

THAMESWEY BUSINESS PLANS (TO INCLUDE COMPANY CONSOLIDATION PLAN)

Executive Summary

The Thameswey Group of companies have been established to assist in the delivery of the Council's strategic environmental, infrastructure and housing priorities. The parent company, Thameswey Ltd, is wholly owned by the Council. Business Plans are normally presented to the Council for approval in November ahead of the start of the companies financial year. Due to the Covid pandemic, the 2020 plans, which covered the 3 year period to 2023, were carried forward for 2021 following the same approach as the Council's Service Plans.

It is proposed that the Thameswey Group continue to work to the 2020 plans in 2022 ahead of a full review for 2023 following the development of the Council's Corporate Strategy. This will also enable the updated plans to reflect the Financial Review of the Council's Assets and Liabilities, and advice secured on the Group structure going forward.

The current plans align with the Council's Corporate Plan and Thameswey activity continues to focus on the Council's key priorities. This report sets out any specific approvals required from the Council to progress projects within the existing plans.

Recommendations

The Executive is requested to:

RECOMMEND TO COUNCIL That

- (i) the Thameswey Group continue to operate the Business Plans for 2020-2023;**
- (ii) the Poole Road land acquired by the Council in 2017/18, and on which the Energy Station has been constructed, be sold to Thameswey Energy Ltd and an increase to the Poole Road Loan facility of £1.3m on the same terms be agreed to enable this sale;**
- (iii) loans advanced to the Thameswey Group for less than 10 years, be allowed to be repaid and converted to long term loans of up to 50 years where there is an appropriate existing long term facility available, including consolidating to a single loan for simplification; and**
- (iv) loans originally advanced to Thameswey Developments Ltd be allowed to transfer to Thameswey Housing Ltd or Thameswey Energy Ltd on the same terms as the original advance.**

Thamesway Business Plans (to include company consolidation plan)

Reasons for Decision

Reason: To agree the approach to Business Planning for the Thamesway Group for 2022.

The item(s) above will need to be dealt with by way of a recommendation to Council.

Background Papers: None.

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Date Published: 12 November 2021

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1.0 Introduction

1.1 The Thameswey Group of companies have been established to assist in the delivery of the Council's strategic environmental, infrastructure and housing priorities. The parent company, Thameswey Ltd, is wholly owned by the Council.

1.2 Business Plans for the individual companies were approved by Council in December 2019. These covered the following companies:

Thameswey Limited (Group Plan)
Thameswey Energy Limited
Thameswey Central Milton Keynes Limited
Thameswey Housing Limited (including Thameswey Guest Houses Limited)
Thameswey Developments Limited
Thameswey Maintenance Services Limited
Thameswey Sustainable Communities Limited

1.3 Business Plans are not prepared for the Thameswey Joint Ventures with Rutland as any proposals are considered individually by the Council through its Investment Programme.

2.0 Business Planning Process

2.1 Individual Business Plans were approved in December 2019 and covered the period 2020-2023. These were not updated in 2020 due to the Covid pandemic, instead the plans and activity were carried forward into 2021 following the same approach as for the Council's Service Plans.

2.2 It is expected that the Thameswey Business Plans will 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. 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.

2.3 Current Group activity continues to align with the Council's Corporate Plan priorities. Specific Business Plan projects requiring Council approval are set out in Sections 4 and 5.

3.0 Company Consolidation

3.1 The number and scale of the Thameswey 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 has commenced the simplification of the Group structure.

Thameswey Solar Limited	Integrated into Thameswey Energy Limited
Thameswey Maintenance Services Limited	Commenced closure with staff moving into other group companies, predominantly Thameswey Sustainable Communities Limited

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- 3.3 External consultancy advice has been commissioned on the corporate and tax structure of the Group, with the intention to significantly simplify the structure. This will include looking at streamlining and rationalising the companies to reduce unnecessary complexity and duplication. Proposals will be incorporated into the 2023 Business Plan structures.
- 3.4 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.
- 3.5 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).

4.0 Thameswey Energy Limited

Poole Road Energy Centre

- 4.1 The Poole Road Energy Station is now operational and supplying the Victoria Square development. The original business case did not allow for the acquisition of the land occupied by the Poole Road development by Thameswey Energy Limited (TEL). At that stage it was not established whether the land should be leased or sold to the company.
- 4.2 Having taken tax advice it is clear that the most appropriate and beneficial structure is for TEL to acquire the freehold site. For the Council this will mean that a capital receipt is received from the sale to TEL. A loan will be advanced to TEL to provide funds for the purchase and this loan will cover the underlying PWLB repayments associated with the original Council acquisition. Following the sale the financing costs will therefore be covered by TEL. As the Poole Road loan facility did not allow for this cost, the facility will need to be increased by £1.3m to cover the transfer of this asset.

