in Woking has been completed, and due to Brexit, the properties have not been revalued in 2019, it is expected the properties will be revalued during the business plan period.
- 10.17 THL investment by 2023 is expected to be £521.3M, excluding future revaluation. Property investment appraisals are modelled to break even over 25 years; therefore, interest funding will

be required to support THL in the medium term. Included within the total investment is a revaluation reserve of £26.9M.

11. Financial Performance – Thameswey Guest Houses Limited

Projected Profit & Loss Account

11.1 Nightly accommodation rates are expected to be maintained in 2020.

11.2 The intention is to maintain a third party managing the facility over the business plan period.

11.3 Costs are assumed to increase by 2% year on year

Appendix 4 includes the profit and loss account for the period 2018 to 2023

Projected Balance Sheet

11.4 The projected balance sheet is included in Appendix 5

Projected Cash Flow

11.5 . The projected cash flow is included in Appendix 6

Appendix 1: Rental Policy

Within this plan period THL will continue to operate 5 different types of agreement when letting property to third parties or occupiers:

Assured Shorthold Tenancy (AST) – this will be the normal position for all new tenancies.

Commercial Tenancy – this will be used where THL lets a property to a third party to provide specialist accommodation normally in support of its transitional accommodation category.

Long Lease – this will be used in the case of a shared ownership property.

License – this will be used if THL is operating transitional accommodation directly or where the property is not fully self-contained.

Assured Tenancy – these are historic tenancies given out by WBHL (now THL) when it first started and will be phased out as tenancies end.

The rental levels for the commercial tenancy, long lease and licence will all be determined on a case by case basis and will be determined purely by the economic circumstances of the property acquisition.

Assured tenancies will be phased out, but the existing ones will remain at the current rental structure applied on purchase.

Assured Shorthold Tenancies will be banded according to the subsidy THL is able to use to support the property acquisition and will fall into three bands.

Band A (open market)	96-100% of local open Market Rent
Band B (intermediate rent)	61-95% of local open Market Rent
Band C (supported rent)	50-60% of local open Market Rent

All of these bands will be assessed every year to ensure they are still appropriate given THL purchases, subsidy rates and the prevailing economic conditions. The local open Market Rent is assessed on individual properties and can therefore vary considerably, however the underlying assumption is an annual rent increase of 5%.

WBC MTFs included a new objective for THL in that THL should aim to provide at least 24 Band C units per annum. Band C units are aimed to provide properties at the equivalent of the target social rent for households who need direct support as they will not be able to sustain an intermediate rent. The ability to deliver these units will be assessed annually to ensure that the need is still appropriate, and they are financially viable. It is likely that tenants in Band C property will also require a greater level of social support and the company will work closely with the Council to ensure stable tenancies.

While the Sheerwater redevelopment is ongoing THL will look to work with WBC on prioritising movement of existing residents.

The table below identifies property that fall within the banding criteria, shared ownership and corporate lets are excluded from the table.

	Properties
Band A (full market)	171
Band B (60%-96%)	377
Band B (60% - 80%) included with in figure above	276
Band C (40%-60%)	48
Total Lettings (Sept 2019)	561
Properties owned and secured for development	51
Properties currently void/refurbishment in progress	32

All new tenancies will be subject to a credit reference to ensure that prospective occupiers are able to afford the proposed rent and will be used in conjunction with personal references as appropriate. The credit reference will be relevant to the proposed rent and take into account household income including benefits where relevant. This process wouldn't be appropriate for Licenses due to the short-term nature of the arrangement and ease of termination in arrears situations.

TGHL rental policy will be reviewed as part of the review of operational costs. The rental charges have been tested to reflect the comparative market and with the desire for the company to pay off the debt associated with this property quickly, due to the shortened property life of temporary accommodation and Bed and Breakfast. If costs are reduced the rental levels will be reviewed at the same time. In the interim they will remain at current levels. As part of the TGHL financial return from this rent the company provides a payment back to WBC to support the work it does with Housing Options to prevent homelessness

Appendix 2: Profit & Loss Account

	2018	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Budget	Budget	Budget
	£	£	£	£	£	£
Turnover						
Rental Income	5,542,991	6,183,200	8,208,884	9,830,699	12,513,264	15,054,097
Feed in Tariff Income	8,256	5,490	5,490	5,490	5,490	5,490
Other Income	-31,995	0	0	0	0	0
Sale of Property	320,000	0	0	0	0	0
Cost of Sales	363,999	0	0	0	0	0
Profit on Sale of Assets	-43,999	0	0	0	0	0
	5,475,253	6,188,690	8,214,374	9,836,189	12,518,754	15,059,587
Cost of Sales						
Ground Rent	84,125	86,444	86,444	86,444	86,444	86,444
Council Tax/Rates	69,493	74,198	98,507	117,968	150,159	180,649
Utilities/Telephones	47,954	61,832	82,089	98,307	125,133	150,541
General Maintenance	1,217,317	1,200,000	1,717,500	1,945,500	2,176,500	2,515,500
Grounds / Block						
Maintenance	14,860	35,000	286,900	294,921	375,398	451,623
Total Cost of Sales	1,433,749	1,457,474	2,271,439	2,543,140	2,913,634	3,384,757
	4,041,504	4,731,216	5,942,935	7,293,048	9,605,121	11,674,830
Gross profit/(loss)						
GP% of Turnover	85%	76%	72%	74%	77%	78%
Indirect Costs						
Insurance	101,035	128,400	157,000	187,400	218,200	263,400
Housing Management Costs			82,089	98,307	125,133	150,541
Administration Charges	395,514	654,857	930,128	948,731	967,706	987,060
WBC/NVH Mgt Fee	115,116	124,898	33,552	34,223	34,908	35,606
Agents Fees	225,082	240,000	60,000	24,000	24,000	24,000
Prof Fees - Legal	9,918	7,272	50,000	50,000	50,000	50,000
Audit & Tax Advice	11,306	15,000	15,300	15,606	15,918	16,236
Trade Mark Fees	1,200	1,200	1,200	1,200	1,200	1,200
Non Exec Remuneration	6,470	6,470	6,470	6,599	6,731	6,866
Other Expenses	13,583	30,000	30,000	30,000	30,000	30,000
Bank Charges	1,203	1,200	1,200	1,200	1,200	1,200
Bad Debts	0	9,275	12,313	14,746	18,770	22,581
Doubtful Debt Provision	11,254	15,500	24,627	29,492	37,540	45,162
Total Costs	891,681	1,234,072	1,403,879	1,441,505	1,531,305	1,633,852
	3,149,823	3,497,144	4,539,055	5,851,544	8,073,816	10,040,978
EBITDA						
Depreciation	133,694	531,287	681,062	793,394	877,642	940,828
Earn Your Deposit Provision		92,448	113,040	134,928	157,104	189,648
Mortgage Protect Provision		0	0	0	0	0
Amortisation	155,631	155,631	155,631	155,631	155,631	155,631

Operating Profit	3,171,760	3,029,039	3,900,584	5,078,853	7,194,700	9,066,132
Dividends Receivable	40,000	100,000	100,000	100,000	98,000	92,000
Bank Interest Income	0	0	0	0	0	0
Loan Interest Income	119,448	114,701	111,978	109,117	106,112	102,954
Finance Costs	6,436,325	6,943,813	7,651,934	10,981,716	13,957,027	18,381,738
Profit/(Loss) Before Tax	(3,105,117)	(3,700,072)	(3,539,372)	(5,693,746)	(6,558,215)	(9,120,652)
Deferred Taxation	177,324	0	0	0	0	0
Profit/(Loss) After Tax	(2,927,793)	(3,700,072)	(3,539,372)	(5,693,746)	(6,558,215)	(9,120,652)

Appendix 3: THL Balance Sheet

	2018	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Budget	Budget	Budget
FIXED ASSETS						
Property (Cost Price)	157,197,602	173,197,602	247,443,745	302,148,176	440,887,016	512,568,016
Greenwood House	4,986,531	4,961,143	4,935,756	4,910,368	4,884,981	4,859,593
Furniture/Fixtures	1,902,410	2,506,808	2,960,106	3,300,079	3,555,059	3,746,295
Housing System	121,118	115,891	111,918	108,939	106,704	105,028
	164,207,661	180,781,444	255,451,525	310,467,562	449,433,760	521,278,932
LONG TERM INVESTMENTS						
Loan to TDL	815,135	815,135	815,135	815,135	815,135	815,135
Loan to TGH Ltd	1,112,329	1,055,819	996,448	934,072	868,538	799,687
Investment in TGH Ltd	360,464	360,464	360,464	360,464	360,464	360,464
	2,287,928	2,231,418	2,172,047	2,109,671	2,044,137	1,975,286
CURRENT ASSETS						
Trade Debtors	259,779	230,958	257,633	342,037	409,612	521,386
Stock	30,215,048	30,215,048	19,240,259	19,240,259	19,240,259	19,240,259
Accrued Income	167,088	206,141	197,000	202,910	208,997	215,267
Provision for Doubtful Debts	(50,400)	(11,548)	(12,882)	(17,102)	(20,481)	(26,069)
Prepayments	147,950	30,000	25,000	32,000	28,000	15,000
TDL Advances	8,000,000	0	0	0	0	0
BF Service Charges	0	0	0	0	0	0
Bank Account	3,635,721	9,120,141	4,413,856	4,645,190	9,112,843	8,326,610
	42,375,186	39,790,740	24,120,867	24,445,294	28,979,231	28,292,453
CURRENT LIABILITIES						
Trade Creditors	154,115	161,821	169,912	178,407	187,328	196,694
Accrued Expenses	1,026,184	923,566	461,783	471,018	480,439	490,048
Deferred Income	139,807	146,797	154,137	161,844	169,936	178,433
Earn Your Deposit Provision	0	92,448	205,488	340,416	497,520	687,168
Mortgage Protection Fund	83,425	83,425	83,425	83,425	83,425	83,425
Provision for Deferred Tax	3,643,806	3,643,806	3,643,806	3,643,806	3,643,806	3,643,806
	5,047,337	5,051,863	4,718,551	4,878,917	5,062,454	5,279,574
NET CURRENT ASSETS	37,327,849	34,738,878	19,402,316	19,566,377	23,916,777	23,012,879
LONG TERM LIABILITIES						
Long Term Loans	159,983,540	177,767,544	240,736,696	301,703,794	451,668,704	531,817,409
Grants/Contributions	6,387,160	6,231,529	6,075,899	5,920,268	5,764,638	5,609,007
	166,370,700	183,999,074	246,812,595	307,624,063	457,433,342	537,426,417
NET TOTAL ASSETS	37,452,738	33,752,666	30,213,294	24,519,548	17,961,333	8,840,680
CAPITAL & RESERVES						
Share Capital	24,490,000	24,490,000	24,490,000	24,490,000	24,490,000	24,490,000
P&L Account Brought fwd	15,890,531	12,962,738	9,262,666	5,723,294	29,548	(6,528,667)
Profit/(Loss) YTD	(2,927,793)	(3,700,072)	(3,539,372)	(5,693,746)	(6,558,215)	(9,120,652)
	37,452,738	33,752,666	30,213,294	24,519,548	17,961,333	8,840,680

