

THAMESWEY BUSINESS PLANS 2019

Executive Summary

This Executive Summary report summarises the Thameswey Group Business Plan with the individual Business Plans for the companies listed below. The Business Plans have been approved by the relevant Boards of the Thameswey companies. 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 2017 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 2018.

Attached are the Business Plans for the Thameswey Group of Companies listed below.

Thameswey Limited (Group Plan)
Thameswey Energy Limited
Thameswey Central Milton Keynes Limited
Thameswey Solar Limited
Thameswey Housing Limited (includes Thameswey Guest Houses Ltd)
Thameswey Developments Limited
Thameswey Maintenance Services Limited
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 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 2017 the Thameswey Group saved 5,438 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 480 homes for rent to meet local need;
- Providing an additional 12 new homes a year at rents closer to Council rents;
- A development programme, excluding Sheerwater Regeneration, which should provide in excess of an additional 900 homes for rent to meet local need;
- A development programme to enable the Council to deliver Sheerwater Regeneration; and
- Operation of Mayford Lodge providing 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.

Officers are reviewing the impact of revised government guidance which recommends the repayment of new borrowing applied to share capital over a shorter period than the current policy. It is likely that, where funding has previously been a combination of shares and loan finance, going forward this will be just loan. It is assumed that any change will be cost neutral to Thameswey as the interest rate will be amended to exclude the requirement to cover the cost of the associated shares. The proposed approach will be included in the Council budget reports in February.

The forecast benefit to Council Tax taxpayers in the Borough during 2018 is £3.6m, which is equivalent to circa £89 at Band D. The forecast benefit for 2019 is £4.5m, which is equivalent to circa £110 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 2017/18.

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; 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 2018 to 2021:-

- The Business Plans for the Thameswey Group of Companies be approved;
- Appoint Councillor Harlow as a Councillor Director of THL, TGHL and TL;
- THL – Funding for the period of April 2022 to December 2023 of £130M to fund additional affordable homes, and £5M to service the debt. That future funding of £5M per annum is built into Council financial strategies for long term debt servicing within THL;
- TCMK – Additional funding for 2020 and 2022 funding of £7.5M (previous business plan included finance up to 2019).
- TSL to merge into TEL to reduce operating costs and maximise efficiency.

The requests from the Thameswey Group are supported by Council Officers and are incorporated in the recommendations set out below. Appendix 1 sets out the proposed investment in Thameswey, including the additional funds for THL and TCMK. If the requests are approved the Council Investment Programme will be updated to reflect the investment as in Appendix 1.

Recommendations

The Council is requested to:

RESOLVE That

- i) the Business Plans for the Thameswey Group of Companies be approved;
- ii) Councillor Debbie Harlow as Portfolio Holder for Housing, be appointed as a Councillor Director of Thameswey Housing Limited, Thameswey Guest Houses Limited and Thameswey Limited;
- iii) an increased Loan Facility of £130M be allocated to Thameswey Housing Limited for the period of April 2022 to December 2023 to finance additional affordable homes, and £5M to service the debt with future years Loan facilities of £5M per annum for long term debt servicing pending reaching its full

operational revenue; and

- iv) extension of the Loan Facility for Thamesway Central Milton Keynes Limited for 2020 and 2022 in the aggregate sum of £7.5M; and
- v) TSL to merge into TEL to reduce operating costs and maximise efficiency.

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

Background Papers: None.

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