Extension of Woking Town Centre Energy network

- 4.3 In July Thameswey Energy Ltd submitted an application to the Department of Business, Energy, and Industrial Strategy (BEIS) for funding from the Heat Networks Investment Project (HNIP). The application sought to fund heat pipes:
 - Under the proposed replacement Victoria Arch to supply low carbon heat to future town centre residential development sites south of the railway;
 - Connecting the original town centre heat network to the new network served by Poole Road energy centre, increasing capacity for new development in the east of the town centre, enabling decarbonisation of heat supplies to existing connected buildings (including the Civic Offices) and improving resilience of supplies; and
 - Connecting to new town centre development sites.
- 4.4 HNIP funding has been offered comprising a 25 year loan of £9.4m at 0.01%, significantly cheaper than PWLB borrowing, with repayment only once income flows from new customers. The total investment over the next 10 years is estimated at £19.2m, with the balance met from development connection charges and loan finance from the Council.
- 4.5 Negotiations on the terms and conditions of the offer are ongoing. This includes the arrangements for the use of the funding for connections, which would be committed once

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developments come forward, and the repayment of the loan to match developments being connected.

- 4.6 Once satisfactory terms have been agreed, and the details are finalised, Thameswey will request additional loan facility from the Council, forecast to be circa £5.3m, as support for this infrastructure investment. Each element of the network extension would be the subject of a business case to ensure viability. An update will be provided in the final 2022/23 Investment Programme report considered by the Executive and Council in February.

5.0 Thameswey Housing Limited

Sheerwater Regeneration

- 5.1 During 2021 the initial Purple residential phase of the Sheerwater regeneration has been completed and the Eastwood Leisure Centre has opened. The next phases of the regeneration are being developed.
- 5.2 There are currently £57.8m of short term loans associated with the project. Long term (50 year) interest rates are currently significantly less than the rates assumed in the Sheerwater project financial model. The Council has converted previously held short term borrowing to long term loans to mitigate the risk of interest rate rises. Where a long term Council loan facility is available to Thameswey, it is proposed that loans advanced for periods of less than 10 years, be allowed to be repaid early and converted to long term loans of up to 50 years. This may include consolidating to a single loan for simplification and will be converted at a long term rate to be agreed by the Director of Finance reflecting the Council's long term borrowing.

Advances for Housing Development

- 5.3 The updated draft Investment Programme reflects the forecast funding required by Thameswey Housing Limited for the period to 2024/25. With the exception of the Sheerwater Regeneration the rate of drawdown from the approved Thameswey Housing loan facility has reduced substantially. As well as indicating a reduction in the expected investment in local housing, this also reduces the support through loan margin expected in the Council's Medium Term Financial Strategy (MTFS).
- 5.4 Officers will work with Thameswey to seek opportunities for investment to increase the use of approved facilities.

6.0 Corporate Strategy

- 6.1 The Thameswey Business Plans align with the Council's Corporate Plan and group activity is driven by the Council's key priorities. The Council is engaging on community priorities which will inform the update of its Corporate Strategy in February 2022. It is important that the Thameswey Business Plans continue to reflect these updated priorities and a full review of the Groups plans will be completed during 2022.

7.0 Implications

Finance and Risk

- 7.1 The Thameswey Business Plans set out the financial requirements of the Group and the risks and sensitivities within the plans.
- 7.2 The Council has commissioned a financial review of its assets and liabilities which is being completed by EY and will conclude by the end of 2021. This will also consider the assets and liabilities of the Thameswey Group and provide insight on future risks and opportunities.

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- 7.3 The financial year end for all companies in the Thameswey Group is 31st December. Audited accounts for the years ended 31 December 2019 and 31 December 2020 have now been filed at Companies House.

Equalities and Human Resources

- 7.4 Consideration is given to the equalities implications of any new investment, or service provision, through the Group.
- 7.5 The Group has a current approved headcount of 61 full time equivalent (FTE) posts. The Board has agreed an increase to 67 FTE for 2022 reflecting the level of development activity in Sheerwater and increasing numbers of new properties.

Legal

- 7.6 Any proposed future changes to the Companies, including streamlining and rationalisation, shall be in accordance with company law and best practice.
- 7.7 During the construction of Housing and Energy assets, the Council has advanced loans to Thameswey Developments Limited. These loans utilise the borrowing facilities for the ultimate owner of the asset, Thameswey Housing Ltd or Thameswey Energy Ltd, as approved by the Council. On completion of construction, and transfer of the asset, it is necessary to also transfer the long term debt to Thameswey Housing Ltd or Thameswey Energy Ltd. It is proposed that the loans are may be transferred between group companies reflecting the repayment of the debt by the company holding the completed asset.

8.0 Engagement and Consultation

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

REPORT ENDS