Appendix 4: THL Cash Flow

	2019	2020	2021	2022	2023
	<i>Forecast</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>
	£	£	£	£	£
Operating Activities					
Profit/(Loss) Before Financing	3,029,039	3,900,584	5,078,853	7,194,700	9,066,132
(Increase)/Decrease in Debtors	8,068,866	10,963,588	(93,093)	(66,284)	(99,455)
Increase/(Decrease) in Creditors	4,526	(333,312)	160,366	183,537	217,120
Add Back: EYDS	92,448	113,040	134,928	157,104	189,648
Add Back: Depreciation / Less Amortisation	375,657	525,432	637,763	722,012	785,198
NET CASH FLOW FROM OPERATING ACTIVITIES	11,570,536	15,169,332	5,918,816	8,191,068	10,158,643
Investing Activities					
TDL/TGHL Loan Interest (Purchase)/Disposal of fixed assets	114,701	111,978	109,117	106,112	102,954
	(17,105,000)	(75,351,143)	(55,809,431)	(139,843,840)	(72,786,000)
NET CASH FLOW FROM INVESTING ACTIVITIES	(16,990,299)	(75,239,165)	(55,700,314)	(139,737,728)	(72,683,046)
Financing Activities					
Increase in Share Capital dividends receivable	100,000	100,000	100,000	98,000	92,000
Interest Paid	(6,943,813)	(7,651,934)	(10,981,716)	(13,957,027)	(18,381,738)
Loans Received	17,712,326	62,885,036	60,863,020	149,840,707	89,810,352
Repayment of THL principal	(28,925)	(28,925)	(30,849)	(32,901)	(9,851,295)
Repayment of Loans - TGHL	56,510	59,371	62,376	65,534	68,852
NET CASH FLOW FROM FINANCING ACTIVITIES	10,896,098	55,363,548	50,012,831	136,014,313	61,738,170
NET CASH INFLOW/(OUTFLOW) OF CASH	5,476,335	(4,706,285)	231,334	4,467,653	(786,233)
Cash Balance @ Beginning of Period	3,643,806	9,120,141	4,413,856	4,645,190	9,112,843
Cash Balance @ End of Period	9,120,141	4,413,856	4,645,190	9,112,843	8,326,610

Appendix 5: TGHL Profit and Loss Account

	2018	2019	2020	2021	2022	2023
	Actual £	Forecast £	Budget £	Budget £	Budget £	Budget £
Rent Income	341,960	404,223	406,000	410,060	414,161	418,302
Cost of Sales						
Management Fee	102,000	105,000	105,000	105,000	105,000	105,000
Gross Profit/(Loss)	239,960	299,223	301,000	305,060	309,161	313,302
<i>GP % of turnover</i>	<i>70.2%</i>	<i>74.0%</i>	<i>74.1%</i>	<i>74.4%</i>	<i>74.6%</i>	<i>74.9%</i>
Indirect Costs						
Administration Charges	40,000	40,000	40,000	40,800	41,616	42,449
Business Rates	2,708	2,782	2,935	2,993	3,053	3,114
Electricity	4,812	4,527	4,617	4,710	4,804	4,900
Gas	3,221	4,566	4,657	4,750	4,845	4,942
Water	1,949	2,982	3,042	3,103	3,165	3,228
Insurance	4,213	4,465	4,796	4,892	4,990	5,090
Premises Maintenance	3,466	3,859	3,936	4,015	4,095	4,177
Audit & Tax Advice	4,011	5,300	5,304	5,410	5,518	5,629
Trademark Fees	1,000	1,000	1,000	1,020	1,040	1,061
Non-Exec Remuneration	5,392	5,397	5,404	5,512	5,622	5,735
Doubtful Debt Provision	0	0	0	0	0	0
Other Sundry Expenses	148	150	152	155	158	161
Bank Charges	93	107	109	112	114	116
Total Costs	71,013	75,136	75,952	77,471	79,020	80,601
EBITDA	168,947	224,087.66	225,048	227,589	230,140	232,701
Depreciation	23,460	21,728	25,780	30,780	38,280	48,280
Operating Profit/(loss)	145,487	202,360	199,268	196,809	191,860	184,421
Finance Income	306	378	144	144	144	144
Finance Costs	56,969	55,210	51,316	49,052	45,895	42,577
Profit/(Loss) Before Tax	88,824	147,528	148,096	147,901	146,110	141,989
CT Provision	21,333	0	0	0	0	0
Profit/(Loss) After Tax	67,491	147,528	148,096	147,901	146,110	141,989
Dividends paid	40,000	100,000	100,000	100,000	98,000	92,000
Retained Profit	27,491	47,528	48,096	47,901	48,110	49,989

Appendix 6: TGHL Balance Sheet

	2018 Actual £	2019 Forecast £	2020 Budget £	2021 Budget £	2022 Budget £	2023 Budget £
FIXED ASSETS						
Land & Buildings	1,424,083	1,402,355	1,376,575	1,345,795	1,307,515	1,259,235
Furniture and Fittings	0	0	10,000	20,000	30,000	40,000
	1,424,083	1,402,355	1,386,575	1,365,795	1,337,515	1,299,235
CURRENT ASSETS						
Trade Debtors	81,268	33,685	33,833	34,172	34,513	34,859
Provision for Doubtful Debts	(5,920)	(5,920)	(5,920)	(5,920)	(5,920)	(5,920)
VAT Refund	3,736	0	0	0	0	0
Prepayments	2,614	2,614	2,614	2,614	2,614	2,614
Bank Account	362,869	433,749	438,368	444,969	456,122	475,838
	444,567	464,128	468,895	475,834	487,329	507,390
CURRENT LIABILITIES						
Trade Creditors	35,081	15,011	15,079	15,206	15,335	15,467
VAT Liability	17,933	44,818	45,010	45,518	46,028	46,540
Provision for Corpn. Tax	106,618	106,618	106,618	106,618	106,618	106,618
Accrued Expenses	21,179	21,179	21,179	21,179	21,179	21,179
	180,811	187,626	187,886	188,521	189,160	189,804
NET CURRENT ASSETS	263,756	276,502	281,009	287,314	298,169	317,586
LONG TERM LIABILITIES						
Long Term Loans (THL)	1,112,329	1,055,818	996,448	934,072	868,538	799,687
	1,112,329	1,055,818	996,448	934,072	868,538	799,687
NET TOTAL ASSETS	575,511	623,040	671,136	719,037	767,147	817,135
CAPITAL & RESERVES						
Share Capital	360,000	360,000	360,000	360,000	360,000	360,000
P&L Account B/F	188,020	215,512	263,039	311,136	359,037	407,146
Profit/(Loss) YTD	27,491	47,528	48,096	47,901	48,110	49,989
	575,511	623,040	671,136	719,037	767,146	817,135

Appendix 7: TGHL Cash Flow

	2019	2020	2021	2022	2023
		£	£	£	£
Operating Activities					
Profit/(Loss) Before Financing	202,360	199,268	196,809	191,860	184,421
(Increase)/Decrease in Debtors	51,319	(148)	(338)	(342)	(345)
Increase/(Decrease) in Creditors	6,815	260	635	639	644
Add Back: Depreciation / Less Amortisation / Provisions	21,728	25,780	30,780	38,280	48,280
NET CASH FLOW FROM OPERATING ACTIVITIES	282,222	225,160	227,886	230,438	233,000
Investing Activities					
(Purchase)/Disposal of fixed assets	0	(10,000)	(10,000)	(10,000)	(10,000)
NET CASH FLOW FROM INVESTING ACTIVITIES	0	(10,000)	(10,000)	(10,000)	(10,000)
Financing Activities					
Increase in Share Capital	0	0	0	0	0
Interest Received	378	144	144	144	144
Finance Costs	(55,210)	(51,316)	(49,052)	(45,895)	(42,577)
Dividends Paid	(100,000)	(100,000)	(100,000)	(98,000)	(92,000)
Corporation Tax Paid					
Loans Received	0	0	0	0	0
Repayment of Loans	(56,510)	(59,370)	(62,376)	(65,534)	(68,852)
NET CASH FLOW FROM FINANCING ACTIVITIES	(211,342)	(210,541)	(211,284)	(209,284)	(203,284)
NET CASH INFLOW/(OUTFLOW) OF CASH	70,880	4,619	6,601	11,153	19,716
Cash Balance @ Beginning of Period	362,869	433,749	438,368	444,969	456,122
Cash Balance @ End of Period	433,749	438,368	444,969	456,122	475,838



Thamesway Developments Limited

Business Plan 2020

Covering the period 2020-2023

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1. Introduction

- 1.1 The attached Business Plan sets out the proposed arrangements for delivering the company's activities for the period up to the end of 2023. The plan reflects the expected developments to be undertaken over the four-year period, previously the plan covered one year only as the company was essentially responsive to other parts of the group, however as projects are defined and in progress a more strategic outlook can be forecast especially given the scale of a number of the developments. This is particularly relevant now that Thameswey Developments Limited (TDL) has been appointed as the Council's developer for the Sheerwater regeneration.
- 1.2 This plan ensures that the focus of activity within each company is clearly aligned with those of Thameswey Limited, and ultimately with the Council's strategic objectives for Thameswey. The plan reflects the Board's views on the objectives set out in the proposed strategic plans.

