

## THAMESWEY AND RUTLAND GROUP - UPDATE

### Executive Summary

The Council established the Thameswey Group of Companies (including the joint ventures with Rutland) to assist in the delivery of the Council's strategic priorities. In particular, the Companies support the provision of high quality affordable and key worker homes; transforming Sheerwater; promoting and investing in low carbon energy supply across the Borough and creating high-quality built environments fit for the future.

The number, scale and complexity of the Companies have grown organically over time. As the Council now embarks on a period of change and improvement including reviewing its strategic priorities, it is timely and necessary for a review to be undertaken of the purpose of each Thameswey Company. Thameswey have commissioned external consultancy advice on the corporate and tax structure of its Companies, which will inform the future company structure. This will include looking at streamlining and rationalising the companies to reduce any unnecessary complexity and duplication while remaining fit for purpose to deliver the Council's strategic priorities.

The outcome of this advice, alongside the development of the Council's 5-year Corporate Strategy, will inform the new business plans for Thameswey for 2023 onwards to continue to ensure that objectives align.

### Recommendations

The Committee is requested to:

**RESOLVE That** the report be noted.

The Committee has the authority to determine the recommendation(s) set out above.

**Background Papers:** None.

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### 1.0 Introduction

- 1.1 The Council established the Thameswey Group of Companies (including the joint venture companies with Rutland) to assist in the delivery of the Council's strategic priorities. In establishing the Companies, the Council took a long term view on investment in infrastructure with a view to securing benefit for the residents of the Borough and supporting the Council's economic development and housing strategies.
- 1.2 Thameswey Limited was established in 1998/99 to make long-term energy and environmental project investments in support of what subsequently became the Council's Climate Change Strategy. The Company's remit was extended to include provision of affordable homes in support of the Council's Housing Strategy. In 2008/09, the Company's remit was further extended to take forward redevelopment proposals within the Borough. The Group objectives and business plans have subsequently been re-focused to contribute towards the delivery of the Woking 2050 strategy. Thameswey Limited is wholly owned (100%) by Woking Borough Council.
- 1.3 Thameswey has established a number of subsidiary companies, some in joint venture arrangements such as Rutland (Woking) Ltd and Rutland Woking Residential Ltd, which are managed via an independent board and executive structure from the rest of the Thameswey group. All Companies are formed and registered at Companies House and are trading. Thameswey Housing Ltd (THL) was previously known as Woking Borough Homes Limited (WBHL).
- 1.4 The Companies, with the exception of the joint venture Rutland companies, are each managed by Executive Officers, who report to a Board of Directors made up of Councillors, Council Officers and Independent Directors. Directors appointed by the Council to each Thameswey Group Company in the ratio of One Independent, One Councillor and two Officers, as a minimum. A list of the Companies, a brief summary of what they each do and their Directors can be found at the end of this report.
- 1.5 The Independent Directors appointed by the Council are each paid in accordance with the allowances approved by the Council for Members. Councillors and Employees of Woking Borough Council appointed as Directors or Non Executive Directors of the Companies by the Council are unpaid in respect of their duties as Directors.
- 1.6 During 2020/21 additional Independent Directors were recruited to companies in the Thameswey Group reflecting the high level of activity in the group and increasing scale of the business.
- 1.7 A summary of all the companies is included in Appendix 1.

### 2.0 Business Process

- 2.1 The Thameswey Companies deliver their activity in line with approved business plans which are normally approved for a rolling three year period. The Business Plans are normally reviewed and agreed annually by the respective Thameswey boards. These Business Plans are then presented to the Executive and Council for approval in advance of the company financial year and incorporated into the Council's budget setting processes. The Business Plans for 2020 were agreed by the Executive in November 2019 and Council in December 2019. The Thameswey Group Business Plan 2020 covered the period 2020-2023 and was carried forward to 2021 in light of the Covid-19 pandemic (as were all Council Service Plans).
- 2.2 In parallel to the Business Plans, to improve the transparency of Thameswey Group activities the Council has, in discussion with Thameswey Group representatives, agreed a protocol for conducting business. There are regular Board meetings, which occur as a minimum of 3 times per year.

2.3 The Council is the major (but not sole) funder of the Group Companies either by way of loans made to the companies on which interest is payable, grant funding, or through the purchase of share capital.

