

## **Thameswey Limited**

### **Business Plan 2018 Covering the Period 2018-2021**

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## **1.0 Introduction**

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- 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 2016 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.

## **2.0 Group Purpose and Structure**

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- 2.1 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.
- 2.2 With the launch of the Councils 'Woking 2050 Strategy' the Group aims to adopt the main strategic goals of this document 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;
  - Commercial elements of Thameswey group supporting the council to deliver council functions.

In effect to work towards enabling the development of 'sustainable communities'.

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

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

Company Name	Abbreviation	Ownership Structure
Thameswey Energy Ltd	TEL	Wholly owned by Thameswey Ltd
Thameswey Central Milton Keynes Ltd	TCMK	Wholly owned by Thameswey Energy Ltd
Thameswey Housing Ltd	THL	Wholly owned by Thameswey Ltd
Thameswey Guest Houses Ltd	TGHL	Wholly owned by Thameswey Housing Ltd
Thameswey Sustainable Communities Ltd	TSCL	Wholly owned by Thameswey Ltd
Thameswey Maintenance Services Ltd	TMSL	Wholly owned by Thameswey Ltd
Thameswey Solar Ltd	TSL	Wholly owned by Thameswey Ltd
Thameswey Developments Ltd	TDL	Wholly owned by Thameswey Ltd
Rutland (Woking) Ltd	RWL	Joint Venture owned 50% by Thameswey Developments Ltd and 50% by Rutland Properties Ltd
Rutland Woking (Residential) Ltd	RWR	50% owned by Thameswey Housing Ltd, 50% owned by Rutland (Woking) Ltd making it a 75% subsidiary of the Thameswey Group.
Rutland Woking (Carthouse Lane) Ltd	RWCL	Joint Venture owned 50% by Thameswey Developments Ltd and 50% by Rutland Properties Ltd

2.5 During 2017 Brunswick Road (Pirbright) Residents Company Ltd has ceased trading as it was no longer required. In addition the cemetery companies transferred to WBC ownership.

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

2.7 All of the wholly owned companies listed above are supported by Thameswey staff either employed in TSCL or TMSL. Staff structures are listed in the appendices.

### 3.0 Group Directors

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- |                          |                                 |
|--------------------------|---------------------------------|
| ▪ Barry Maunders         | Independent Director (Chairman) |
| ▪ William Prescott       | Independent Director            |
| ▪ Terry Price            | Independent Director            |
| ▪ Cllr. David Bittleston | Councillor Director             |
| ▪ Cllr. Beryl Hunwicks   | Councillor Director             |
| ▪ Cllr. John Kingsbury   | Councillor Director             |
| ▪ Cllr Colin Kemp        | Councillor Director (THL only)  |
| ▪ Sue Barham             | Officer Director                |
| ▪ Ray Morgan             | Officer Director                |
| ▪ Peter Bryant           | Officer Director                |
| ▪ Douglas Spinks         | Officer Director                |

3.1 The Thamesway Limited Board is recommending to WBC as part of this Business Plan that WBC appoint Cllr Colin Kemp (in his role as Housing Portfolio Holder) to Thamesway Guest Houses Limited and Thamesway Limited and Barry Maunders (in his role as Independent Chairman) to Thamesway Guest Houses Limited to ensure consistency between all the Residential Boards.

### 4.0 Achievements since Last Business Plan

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- 4.1 The Group has streamlined some of its administration processes by bringing board structures together into thematic area (residential and environmental) to avoid multiple meetings.
- 4.2 A new monthly report for all Board Members has been created to ensure they are kept up to date on activity, key performance metrics and financial performance.
- 4.3 The Group has commenced the transition from quarterly management accounts to monthly financial accounts; this is expected to be completed by the end of 2017.
- 4.4 The Group has also started to scale up capacity, through its subsidiaries, to deliver the major programme of Sheerwater.

### 5.0 Group Operational Priorities

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

#### People Strategy

5.2 The growth of Thamesway's housing portfolio has presented opportunities to expand the services offered by TSCL to support THL through self delivery of tenant 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.