2. Executive Summary of Plan

2.1 The key points of this plan are summarised below:

- TDL is a reactive company and develops in response to demands from Thameswey Housing, other Thameswey companies and the Council.
- As the preferred developer for Sheerwater, TDL has a significant programme going forward.
- Combining Sheerwater with other developments on behalf of THL, TDL has a programme of over 1000 units during the plan period not including Sheerwater property to be developed beyond the plan period.
- The Poole Road energy centre and Thameswey office development will be a major project for TDL during the plan period.
- TDL will require additional staffing capacity from TSCL to manage the scale of its development programme.

3. Purpose of the Company

- 3.1 TDL was established in 2009 by its ultimate owner Woking Borough Council (WBC) to provide for a long-term strategy of property related development and investment in the Borough of Woking. All projects delivered by TDL are in accordance with the instructions of the Council or as a contractor for Thameswey Housing Limited (THL) and its subsidiary Thameswey Guest Houses Ltd (TGHL) or other parts of the Thameswey Group. TDL acts as the property development vehicle of the Thameswey Group.
- 3.2 TDL is a private limited company registered in the United Kingdom and is a 100% subsidiary of Thameswey Limited (the holding company of Thameswey Group), which is in turn solely owned by Woking Borough Council. TDL has a 50% share in joint ventures Rutland Woking Ltd, and 50% share in Rutland Woking Carthouse Lane Ltd. The remaining 50% of each joint venture is owned by Rutland Properties Ltd. The projects undertaken by RWL are direct appointments on behalf of WBC and have not been considered within this business plan.

Terry Price
 Cllr David Bittleston
 Cllr Ayesha Azad
 Peter Bryant
 Louise Strongitharm

Independent Director and Chairman
 Councillor Director
 Councillor Director
 Officer Director
 Officer Director

- 3.3 The above-board composition meets the requirements of the Thameswey Group Protocols as approved by the Council in February 2018. In order to be quorate a board meeting must have at least one independent, one Councillor and one officer Director in attendance.

4. Operational Activity over the last 12 Months

- 4.1 The following lists the main project activity delivered by TDL over the last twelve months.

Sheerwater

- 4.2 TDL has obtained planning consent for the Sheerwater redevelopment and has discharged all the pre-commencement conditions for the first two phases of construction. Working with the Council TDL has also been successful in obtaining a Housing Infrastructure Grant of just under £10m to support the scheme. TDL has obtained funding approval for the first phase of the residential and the leisure scheme from WBC and has worked with the Finance team at WBC to agree model parameters for the entire scheme.
- 4.3 Initial enabling work through the widening of Spencer Close has been completed in early summer 2019. Contractors have been appointed for the first phase of residential (Purple) and the leisure centre and work has commenced and is due to complete in July 2021.

Harrington Place

- 4.4 Harrington Place, the re-named St Dunstan's, has continued to be developed on site and has now become a clear landmark on the Woking skyline. Programme is on track to deliver the block to THL for the contract completion date of January 2020. It had been hoped to bring the scheme in ahead of plan in Autumn 2019, but this has not materialised.

Poole Road

- 4.5 During late 2018 TDL submitted a new planning application for the Poole Road site to deliver a mixed-use building for TEL and THL which would provide a new energy centre and co-living and co-working space to support the local economy. This application was rejected by the LPA despite an officer recommendation. To protect TEL's position TDL submitted a separate application for just the energy centre component of the scheme back to the LPA while progressing an appeal against the refusal of the wider scheme. The energy centre scheme was approved by the LPA and TDL has appointed contractors to complete the detailed construction level drawings and mobilise to construct the energy centre.

121 Chertsey Road

- 4.6 Planning consent has been obtained for 22 units and a contractor has started on site to deliver the conversion of this derelict office to residential units. The scheme has also been designed to connect to the town centre district energy scheme and is hoped to be handed over to THL for occupation in the middle of 2020.

Elizabeth House/Cornerstone

- 4.7 TDL have reviewed the scheme which obtained consent that had been submitted by Magna for 157 units with THL. On balance it was agreed that the quality of this scheme was unacceptable

as it provided accommodation which was below that which THL wished to present to the market. TDL has therefore appointed a new team and have submitted a revised scheme of 94 units to the LPA. A contractor has also been appointed and work to set up the site is hoped to commence in late 2019.

Griffin House and Concord House

4.8 In September 2017, TDL purchased Griffin and Concord House for redevelopment. The properties are currently let to third parties and will be held as an investment property until at least 2021 when current leases are due for renewal. Over the last 18 months a planning application has been submitted for a residential tower and new office facilities to regenerate the site. The application was subject to a Design South East review as part of the planning process which was complimentary about the design and the location of the site for a tall building. It is hoped that a consent will be issued late 2019 or early 2020. There are also a number of neighbouring property applications for tall buildings which could have an impact on the viability of any consented scheme and how it could be developed. A decision as to a wider approach or site specific will be taken once the result of our current application is known.

Camp Road

4.9 TDL completed a small development of apartments in North Camp, Hampshire during the last business plan period. The residential element has been handed over to THL and is fully occupied. The commercial element, a requirement of the planning consent, has been let by TDL to a local business on a peppercorn to prevent any liability for rates.

Small residential sites

4.10 Three small developments of residential property, to be handed over the WBC Housing Revenue Account for affordable housing have been commenced in this plan period. Hawthorne Road was handed over in July 2019.

5. Business Opportunities 2020-2023

Reactive Opportunities

5.1 During the course of this business plan TDL is likely to be presented with additional opportunities for development in support of WBC, THL and other Thameswey companies. Each opportunity will be assessed on its own merits to ensure that TDL is best placed to develop the project and can do so cost effectively for the commissioning body. Given the existing projects, identified below, capacity is likely to be limited in 2020-2023 to commence additional large projects without significant expansion of resources within TSCL. However, as TDL costs are apportioned to individual projects the capacity will be considered as part the project appraisal.

Continuation of existing construction projects

5.2 TDL will continue to deliver the major construction projects for WBC, TEL and THL as outlined above. The most significant projects which will be completed within the business plan period will be Harrington Place, Cornerstone, the 'greening' of Middle Walk, the delivery of Waterman House on behalf of WBC and Poole Road.

- 5.3 Sheerwater regeneration will extend past the business plan period as the current construction programme will extend to 2026. However, during the business plan period to 2023 TDL will have commenced all of the main medium rise blocks and infrastructure within the regeneration scheme and will have completed, or be on site, with approximately 70% of the scheme value. This is because the latter stages of the scheme focus on low rise residential as opposed to medium rise blocks.
- 5.4 Delivery of these existing projects will take a significant proportion of TDL's current and planned capacity.

Brookwood Lye

- 5.5 TDL is looking to develop part of the former traveller site at Five Acres and Garden Centre on Brookwood Lye Road to provide affordable housing to THL. A planning application to deliver this was submitted in 2017 and the application has been under consideration since. The application has also included re-provision of traveller spaces to achieve 19 plots as part of the purchase agreement for the site. TDL has also entered into a partnership with Wienerberger to pilot their new e4 house concept at this site once it has achieved planning consent and as part of this partnership TDL will be able to benefit from the Wienerberger supply chain and research into environmentally friendly building. TDL will also work with the Environmental Projects team to design in low carbon energy sources and wider habitat enhancements.
- 5.6 The application also includes junction improvements at Brookwood crossroads, although this would be delivered by either WBC or the Highway Authority separately from the TDL residential scheme. Once consent is issued the residential scheme is likely to take two years to complete. It is hoped that consent will be issued within this business plan period, but it is likely to be towards the end of the plan period due to the Green Belt implications on the site.

Concord and Griffin House

- 5.7 Once consent is issued this will be a major development for TDL within the business plan period. It is likely to commence in 2022 due to the existing commercial tenancies. As such the development, which is likely to take in excess of three years due to its scale, will span outside of this business plan.

6. Financials/Budget

Business Performance

- 6.1 TDL was established to make a return for the shareholder; returns are assessed on a project by project basis. The development profit/margin provided by the project activity is used for two purposes, half is retained by TDL for a working capital fund for reinvestment in project appraisals and development, including reducing the cost on certain schemes to promote affordable rents. The other half is to be passed to Thameswey Limited for reinvestment to support Environmental Projects delivered by the Environmental Projects Team in TSCL. Environmental projects are developed in consultation with the Council Climate Change Working Group to support the Working 2050 Strategy.
- 6.2 TDL will target a 4% project fee on developments going forward, the final fee will depend on the nature of the project and will need to be assessed on a case by case basis. Sheerwater is an

exception to this target due to the scale of the project. The development agreement with WBC will limit any project fee to a total of £5m.

- 6.3 To support the volume of development during the business plan period, there is a requirement to increase staffing levels in terms of project managers and development officers. The business plan includes 5 additional FTE posts to sustain the business through to Sheerwater project completion. The total FTE supporting TDL is 7 during the business plan period.

Financial Performance

6.4 TDL has use of the intellectual property owned by Thameswey Limited (TL) and is obliged to pay an annual licence fee of £1,000 payable to TL. In addition, WBC established a framework for financial support by way of loan investment to enable TDL to make investments in Woking and the surrounding area. WBC charges a margin over its borrowing costs for the loans to the Group; this benefits residents by contributing to the revenue income of WBC.

6.5 The reoccurring revenue generated within TDL relates to Griffin and Concorde House which is tenanted. In addition, development income includes the sale of completed projects, plus a development margin, projects are primarily sold to THL, however on large scale developments an element is sold via the open market.

6.6 During this business plan period TDL is also developing small pockets of land for WBC, and Poole Road Energy station for TEL.

6.7 There are increasing levels of Assets Under Construction, until individual projects are completed and sold. The table below summarises the spend profile at each year-end by project. During 2021 and 2022 there are a significant amount of projects completed, and Sheerwater scheme increases in volume. The table ignores the land holding for Griffin & Concorde House, therefore resulting in a difference between the summary of £11.4M compared to the balance sheet. This is due to the purchase being prior to the business plan period.

Project	2019 & Prior	2020	2021	2022	2023
Net Work In Progress Per Year	120,989,652	21,982,237	23,357,202	79,087,240	84,299,846
Cumulative WIP	120,989,652	142,971,889	166,329,091	87,241,851	171,541,697

6.8 Finance costs relate to 20 High Street and Griffin / Concorde House. All loan interest associated with developments is wrapped into the development costs and forms part of the cost to the purchasing body.

Profit and Loss Account is Included as Appendix 1

6.9 The balance sheet includes Griffin and Concorde land cost – which is moved to assets under construction at the point of development. 20, High street remains as an investment property during the business plan period.