2.4 A summary of financial arrangements is included in the monthly Green Book.

### **3.0 Next Steps**

3.1 As outlined in Appendix 1, the Council has established a number of Companies to facilitate delivery of key strategic projects. The number and scale of the Companies have grown organically over time. As the Council now embarks on a period of Strategic Review, change and improvement, including its Fit for the Future Programme and new Corporate Strategy, it is timely and necessary for a review to be undertaken of the purpose of each Company both now and in the future. This is particularly relevant as the Thameswey Business plans are based around the Council's strategic priorities and policies. A change in these will necessitate a change in Thameswey priority and focus.

3.2 Thameswey have commissioned external consultancy advice on the corporate and tax structure of its companies, which will inform future company arrangements. This will include looking at streamlining and rationalising the companies to reduce unnecessary complexity and duplication.

3.3 The Council is commissioning an independent financial review of the assets and liabilities of the Council and its companies. This will include consideration of the extent that the Council's interest in companies aligns to supporting the priorities of the Council, and the opportunities and exposures arising from our long term assets and interests in Companies.

3.4 In light of this review, the Council has advised the Rutland Joint Venture partners not to commence any new projects and to bring existing projects to a natural break point (for example, completing the planning application process at Monument Way).

3.5 It is expected that the Thameswey business plans are likely to undergo a significant refresh in 2023 to reflect the Council's Fit for the Future programme and the development of the new 5-year Corporate Strategy priorities. These new plans will also pick up on the corporate advice on structure of the group. Due to this major refresh of the Business Plans in 2023, it is proposed to continue to operate the existing 2020-2023 plans until this time. A paper to the Executive in November 2021 will confirm how the remaining year of the current business plans continues to accord with the current priorities and objectives of the Council, as well as, including stand alone funding requests outside of the existing approved Business Plans in a single review paper.

3.6 It is envisaged that Thameswey remain an important vehicle to achieve the Council's ambitions, particularly in the areas of housing, regeneration and sustainable energy.

### **4.0 Corporate Strategy**

4.1 The Thameswey and Rutland Group of Companies were set up with the specific remit of supporting the Council's strategic objectives. In particular, the Companies support the provision of high quality affordable and key worker homes; transforming Sheerwater; promoting and investing in low carbon energy supply across the Borough and creating high-quality built environments fit for the future. The objectives of the companies accord with the Council's Corporate Plan adopted in 2021.

## 5.0 Implications

### Finance and Risk

- 5.1 In addition to the direct operational benefits provided by the group companies to the Council's strategies in respect of housing, regeneration and energy, there are financial benefits which are summarised below:
- Thameswey company assets contribute to £86K Business Rates and £26K WBC Office Rents.
  - Thameswey Guest Houses Limited (TGHL) provided a rebate to the Council of £80K in 2019 (£0K in 2020 was used to offset a discount on the sale of 121 Chertsey Road to the Council to assist with homelessness accommodation).
  - Thameswey Housing Limited (THL) pays ground rent for the Middle Walk flats to the Council of £40K
  - The Council charges Thameswey £10,000 per annum for use of its Trademark.
  - Support is also provided to the local economy through providing employment and sourcing goods and services from a wide range of local businesses, etc.
- 5.2 Loans advanced to the group companies earn net interest income for the Council which supports the general fund revenue budget. The forecast benefit for 2021/22 is £6.8M.
- 5.3 Thameswey Developments Limited reinvests half of its development profit into Environmental Projects for the benefit of Woking residents. Projects are aimed at supporting the Council's Woking 2050 Strategy and are developed in consultation with the Woking Climate Change Working Group. In addition as part of the project development for Milton Keynes, Thameswey Limited receives a project fee of up to 4% of capital works expenditure for support of energy and environmental initiatives in the Borough, such as Action Surrey, in furtherance of the Council's Climate Change Strategy at no net cost to the Council Tax taxpayer.

### Equalities and Human Resources

- 5.4 There are no equalities or human resource implications arising from this report.

### Legal

- 5.5 There are no legal implications arising from the report. Legal Services shall ensure that any proposed future changes to the Companies, including streamlining and rationalisation, shall be in accordance with company law and best practice.

## 6.0 Engagement and Consultation

- 6.1 The Business Plan for 2023 onwards will be developed following community engagement and the development of the Council's Corporate Strategy, to ensure the companies' activities continue to align to our strategic priorities.

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