- 5.3 Action Surrey will continue to work 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, using funding raised through development profit from TDL and project funding from investment in the energy companies (TEL/TCMK). The use of this funding will be informed by the Climate Change Working Group of the Council.
- 5.4 During 2016, the Council approved its medium term financial strategy to provide additional finance for new affordable homes and significantly increased the amount of available finance available to THL to £50M per annum for a period of four years. In addition THL, along with TDL has been appointed by Woking Borough Council to deliver the Sheerwater Regeneration scheme. The increased volume of work and complexity around managing suppliers and contractors has generated a requirement for additional staff and contractors.
- 5.5 As the Group grows and develops it will pursue opportunities to streamline business processes and limit the need for additional staff resources. However, with the introduction of additional business systems, it has become necessary to recruit a data manager who will ensure the core business systems are procured correctly and managed effectively.
- 5.6 The table below summarises additional proposed recruitment over the next three years. The roles are included within the financial statements of each business plan.

2017	Development Manager
2018	Data Manager Housing System Implementation Manager Accounts Assistant Trainee Environmental Projects Assistant* Residential Services Manager Engineering Services Manager – Poole Road Field Services Mechanical - Woking
2019	Accounts Assistant Customer Services Assistant Residential Services Manager Field Services Engineer - Woking

\*Existing post re-graded to trainee

**Appendix 1 shows the staff structures within TSCL and TMSL**

### Dividend Policy

- 5.7 Following the agreement in 2016 business plan for 50% of TDL profits to be declared as a dividend and passed to Thameswey Limited for investment in environmental projects which support the Council's delivery of the Woking 2050 strategy a dividend of £250,000 was made in 2017. A further dividend in 2018 is proposed of £150,000.
- 5.8 TGHL paid an initial dividend during 2017 to WBC of £155,000. It is proposed a further dividend is paid in 2018 of £95,000.

### Marketing Strategy

- 5.9 The Group will develop a strategy to improve the presentation of the Thameswey brand across all the Group's activities. This will include refreshing the Thameswey web presence to improve public and stakeholder interaction, and more clearly articulate the company's objectives. This work will be delivered through a combination of internal resources from TSCL and a specialist external advisor. Thameswey will also lend its support to the Council's '#WeAreWoking' promotional campaign.

## **6.0 Funding and Loan Strategy**

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- 6.1 WBC provides funding to some Thameswey Group companies. In order to recognise the lending risk a risk premium is applied to loans which result in a benefit to WBC. The loans are provided to Thameswey at a margin on the interest rate WBC pays to the Public Works Loan Board (PWLB)
- 6.2 Subject to approval of the attached business plans, the benefit to the Council Tax payers in the Borough during 2018 will be £2,702,108 which is equivalent to circa £65 at Band D.
- 6.3 Appendix 2 shows a breakdown of the WBC income from loan margins.
- 6.4 Appendix 3 shows the share capital structure of Thameswey.

## **7.0 Inter Group Lending**

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- 7.1 Loans can be provided as per below:
- Thameswey Housing Ltd to Thameswey Guest Houses Ltd;
  - Thameswey Energy to Thameswey Milton Keynes & Thameswey Solar Ltd;
  - Thameswey Developments to Thameswey Ltd;
  - Thameswey Ltd can loan to any 100% owned Group Company.
- 7.2 Loans are provided to Thameswey Developments who will continue to develop properties on behalf of Thameswey Housing Limited. Following WBC agreement to fund Poole Road energy station, loans will be advanced to Thameswey Developments on behalf of Thameswey Energy Ltd.

## **8.0 Group Strategic Opportunities and Business Development**

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### Investment

- 8.1 The scale of the operation of the residential side of Thamesway will increase significantly within the period of this business plan. At the same time the scale of Thamesway's energy networks in both Woking and Milton Keynes are expected to increase substantially in response to growth in connected load. The implications of both of these factors mean that the value of the group is expected to increase over the plan period and the attractiveness of the group to external investors will equally increase. During this plan period the group will look to engage with external investors to see if there is an appetite for investment other than direct from Woking Borough Council. This could include partner Local Authority investment via new subsidiaries of Thamesway as opposed to increasing representation at Thamesway Limited level, as well as commercial lenders.