Balance Sheet is included in appendix 2

- 6.10 TDL has historically borrowed short term to fund developments during their project lifespan, until the sale, therefore loans increase in value as project spend increase. During the current financial year, a number of loans have been taken long term to benefit from low interest rates and minimise interest rate inflation. This is expected to continue until interest rates increase.
- 6.11 During the business plan period additional loans will be agreed totalling £230M, whilst repaying £134M, resulting in a net loan increase of £96M. Loans outstanding at the end of the business plan period total £170.5M

The Cashflow is included in Appendix 3

Appendix 1: Profit and Loss Account

	2018	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Budget	Budget	Budget
	£	£	£	£	£	£
Turnover						
Project Income	42,617,997	500,000	65,422,164	89,400,951	126,360,840	59,934,000
Rental Income	454,730	454,730	454,730	454,730	454,730	454,730
Non-Trading Income						
	43,072,727	954,730	65,876,894	89,855,681	126,815,570	60,388,730
Cost of Sales						
Direct Cost of Projects	42,045,327	500,000	64,938,471	86,401,491	124,831,577	59,934,000
Cost of Sales	49839	50,836	51,852	52,890	53,947	55,026
	42,095,166	550,836	64,990,323	86,454,381	124,885,525	59,989,026
Gross profit/(loss)	977,561	403,894	886,571	3,401,300	1,930,046	399,704
Indirect Costs						
Non-Executive Directors	5,392	5,500	5,610	5,722	5,836	5,953
Administration Exp	64	65	67	68	69	71
Trade Mark Licence	1,000	1,000	1,000	1,000	1,000	1,000
Consultancy Fees	38,913	10,000	10,000	10,000	10,000	10,000
Legal Fees	3,535	5,000	5,000	5,000	5,000	5,000
Auditors Remuneration	8,501	10,000	10,200	10,404	10,612	10,824
Bank Charges	88	352	352	352	352	352
Total Costs	57,493	31,917	32,228	32,546	32,870	33,200
EBITDA	920,068	371,977	854,342	3,368,754	1,897,176	366,504
Depreciation	3,020	3,020	2,187	0	0	0
Operating Profit/(loss)	917,048	368,958	852,155	3,368,754	1,897,176	366,504
Finance Income	2,001	2,001	2,001	2,001	2,001	2,001
Finance Costs	346,242	346,242	346,242	346,242	57,059	57,059
Profit/(Loss) Before Tax	572,807	24,717	507,914	3,024,513	1,842,117	311,445
Corporation Tax P&L	109,408					
Profit/Loss After Tax	463,399	24,717	507,914	3,024,513	1,842,117	311,445
Dividends Paid			200,000	200,000	200,000	
Retained Profit	463,399	24,717	307,914	2,824,513	1,642,117	311,445

Appendix 2: Balance Sheet

	2018	2019	2020	2021	2022	2023
	Actual	Forecast	Budget	Budget	Budget	Budget
	£	£	£	£	£	£
FIXED ASSETS						
Land & Buildings	11,439,549	11,439,549	11,439,549	11,439,549		
Assets Under Construction	76,732,572	120,989,652	142,971,889	166,329,091	98,681,400	182,981,246
Plant & Machinery	5,961	2,942	755	755	755	755
	88,178,082	132,432,142	154,412,193	177,769,395	98,682,155	182,982,001
LONG TERM INVESTMENTS						
Rutland (Woking) Ltd	99,726	99,726	99,726	99,726	99,726	99,726
	99,726	99,726	99,726	99,726	99,726	99,726
CURRENT ASSETS						
Trade Debtors	530,891	37,894	37,894	37,894	37,894	37,894
Other Debtors	82,319	82,319	82,319	82,319	82,319	82,319
Prepayments	38,849	39,626	40,418	41,227	42,051	42,892
Accrued Income	76,639	78,172	79,735	81,330	82,957	84,616
Deposits	92,438	92,438	92,438	92,438	92,438	92,438
Bank Account	1,874,074	956,297	1,409,298	1,290,231	15,155,592	1,524,262
	2,695,210	1,286,746	1,742,103	1,625,439	15,493,251	1,864,422
CURRENT LIABILITIES						
Trade Creditors	2,692,154	3,360,824	3,971,441	4,620,253	2,741,150	5,082,812
Payment on Account - THL/TEL	9,000,000	9,000,000	1,000,000	0	0	0
Accrued Expenses	827,239	843,784	860,659	877,873	895,430	913,339
Deferred Income	489,335	125,000	125,000	125,000	125,000	125,000
Corporation Tax	530,029	530,029	530,029	530,029	530,029	530,029
	13,538,757	13,859,636	6,487,130	6,153,154	4,291,609	6,651,180
NET CURRENT ASSETS	(10,843,547)	(12,572,890)	(4,745,027)	(4,527,716)	11,201,642	(4,786,759)
LONG TERM LIABILITIES						
Long Term Loan - WBC	74,750,000	117,250,000	146,750,000	167,500,000	102,500,000	170,500,000
Long Term Loan - Intercompany	815,135	815,135	815,135	815,135	815,135	815,135
	75,565,135	118,065,135	147,565,135	168,315,135	103,315,135	171,315,135
NET TOTAL ASSETS	1,869,126	1,893,843	2,201,757	5,026,271	6,668,388	6,979,833
CAPITAL & RESERVES						
Share Capital	10,001	10,001	10,001	10,001	10,001	10,001
P&L Account Brought fwd	1,395,726	1,859,125	1,883,842	2,191,756	5,016,269	6,658,387
Retained Profit FY	463,399	24,717	307,914	2,824,513	1,642,117	311,445
	1,869,126	1,893,843	2,201,757	5,026,270	6,668,388	6,979,833

Appendix 3 - Cashflow

	2019	2020	2021	2022	2023
	£	£	£	£	£
Operating Activities					
Profit/(Loss) Before Financing	368,958	852,155	3,368,754	1,897,176	366,504
(Increase)/Decrease in Debtors	490,687	(2,356)	(2,403)	(2,451)	(2,500)
Increase/(Decrease) in Creditors	320,879	(7,372,507)	(333,976)	(1,861,545)	2,359,571
Add Back: Depreciation / Less Amortisation	3,020	2,187	0	0	0
NET CASH FLOW FROM OPERATING ACTIVITIES	1,183,544	(6,520,520)	3,032,376	33,180	2,723,574
Investing Activities					
(Purchase)/Disposal of fixed assets					
(Purchase)/Disposal of Long term investments	(44,257,080)	(21,982,237)	(23,357,202)	79,087,240	(84,299,846)
NET CASH FLOW FROM INVESTING ACTIVITIES	(44,257,080)	(21,982,237)	(23,357,202)	79,087,240	(84,299,846)
Financing Activities					
Increase in Share Capital	0	0	0	0	0
Dividends Paid	0	(200,000)	(200,000)	(200,000)	0
Investment Income (Divd.)	0	0	0	0	0
Interest Received	2,001	2,001	2,001	2,001	2,001
Interest Paid	(346,242)	(346,242)	(346,242)	(57,059)	(57,059)
Grant For Energy Centre					
Loans Received	62,000,000	50,000,000	50,000,000	0	68,000,000
Repayment of Loans	(19,500,000)	(20,500,000)	(29,250,000)	(65,000,000)	0
NET CASH FLOW FROM FINANCING ACTIVITIES	42,155,759	28,955,759	20,205,759	(65,255,058)	67,944,942
NET CASH INFLOW/(OUTFLOW) OF CASH	(917,777)	453,001	(119,068)	13,865,362	(13,631,330)
Cash Balance @ Beginning of Period	1,874,074	956,297	1,409,298	1,290,231	15,155,592
Cash Balance @ End of Period	956,297	1,409,298	1,290,231	15,155,592	1,524,262



Thameswey Maintenance Services Limited
Business Plan 2020

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1. Introduction

- 1.1 This business plan sets out the proposed strategies for Thameswey Maintenance Services Limited's contribution towards delivering the Thameswey Group companies' activities for the next year.
- 1.2 Thameswey Maintenance Services Ltd (TMSL) was acquired to drive the cost effectiveness of operating and maintaining the Thameswey Group's low carbon power and heat systems. TMSL's mission has been to assist the Thameswey Group in the provision of a long-term strategy of infrastructure investment, renewal and effective operation of some WBC and the Thameswey Groups assets, including those primary energy production facilities acquired originally from WBC, those in Milton Keynes and to progress with other parties the installation and maintenance of low carbon power and heat systems.
- 1.3 As the Thameswey group has developed the demand for this service has changed to include demands for environmental activity in support of other Thameswey companies, wider facilities management and project management support.

2. Executive Summary of Plan

- 2.1 The key points of this plan are summarised below:
 - In line with the Board decision in March 2019 TMSL will cease to be a separate operating entity at the end of 2020, when the remaining activity will transfer to TSCL.
 - The operational activity in support of the Thameswey primary energy infrastructure has been transferred to TEL and TCMK during 2019.
 - During 2020 TMSL will focus on ensuring it has appropriate capacity and contracts in place to support the wider Facilities Management and Environmental roles of the group while maintaining existing TMSL contract obligations.

3. Company Description

Board of Directors

- 3.1 The Board composition meets the requirements of the Thameswey Group Protocols as approved by the Council in February 2018. In order to be quorate a board meeting must have at least one independent, one Councillor and one Officer Director in attendance. A Director may appoint an alternate in their place and the alternate must be of the same class as the Director being replaced.

- | | |
|--------------------|---------------------------------|
| • Barry Maunders | Independent Director (Chairman) |
| • Cllr Ayesha Azad | Councillor Director |
| • Ray Morgan | Officer Director |
| • Peter Bryant | Officer Director |

Financial Requirements

- 3.2 TMSL will operate in support of the group's activities and supply its services at a fair price to keep the group costs as low as possible. Although TMSL will focus on providing services to the group it will continue to operate in the private sector where its core skill set is relevant and seek to achieve a profit to support its own operation and business activities.
- 3.3 This business plan sets out the financial requirements of TMSL during the plan period.

Significant Assets

- 3.4 At the end of 2018 TMSL vacated the Monument Way Depot which had been its largest asset previously. The financial impact of this was written down in 2018.
- 3.5 Assets held by the company are split into two main categories, vehicles and tools / engineering equipment. TMSL adopted a new Computer Aided Facilities management (CAFM) system in 2016.
- 3.6 The company has transport resources for its current requirements, during the business plan period the intention is to move these to TSCL and where cost and operationally effective change the remaining fleet to electric vehicles.

4. Current Business Position

Structure of TMSL

- 4.1 During early 2019 TMSL continued operating and maintaining a number of gas-fired CHP engines, absorption chillers and boilers located throughout the Borough as well as in the energy station in Milton Keynes (ES1) which houses two 3 MWe CHP engines, a gas boiler and a thermal store. The largest energy station in Woking is situated in the Victoria Way carpark, Woking Town Centre. It has a 1.3 MWe gas-fired CHP engine with two 1.5 MW gas boilers and a thermal store, it also has two absorption chillers that provide cooling.
- 4.2 At the beginning of 2019 the General Manager of TMSL transferred out of TMSL into TSCL to reflect the wider remit and the direction of travel of TMSL. In the middle of 2019 the maintenance responsibility at Milton Keynes and the staff responsible for delivering it transferred out of TMSL. The responsibility moved to TCMK and the relevant staff transferred to TSCL. This process removed the need to recharge all the materials via TMSL to TCMK reducing administration and costs in TSCL and TCMK. In the third quarter 2019 the same process is to take place with the primary energy plant in Woking whereby the responsibility will rest with TEL to maintain and upgrade the primary energy plant in Woking and the staff will move to TSCL. This means that by the end of 2019 and the commencement of this business plan no responsibility and staff associated with the maintenance and operation of Thameswey primary energy plant will rest with TMSL.
- 4.3 TMSL has a contract with The Swift Group (TSG) for communal boiler reactive call outs for sites across the Borough. The sites provide heating and hot water to vulnerable Woking residents housed through the Housing Revenue Account. TMSL also has an annual contract with Woking Borough Council to deliver Planned Preventative Maintenance to the domestic communal boiler sites across the WBC owned housing sites in the borough.
- 4.4 At the end of 2019 the company had a staff compliment of 7 permanent employees with a range of engineering skills and specialisations. Staff training and accreditation is emphasised within the business operations, with particular regard to health and safety. Staff levels will be reviewed over the next business plan period to ensure TMSL has the capacity to deliver on its contract obligations listed above, the increased demand on its maintenance services created by an expanding THL stock and the wider facilities management role, while generating sufficient income to maintain the business.
- 4.5 The staff structure for this business plan is attached in Appendix 1.

Achievements Since Last Business Plan

- 4.6 TMSL has been successful in delivering the maintenance contract for the 73 communal plant rooms to carry out a regular maintenance regime for WBC and reactive call out for TSG.
- 4.7 TMSL has made significant progress on improving the environmental impact of its vehicle fleet. Progress has been made on replacing the most polluting vehicles and two electric vans have been added to the fleet.
- 4.8 Work has continued on installing appropriate electrical infrastructure for Victoria Square and Peacocks energising new substations.
- 4.9 TMSL has also project managed and helped deliver the upgrade of the chiller network in Woking for TEL, including the temporary provision of supplies during the upgrade work.
- 4.10 TMSL implemented new Health and Safety, training and absence management software over the last period. Working with TSCL this was then rolled out across the group and is now used by all Thameswey employees, greatly improving absence and training records.

5. Business Opportunities 2020

Opportunities

- 5.1 The significant opportunity for TMSL during this business plan is the increased demand on its services providing maintenance of energy infrastructure (including renewable) and gas checks which will arise from THL stock increases. The move to a wider facilities management service will also be driven by significant increases in the THL stock. During 2020 TMSL will need to scale up to meet this demand and ensure that both existing and new employees have the appropriate skills to deliver these new service demands. The activity, and staff, will then transfer to be delivered out of TSCL.
- 5.2 The new demands on TSCL will require the existing staff to be trained in installation and maintenance of low carbon energy technology as this is being increasingly installed in THL stock. This will include heat pump technology as well as solar arrays and importantly Heat Interface Units which are being installed in many new THL units.
- 5.3 New office and residential developments in Woking area have led to new connections to the Victoria Way heat, cooling and power networks which will come online in this business plan period. This will provide opportunities for TMSL to maintain the third party owned main secondary and network backup plant within these buildings subject to the commercial offer of TMSL. After this business plan additional customers are likely to be connected to the new Poole Road infrastructure once it is complete. This will give a significant opportunity for the current commercial gas engineering capacity with TMSL to expand the business (which will then transfer into TSCL by the end of 2020).
- 5.4 While it is linked to the points above and will be mainly delivered once TMSL activity has transferred to TSCL after this business plan the delivery of FM services will be a major opportunity going forward. Both Harrington Place (which will be released within this business plan period) and more significantly Sheerwater, will require active delivery of waste management, water hygiene, SUDS management, security, concierge and general FM services which will all require delivery through TMSL prior to the activity and staff moving to TSCL.

Sources of Revenue

- 5.5 From 2016 TMSL committed to receive at least 80% of its revenue from WBC and group companies, and the remainder from other public and private contracts. TMSL will continue this split within the

business plan and will be working with WBC and the Thameswey group companies to deliver a range of works to their communal boiler and other group activities and have been confirmed as supplier of choice for the Group.

Operational Plan

- 5.6 During 2020 TMSL will plan to help manage the maintenance and replacement of meters across the group's portfolios in Woking and Milton Keynes. TMSL will look to use current resources and contracted specialists to complete the work where required. The installation of new meters to the council communal heating plant rooms as part of the ongoing refurbishment project will also be linked to this project and activity.
- 5.7 TMSL will provide mechanical and electrical services, with a focus on plant linked to the district energy networks (for example the significant increase in the number of heat interface units which will be installed in new THL stock) to the Thameswey Group portfolio. This will include reactive and planned maintenance to its current and future stock of domestic housing and properties. TMSL will also provide engineering support and maintenance to other group projects such as Environmental Projects delivered by TSCL. TMSL will look to provide these services from its current and future planned resources.
- 5.8 TMSL currently provide planned programmed maintenance to 73 communal boiler sites to WBC. This contract renewed in April 2019 and TMSL will continue to deliver this function and the TSG reactive work during 2020. It is understood WBC may review the arrangements for the period commencing April 2021.
- 5.9 TMSL will work with WBC on the rolling programme of refurbishing the Council's communal boiler sites in addition to the general and planned maintenance programmes. This refurbishment programme, referred to as the 'R-gen' programme will deliver the upgrade of 3 sites within the period of this business plan.

6. Financial Plan

Operational Costs

- 6.1 Employment costs are significant for TMSL (as only one of two companies in the Thameswey Group of companies with employees). Staff numbers fluctuate depending on workload and resource requirements. Numbers are continually reviewed in order to balance the business needs and operating costs. In 2020 the management costs of TMSL will be reviewed to more closely reflect the wider group role that is played by its staff especially following the transfer of staff to TSCL associated with the primary energy plant in 2019.

Capital Investment

- 6.2 As TMSL is a service orientated company it has a relatively low requirement for capital expenditure. During 2020 it is expected two vans will be replaced.

Finance Structure and Shareholder Return

- 6.3 TMSL is financed by share capital of £660,000 from Thameswey Limited.
- 6.4 This business plan does not require any additional loans or finance.
- 6.5 No specific return on investment has been set for the company.

- 6.6 Over the business plan period the shareholder funds are expected to exceed the share capital of £660,000.

Profit and Loss Account

- 6.7 During 2020 the revenue will reduce and business is expected to breakeven as the internal Thameswey energy functions have been moved to TEL and TCMK.
- 6.8 Taxation charges in 2018 reflect group allocation of tax payable upon consolidation.
- 6.9 At the end of 2020 TMSL will cease to operate under a separate entity, and the staff will transition to TSCL.

Appendix 2 shows the Profit and Loss Account

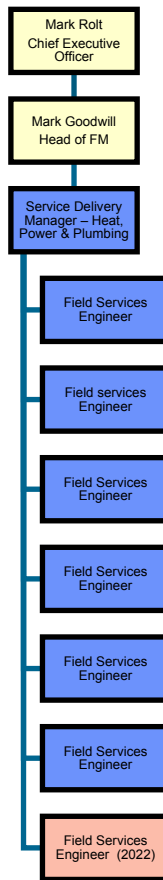
Balance Sheet and Cash Flow

Appendix 3 shows the Balance Sheet and Cash flow

Assumptions and Critical Factors in the Budget

- 6.10 The budget for TMSL has been drawn up on a conservative basis and takes account of services that the company is contracted or certain to provide. There may be scope to improve upon the level of activity as the economy recovers and THL stock comes online.

Appendix 1: Organisation Chart



Employed by TSCL
Additional Post
Employed by TMSL

Appendix 2: Profit and Loss Account

	2018	2019	2020
	Actual	Forecast	Budget
Turnover	2,177,735	1,411,665	690,000
Direct Project Costs	1,291,231	779,511	333,000
Direct Labour Costs	342,590	343,045	231,778
	-		
Cost of Sales	1,633,821	1,122,556	564,778
Gross profit/(loss)	543,914	289,109	125,222
<i>GP% of Turnover</i>	25.0%	20.5%	18.1%
Indirect Costs			
Vehicles & Travel	44,774	28,128	6,000
Indirect Labour Costs	166,791	66,235	37,084
Recruitment Fees		4,080	4,080
Other Staff Costs	37,468	42,329	10,800
Tools and Equipment	3,543	2,999	6,000
Telecommunications	8,440	14,086	3,600
Printing/Stationery/Post	5,145	5,624	0
Computer Costs	17,439	15,790	0
Rent / Rates / Utilities	57,599	4,476	0
Insurance	25,338	19,497	9,600
Group Admin Exp	36,883	41,391	12,000
Non-exec Directors			
Remuneration	4,282	4,283	4,296
Audit Fees	8,000	8,652	6,000
Other Prof Fees	470	774	0
Bad Debts		0	0
Bank Charges	318	262	200
Subscriptions/ Registrations	5,742	3,023	0
Total	422,232	261,628	99,660
EBITDA	121,682	27,481	25,562
Depreciation	57,139	19,711	23,461
Finance Income	285	745	745
Taxation	23,174	0	0
Profit/(Loss) After Tax	41,654	8,515	2,847

Appendix 3: Balance Sheet and Cash Flow

	2018 Actual £	2019 Forecast £	2020 Plan £
FIXED ASSETS			
Motor Vehicles	15,310	44,392	39,226
Office Refurbishment	0	0	0
Tools & Equipment	11,336	11,336	11,792
	26,646	55,728	51,018
CURRENT ASSETS			
Trade Debtors	539,718	86,250	87,975
Accrued Income	16,555	28,750	29,325
Prepayments	19,481	20,455	21,478
Parts in Stock	24,073	24,554	25,046
3rd Party Stock	97,309	99,255	101,240
Bank Account / Cash in Hand	318,624	743,776	753,538
	1,015,760	1,003,040	1,018,602
CURRENT LIABILITIES			
Trade Creditors	183,473	187,142	190,885
Accrued Expenses	34,257	34,942	35,641
3rd Party Stock	104,456	106,545	108,676
VAT Payable	70,178	71,582	73,013
	392,364	400,211	408,216
NET CURRENT ASSETS	623,396	602,829	610,386
NET TOTAL ASSETS	650,042	658,557	661,404
CAPITAL & RESERVES			
Share Capital	660,000	660,000	660,000
P&L Account brought fwd	31,696	(9,958)	(1,443)
Profit	(41,654)	8,515	2,847
	650,042	658,557	661,404

CASHFLOW

	2019	2020
Operating Activities		
Operating Profit/(Loss)	8,515	2,847
(Increase)/Decrease in Debtors	437,871	(5,799)
Increase/(Decrease) in Creditors	7,847	8,004
Add Back: Depreciation / Less Amortisation	19,711	23,461
NET CASH FLOW FROM OPERATING ACTIVITIES	473,944	28,512
Investing Activities		
(Purchase)/Disposal of fixed assets	(49,538)	(19,495)
NET CASH FLOW FROM INVESTING ACTIVITIES	(49,538)	(19,495)
Financing Activities		
Increase in Share Capital	0	0
Interest Received	745	745
Loans	0	0
Increase/(Decrease) in Loans	0	0
NET CASH FLOW FROM FINANCING ACTIVITIES	745	745
NET CASH INFLOW/(OUTFLOW) OF CASH	425,152	9,762
Cash Balance @ Beginning of Period	318,624	743,776
Cash Balance @ End of Period	743,776	753,538



Thameswey Sustainable Communities Limited

Business Plan 2020

Covering the period 2020-2022

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1. Introduction

- 1.1 This business plan sets out the proposed priorities for Thameswey Sustainable Communities Ltd (TSCL) to deliver the Thameswey Group companies' activities for the period up to 2022.
- 1.2 The business plan ensures that the focus of activity within this company is clearly aligned with those of Thameswey Limited, and ultimately with Woking Borough Council's strategic objectives for the Thameswey Group. The aim is to assist WBC with the achievement of the Woking 2050 Strategy with a particular focus in TSCL on the Environmental Objectives of the strategy.

2. Executive Summary of Plan

- 2.1 The key points of this plan are summarised below:
 - TSCL has integrated the operational aspects of TCMK and TEL at the end of the previous business plan period and will develop their activity and full integration during this business plan.
 - TSCL will integrate the remainder of TMSL during the first part of this business plan and develop the Facilities Management function of the group.
 - The staff count in TSCL will expand during the course of this business plan to reflect the significant increase in THL property, including in Sheerwater, and the capacity required to self-deliver a full management service.
 - The group will continue to implement its data management and customer service system to support the Group and facilitate customer self-service.
 - The Environmental Projects team will work with THL to improve the environmental performance of its stock, including investigating the implementation of renewable technology.

3. Current Business Position

Purpose

- 3.1 Thameswey Sustainable Communities Limited is predominantly a service company that supports delivery by the Thameswey group companies although the Environmental Projects team is a delivery team in its own right. This includes providing project management, administrative support, operational support to TCMK and TEL and a finance function to the Thameswey group companies and assisting Thameswey in providing efficiently run energy services for its existing and future customers. The company also provides a research and market development role for the Group and local communities. Its mission is also to deliver environmental projects and achieve carbon dioxide-equivalent emission reductions within the Borough of Woking and neighbouring areas through providing advice, demonstrating new environmental technologies, grant funding and assistance to the community.

Current Business Activity

- 3.2 Principal business activities comprise:
 - Financial and business administration for all Thameswey group companies.
 - Customer services including metering, billing and credit control for Thameswey Energy, Thameswey Central Milton Keynes and Thameswey Solar; and billing and marketing of Thameswey Housing Ltd (THL) properties.
 - Operational staffing for TCMK and TEL.
 - Operational management for the Thameswey companies, including groupwide promotion and marketing.

- Providing the domestic energy advice services for local authorities, delivering the Low Carbon Communities Project and researching and promoting environmental technologies.
- Providing property management services for THL.
- Providing specialist consultancy, project management and advice services relating to sustainable development and energy for the wider group and external customers.
- In consultation with the Climate Change Working Group at the Council delivering sustainability projects, including addressing waste management and bio-diversity issues.

Company Ownership

3.3 Thameswey Sustainable Communities Ltd is a private Limited Company registered in the United Kingdom and is a 100% subsidiary of Thameswey Ltd (TL). TL is the holding company of the Thameswey Group and is a 100% subsidiary of Woking Borough Council.

3.4 The current board of directors are listed below:

- | | |
|---------------------|---------------------------------|
| • Barry Maunders | Independent Director (Chairman) |
| • Cllr. Ayesha Azad | Councillor Director |
| • Douglas Spinks | Officer Director |
| • Peter Bryant | Officer Director |

3.5 The above-board composition meets the requirements of the Thameswey Group Protocols as approved by the Council in February 2018. To be quorate a board meeting must have at least one independent, one Councillor and one officer Director in attendance.

Significant Assets

3.6 TSCL’s tangible assets include office and computer equipment. During 2019 TEL and TCMK assets were transferred to TSCL including computer equipment, vehicles and tools. The vehicles are branded for promotional purposes. During the course of this business plan the fleet will increase to reflect the increase in staff numbers delivering field activities at the point of transfer from TMSL and during the increase in housing stock.

4. Major Achievements over the last 12 months

4.1 Over the last period TSCL has provided support to the delivery of the expanded Thameswey offer. With the significantly increased development activity through THL and TDL (including obtaining Sheerwater approvals and major construction projects starting on site) and the expanded work on TEL connections and network capacity TSCL has had a significantly increased activity level over the previous plan period. Ensuring that the whole group continues to function smoothly during this period of rapid expansion is a real achievement.

4.2 The Environmental Project Team’s ‘Action Surrey’ programme entered its sixth year of operation within TSCL. Action Surrey is partly funded by local authorities and Thameswey Ltd to deliver carbon dioxide (CO2) emission reductions within the domestic and community sectors across Woking and Surrey. While the Action Surrey programme is reducing this is being superseded by wider environmental project work in support of the Woking 2050 Strategy, such as the Woking Swift Project and THL property ‘greening’ project at Pirbright both of which were successfully delivered in the last period.

5. Industry Outlook and Business Opportunity

Industry Outlook

- 5.1 TSCL's business activities are influenced by a number of external factors that include Government and local authority policy, regulatory changes and economic changes.
- 5.2 Achieving a national reduction in greenhouse gas emissions remains a core obligation for the UK Government as a result of the Climate Change Act. However, Government's domestic energy policies are changing in focus with a greater emphasis on targeted action to address fuel poverty and support economic growth. This will be influential in determining the opportunities for Action Surrey to access project funding. The Clean Growth Strategy published in October 2017 includes commitments for all fuel-poor homes to achieve EPC Band C by 2030, to help all homes reach Band C by 2035 where practical and continue support for ECO funding to 2028. In addition, the Chancellor's Spring budget statement in 2019 gave a commitment to introducing a Future Homes Standard which will require low-carbon heating by 2025 and an additional target to reduce gas usage in heating homes will add a focus to the Environmental Project team activity as will the Government's recently announced ambition to have a Carbon Neutral economy by 2050.
- 5.3 Government support for the growth in decentralised energy is set to continue with the launch of a new £320m fund to stimulate growth in heat networks (through the Heat Networks Investment Project). Applications are now open in 2020 after application guidance has been produced and it is expected that both TCMK and TEL will be supported in HNIP grant applications by TSCL. Given the drive away from fossil fuels (as outlined above) it is increasingly likely that heat networks will need to be powered by alternative primary energy sources. It is for this reason that the new network will be designed to low temperatures so that it can work with heat pump technology.

Business Opportunity

- 5.4 The demand for new energy connections in Woking and Milton Keynes present a major business opportunity for TSCL to co-ordinate new commercial supply agreements with developers and deliver the connection projects. Securing new connections for TEL and TCMK shall be a key business priority for TSCL especially given the quantum of new property proposed in Woking. The company shall represent TEL and TCMK in negotiating with developers, existing commercial landlords and local authority planners to provide a strong commercial offer and well-designed extensions to connect new buildings. Now that the direct operation and maintenance of TCMK and TEL primary plant is also within TSCL this direct supply chain is also strengthened.
- 5.5 The growth in the Thameswey housing portfolio will continue to present opportunities to expand the services offered by TSCL, especially through self-delivery of tenant and facilities services. There is the opportunity to co-ordinate these services with energy billing, energy efficiency and fuel poverty advice through a single integrated customer services team in TSCL. The bringing together of these activities to reduce its dependence on externally provided tenant services and provide a more cohesive and efficient service to a greater number of Thameswey customers and tenants. This is tied into the THL 'PEX' system implementation which was implemented in 2019. A graduated transfer of property from external management to self-delivery will be completed by the end of 2019. However, a residual group of property, where specialist management services are required, will remain with third party providers such as NVH.
- 5.6 The company will look for opportunities to extend the existing Action Surrey programme beyond the current agreements for funding by Surrey local authorities that expired in March 2019 following an annual renewal in the last business plan period. However, with the potential for Action Surrey work reducing, as other Surrey authorities pursue other commercial partnerships, the team that delivered Action Surrey within TSCL has been redeployed into an Environmental Projects team. TSCL will continue to deliver the existing Action Surrey work for those local authorities that continue to support

the scheme but will focus on a Sustainability Agenda for the Woking area in support of the Woking 2050 Strategy. This greater focus will cover promoting environmental projects and technology, including renewable, to Woking residents, community organisations and businesses. This will involve a greater level of research and demonstration projects using funding raised through development profit from TDL and project funding from investment in the energy companies (TEL/TCMK). As part of the re-branding work for Thameswey this new Woking-centric focus on sustainability will be rebranded to differentiate the work from the previous Action Surrey activity. Further opportunities include reviewing emerging renewable and low carbon energy technologies, developing business intelligence around future energy demand and consumption, and providing enhanced carbon reporting across all Thameswey group activities. TSCL will also look to work with academic researchers to identify best practice on environmental projects to bring that practice to Thameswey schemes and the Woking area.

- 5.7 New opportunities will also arise for TSCL to co-ordinate energy efficiency initiatives on behalf of THL and the wider group, through a programme of planned improvements to its existing stock, including solar energy, heat pumps and improved insulation. This will be a major growth area for TSCL as it will take responsibility for wider environmental project delivery on behalf of the group. Other related opportunities include promoting energy saving measures among THL tenants. This focus on efficiency with THL tenants will contribute to the affordability of the accommodation by reducing running costs. TSCL will deliver this programme using its existing staff and knowledge acquired through the Action Surrey projects and staff moving across from TMSL. TSCL will also increasingly be involved in project management of developments carried out by THL and TDL to provide a greater level of control and reduce external spend on consultants.
- 5.8 The Council's Climate Change strategy (Woking 2050) identifies the Environmental Projects Team (Action Surrey) as a delivery partner to co-ordinate a number of initiatives, and in addition to these TSCL will actively seek to broaden the scope of projects it can deliver in support of the Council's 2050 Strategy. In addition, the Council's declaration of a 'climate emergency' and ambition to achieve carbon neutrality by 2030, has led to a significantly increased demand for the Environmental Project Team's support. This may include assisting with waste management activity through the Council's other arm's length company, Victoria Square (Woking) Limited, and the delivery of other environmental objectives including biodiversity and green and blue infrastructure.
- 5.9 There are a number of opportunities to provide improved marketing and communications across the Thameswey group and the development of this capacity within TSCL will be a priority over the plan period. This is of particular importance to the Group given the significantly higher media profile the Group will have as part of the ongoing developments of TDL and THL but also the increased communication need with residents presented by self-delivery of management services. This will involve a repositioning of the Thameswey brand and the development of a communication strategy to effectively communicate to Thameswey existing stakeholders including improvements to the website of the group. The first phase of this communication approach was the implementation of new websites in 2018, improved published media, including Thameswey 20th Anniversary headings in 2019. During this plan period a significant focus will be on the development of new THL property including the Sheerwater/Canalside development.

6. Operational Plan

- 6.1 The business is divided into separate business units although employees, especially the management team, have roles which cover multiple units. Each business unit delivers specific services and/or projects both within TSCL and on behalf of other Thameswey Group companies. A summary of each business unit follows:

Operations

- 6.2 This business unit provides administrative and operational support to companies in the Thamesway Group. The Group companies are charged for the services provided.
- 6.3 Operational and management support is provided by this business unit to most Thamesway Group Companies. The main operational responsibilities are:
- Operation and Management of the TEL and TCMK Energy Stations and other TEL assets;
 - Meter data management, customer services and energy billing;
 - Operational management of THL assets and the tenant experience;
- 6.4 Operational and management support for the TEL, TCMK Energy Stations and energy generating assets involves arranging energy supply contracts with Thamesway customers, purchasing of gas and sale of electricity to the grid, compliance and reporting, managing the maintenance and upgrade schedules and setting engine optimisation running strategies.
- 6.5 The customer service and billing function for both TCMK, TEL and THL provides operation and management of all electricity, heat and cooling meters, billing of energy supply, rent and revenue collection, credit control and frontline customer communications for maintenance call outs and residential tenancies.
- 6.6 This business unit has operational and management responsibility for the 1.871 MWp of solar photovoltaic panels owned by TEL and acts on behalf of them in arranging maintenance, monitoring the output from the panels and other ad hoc duties.
- 6.7 TSCL will increase its role over the business plan period in ensuring the facilities management of aspects of the Group Activity are delivered, notably concierge, waste and PPM in THL developments. This aspect will increase significantly over the business plan period with the increased take up of large residential developments, notably in Sheerwater.

Finance

- 6.8 This business unit provides financial administrative support to all companies in the Thamesway Group and prepares the management accounts, business plans and financial information required by the companies and shareholders.
- 6.9 The Finance business unit collates and analyses the financial information for each of the Thamesway Group companies and Joint Ventures. This includes, invoice preparation, payment of purchase invoices, data entry onto the Sage 200 accounting system, cash flow management, Government returns, preparation of management accounts, business plans and both financial and production (i.e. kWh data) information and statistics. The group has a system of delegation of authority to improve efficiency and controls over expenditure. The Finance team also provides other ad hoc services to the group including co-ordinating insurance and staff payroll and assists THL in acquisitions of properties.

Project Management and Business Development

- 6.10 This unit manages Thamesway Group's internal projects and customer facing external projects.
- 6.11 The Project Management business unit assists Thamesway Group Companies in project managing construction activity. This can be new connections to the energy networks and assessing the feasibility of new energy projects to constructing both large and small scale residential schemes where the staff may run the project on their own or act as an 'intelligent client' to a design team. During the Business Plan period the company will build its in-house capacity including on site 'clerk of works' capacity. With a pipeline of major projects coming forward including Sheerwater and the

Harrington Place scheme, TSCL will seek to limit its reliance on externally-provided consultants and retain value within the group.

- 6.12 Business development and tendering for funding is an ongoing activity undertaken by TSCL for the Thameswey Group of Companies and where appropriate WBC. This also includes branding and communications work to raise and manage the profile of the Group and sell its products. It is currently covered in-house with external consultants used for specific tasks and projects.
- 6.13 Delivery of the Action Surrey/Woking programme and energy project advocacy rests within the Environmental Projects team of this business unit. This affords the flexibility to launch campaigns and deal with phone enquiries after marketing promotions. The Environmental Projects team is also responsible for co-ordinating the Group’s environmental management and reporting activities and during the Business Plan period will lead on attainment of ISO 14001 Environmental Management standards.
- 6.14 Thameswey Ltd will provide funding towards sustainability projects benefiting the Borough’s residents, businesses and community organisations by building on work initiated through the Low Carbon Communities programme, as well as contributing to the delivery of the Council’s 2050 Strategy, county-wide and national initiatives. This work will be delivered by the Environmental Projects Team of TSCL.

Risk Management

- 6.15 TSCL carries out a wider risk review for the Group of companies and the main areas of business that have been identified as high to medium risk within the business plan period are as follows.
- 6.16 Business continuity risk from software failure and office loss. This has been reduced through an IT hardware and software replacement programme and a focus on externally hosted (cloud) solutions. Thameswey also now operates out of two locations to provide resilience. Insurance cover is provided for increased costs in working due to business disruption.
- 6.17 TSCL has a high dependency on a relatively small number of staff with knowledge and experience in the diversity of business activities undertaken by TL. Loss of key members of staff and/or loss of revenue-generating business activity to support the retention of staff could have severe adverse impacts on the ability to deliver existing or remaining services. Control measures available that are in place include developing robust knowledge and information storage systems and seeking to retain experienced staff through providing development opportunities. The Group has also started to review its employment terms as part of the development of a comprehensive Staff Handbook. The promotion of more flexible and family friendly terms and market appropriate remuneration is also hoped to increase retention. The group has also started, as critical mass has increased due to activity, to double up on roles to provide resilience.
- 6.18 TSCL and the group as a whole has a regulatory compliance risk as it operates with regulated industries of energy and residential rental. This risk is being mitigated by training internal staff to obtain industry qualifications (such as ARLA and CIS) to ensure they are up to date with current requirements and employing professional advisors.

7. Business Model

Sources of Revenue

- 7.1 TSCL’s main sources of revenue are as follows:

- Inter-company charges for project management, engineer provision for TEL /TCMK customer services, administrative and accounts work;
- TEL/TCMK developer margin for new connections;
- Development profit from TDL via TL

Major Operational Costs

7.2 The most significant cost the company incurs are employment costs. As the services company for the Group the staff numbers fluctuate depending on specific project work and resource needs and are continually reviewed in order to balance the business needs and operating costs. TSCL board approval is sought for changes in the overall staff establishment and budget although day to day staff recruitment and management is delegated to the company within the budget except for Tier One staff whose terms are covered by the Remuneration Committee.

Appendix 1 shows the proposed Organisation structure for the business plan period.

7.3 Other major operating costs relate to rent, insurances and ICT costs.

7.4 The company continues to review its cost base and strive to deliver operating efficiencies within its supplier base.

8. Financial Plan

Financial Structure

8.1 TSCL is financed by share capital and profits. TL (ultimately WBC) has £250,000 invested via share capital in TSCL.

Shareholder Return on Investment

8.2 No specific target has been set for return on shareholder investment in TSCL. Any profit that is accumulated in future business plans will be used to finance the capital investment, followed by business development and finally, if dividends are appropriate, to be paid to TL to support environmental improvements in the borough.

Appendix 2 shows the benefits to WBC and the community of TSCL

Profit and Loss Account

8.3 TSCL continues to aim to generate a small annual profit. The budget has been based on historical costs, expected inflation and contracted revenue and costs. TSCL has a good level of confidence in the budget.

8.4 The budget has been set to assume a fixed recharge to each Thameswey entity per month. Incremental roles that increase headcount have been identified. The table below summarises the roles undertaken and recharged to individual business units.

8.5 During 2019 the engineering staff supporting TCMK and TEL have transferred from TMSL to TSCL, therefore reducing the revenue in TMSL and increasing the revenue in TSCL. By the end of 2020, TMSL will cease to exist and the remaining engineers supporting the Thameswey group will transfer to TSCL. At this point TMSL payroll function will cease.

- 8.6 During 2020 it is expected THL will become an employer of housing staff. The exact date is to be confirmed.
- 8.7 The table below summarises the wage allocation to each Thameswey entity by function / role for 2020.

Role	THL	TCMK	TEL	Environmental Projects	TDL	Sheerwater	TMSL	TSCL	TOTAL
Senior Leadership Team	13%	9%	10%	0%	20%	15%	0%	33%	100%
Customer Services Team	50%	21%	21%	0%	0%	0%	0%	8%	100%
Finance Team	20%	14%	14%	0%	26%	15%	0%	11%	100%
Residential Services Team	93%	0%	0%	0%	0%	7%	0%	0%	100%
Environmental Projects Team	0%	0%	0%	100%	0%	0%	0%	0%	100%
Developments Team	0%	0%	0%	0%	43%	57%	0%	0%	100%
FM Team	50%	0%	17%	0%	0%	0%	33%	0%	100%
Engineering Team	0%	42%	41%	0%	14%	3%	0%	0%	100%
IT Team	5%	5%	5%	0%	5%	5%	0%	75%	100%

- 8.8 During the business plan period staff will relocate to Poole Road offices. Associated costs are currently excluded until firm costs are identified.

Appendix 3 shows the Forecast Profit and Loss

Balance Sheet

- 8.9 Fixed assets increase due to transition of assets from TMSL
- 8.10 Shareholder reserves increase during the business plan period, due to a small profit being generated on an annual basis.

Appendix 4 shows the forecast Balance Sheet

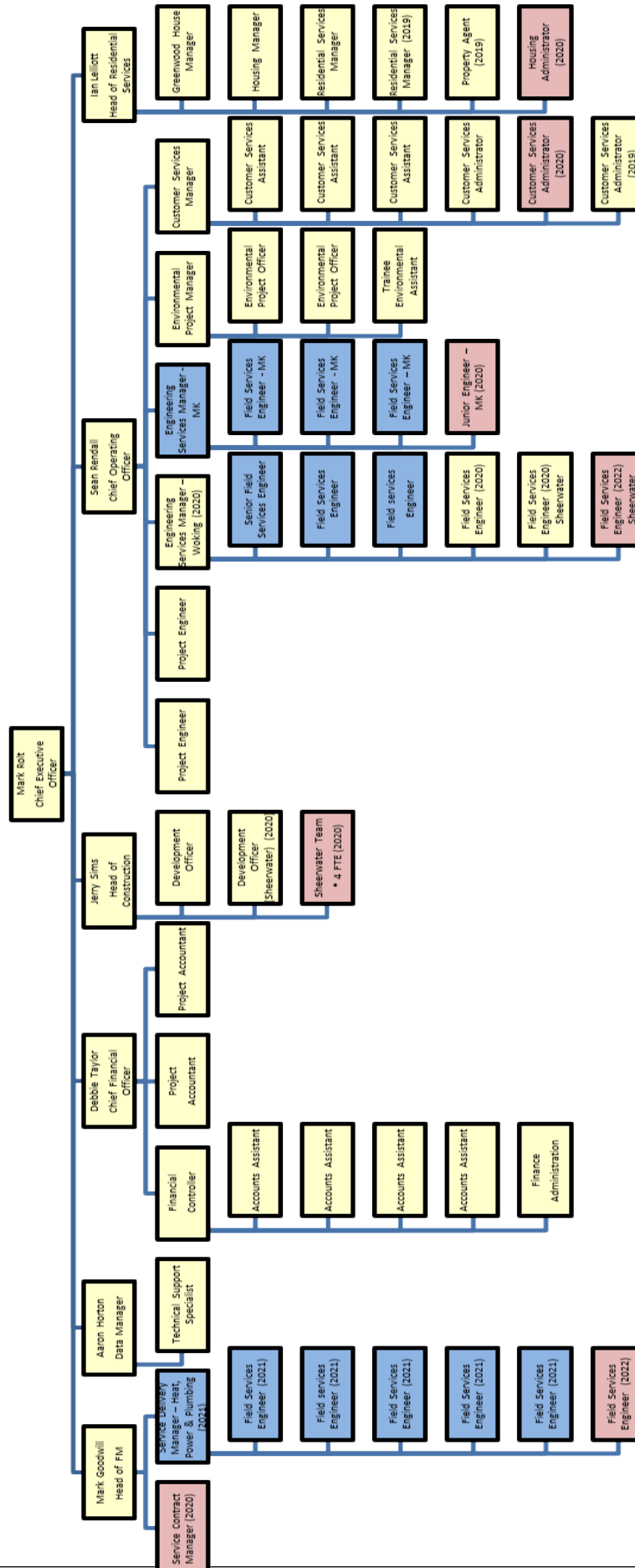
Cash Flow

Appendix 5 shows the forecast Cash Flow

Appendix 1: Organisation Chart

8.11 The coloured items represent the following:

- Yellow– Current Posts
- Pink – Incremental Posts
- Blue – Posts transferred from TMSL



Appendix 2: Benefits to WBC

Financial benefits	2018	2019	2020	2021	2022
Local authority contribution to Action Surrey	27,000	27,000	TBC	TBC	TBC
Low carbon Community initiatives in Woking	150,000	150,000	150,000	150,000	150,000
TSCL rents its office from WBC at commercial open market rents	22,920	22,920	22,920	Transition to Poole Road	
Payment of NNDR to WBC	12,349	12,596	12,848	13,105	13,367
TOTAL	212,269	212,516	185,768	163,105	163,367

Appendix 3: Profit and Loss Account

	2018	2019	2020	2021**	2022**
	Actual	Forecast	Plan	Plan	Plan
	£	£	£	£	£
Turnover	1,508,993	2,117,604	3,551,466	4,000,759	4,180,476
Cost of Sales					
Direct Project Costs	38,037	100,550	100,000	100,000	100,000
Direct Labour Costs	1,214,438	1,492,376	2,611,827	3,025,593	3,178,805
Non-Trading Income					
Gross profit/(loss)	256,518	524,678	839,639	875,166	901,671
<i>GP% of Turnover</i>	21%	25%	24%	22%	22%
Overheads					
Indirect Labour Costs	84,695	292,548	386,860	398,465	410,419
Staff Recruitment Costs		32,700	140,000	91,000	93,730
Administration Charges	3,420	6,000	9,000	9,270	9,548
Vehicles		5,400	26,111	68,895	70,961
Rent, Rates & Utilities	49,043	49,949	48,715	50,177	51,682
Repairs & Maintenance	6,623	3,672	8,000	8,240	8,487
Computer Equip/Software	45,381	27,846	59,794	61,588	63,436
Insurance	12,850	10,340	30,141	31,045	31,977
Post, Printing & Phones	4,240	38,772	48,809	50,273	51,781
Travel & Subsistence	6,280	10,000	14,286	14,714	15,156
Legal & Professional Fees	13,339	8,000	8,240	8,487	8,742
Audit & Tax Advice	8,990	10,900	14,727	15,169	15,624
Subscriptions	4,230	8,240	13,487	13,892	14,309
Non Execs Remuneration	4,282	4,368	6,499	6,694	6,894
Bank Charges	598	600	968	997	1,027
Bad Debt	1,489	0	0	0	0
Total Costs	245,460	509,335	815,637	828,906	853,773
EBITDA*	11,058	15,343	24,002	46,260	47,898
Loss on assets W/off	0	0	0	0	0
Depreciation	13,603	14,651	22,284	42,475	45,606
Operating Profit	(2,545)	692	1,718	3,785	2,292
Finance Income	307	350	350	350	350
Group Relief Tax Charge	0	0	0	0	0
Profit Before Tax	(2,238)	1,042	2,068	4,135	2,642
	-7.2%	0.0%	0.1%	0.1%	0.1%

*EBITDA - Earnings Before Interest, Taxation, Depreciation & Amortisation.

** It is noted that the change in allocation of staffing proposed to THL will cause amendments to future year budgets which are not reflected in this table.

Appendix 4: Balance Sheet

	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
	Actual	Forecast	Plan	Plan	Plan
	£	£	£	£	£
FIXED ASSETS					
Tangible Assets	58,605	61,954	146,853	182,425	176,819
	58,605	61,954	146,853	182,425	176,819
CURRENT ASSETS					
Trade Debtors	197,275	176,467	295,955	333,397	348,373
Prepayments	18,935	18,935	18,935	18,935	18,935
Bank Account	394,039	303,046	148,053	88,023	88,357
	610,249	498,448	462,944	440,354	455,665
CURRENT LIABILITIES					
Trade Creditors	95,482	42,445	67,970	69,075	71,148
Sundry Creditors	10,020	10,020	10,020	10,020	10,020
Accrued Expenses	65,254	65,254	65,254	65,254	65,254
Deferred Income	116,118	0	0	0	0
VAT Payable	77,130	136,791	158,593	166,335	171,325
	364,004	254,510	301,836	310,685	317,747
NET CURRENT ASSETS	246,245	243,938	161,107	129,670	137,918
LONG TERM LIABILITIES	0	0	0	0	0
NET TOTAL ASSETS	304,850	305,892	307,960	312,095	314,737
CAPITAL & RESERVES					
Share Capital	250,000	250,000	250,000	250,000	250,000
P&L Account Brought fwd	57,088	54,850	55,892	57,960	62,095
Profit/(Loss) YTD	(2,238)	1,042	2,068	4,135	2,642
	304,850	305,892	307,960	312,095	314,737

Appendix 5: Cash Flow

	2019	2020	2021	2022
	£	£	£	£
Operating Activities				
Profit/(Loss) Before Financing	692	1,718	3,785	2,292
(Increase)/Decrease in Debtors	20,808	(119,488)	(37,441)	(14,976)
Increase/(Decrease) in Creditors	(112,843)	47,326	8,848	7,062
Add back Depreciation	14,651	22,284	42,475	45,606
NET CASH FLOW FROM OPERATING ACTIVITIES	(76,692)	(48,160)	17,667	39,984
Investing Activities				
(Purchase)/Disposal of fixed assets	(18,000)	(107,183)	(78,048)	(40,000)
NET CASH FLOW FROM INVESTING ACTIVITIES	(14,651)	(107,183)	(78,048)	(40,000)
Financing Activities				
Increase in Share Capital	0	0	0	0
Interest Received	350	350	350	350
Finance Costs	0	0	0	0
Dividends Paid	0	0	0	0
Loans Received	0	0	0	0
Repayment of Loans	0	0	0	0
NET CASH FLOW FROM FINANCING ACTIVITIES	350	350	350	350
NET CASH INFLOW/(OUTFLOW) OF CASH	(90,993)	(154,993)	(60,031)	334
Cash Balance @ Beginning of Period	394,039	303,046	148,053	88,023
Cash Balance @ End of Period	303,046	148,053	88,023	88,357

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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