### Step Down Accommodation and Care

- 8.2 Currently there is a national issue with frail and elderly people not being able to be discharged from acute care to their homes as the appropriate discharge package (either formalised care or adaptations) are not in place. This 'bed blocking' significantly increases cost to the NHS and also reduces Accident and Emergency capacity. The Acute Trusts are looking to determine options to address this problem and the Thamesway Group proposes to work with them as part of this business plan to see if we can assist in this issue. Many individuals do not need permanent residential care but do need to be in a 'transitional' residential setting to get them out of the acute sector for a short period while permanent solution is found. This is sometimes referred to as 'step down' accommodation. In this business plan Thamesway plans to work with the Acute Sector to design accommodation to be delivered through TDL and THL which can provide this step down facility. A business case for any subsequent development will be brought back to the relevant board (TDL) before any build project is commenced. It is likely that this will be delivered in partnership with a registered care provider. An initial project is proposed through TDL in Chertsey Road.

### Letting and Management Service

- 8.3 The current residential stock held by THL is increasing and has passed a threshold (c.450 units) where the running management costs to the group will be of sufficient scale that it would 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 Thamesway Housing compared to the general population due to the vulnerable nature of a proportion of THL tenants. Therefore THL will look to develop its own letting service during this business plan period.

### Waste Reduction

- 8.4 The increased high density accommodation that is being developed within Woking town centre has led to increased pressures on domestic waste collection. The current requirement for waste receptacle capacity is also significantly adding to development



costs and waste collection will become increasingly challenging. Working with the Council, Thameswey will look to assess if there are any alternative strategies for waste reduction, alternative collection regimes or onsite treatment for high density town centre dwellings during this business plan period. The first opportunity for this is looking at Ompeco waste processing machines in partnership with Victoria Square Limited. If this is successful the group will look to see if they can be used elsewhere in its stock.

#### Pod Style Accommodation

- 8.5 With the increased value of land and pressure for new homes in the South East, especially in the Woking area, but with an ever increasing demand for affordable residential property the Group will look at the possibility of 'pod style' accommodation with the planning authority. This is normally based around pre-fabricated units of minimal size to reduce cost to a minimum which can share communal facilities. A number of other areas already accept this type of accommodation, particularly for students and temporary accommodation and it is felt that it would provide a useful addition to the Woking local housing market.

#### Sustainability Plan

- 8.6 The company will develop an overall Sustainability Plan for the Group to set out how the Group will reduce its carbon impact through its own operation and how its activity, including procurement, will also reduce carbon consumption and promote sustainability in Woking. Linking to the Woking 2050 Strategy and the new work within Action Surrey this will be led by TSCL on behalf of the Group and will investigate expanding Group activity in the renewable sector before being reported back to Thameswey Limited within 2018.

### **9.0 Priorities**

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- 9.1 Detailed priorities and activities are set out in the individual company business plans; however the headline priorities of Thameswey Limited's subsidiary companies for the business plan period are listed below grouped into principal business activities.

#### Energy Division

- 9.2 TEL will increase the connected load in Woking town centre and optimise the performance of its existing primary plant in Victoria Way and Woking Park. The company will work with TDL and TMSL on the development of a new Woking Energy Centre to service Victoria Square and the additional developments planned in the town.
- 9.3 In Milton Keynes, TCMKL will continue to seek to increase the connected load to the existing energy centre, responding to the opportunities arising from increased development in Central Milton Keynes. In addition the company will strengthen its relationship with Milton Keynes Council, the Milton Keynes Development Partnership and the Homes and Communities Agency to address the scope for an increased district energy network arising from the Government funded HNDU study.
- 9.4 TMSL will expand its operational activity to include solar services and statutory inspections for other Group companies while reducing the operational cost of maintaining the Group's major plant and equipment. The structure of TMSL will also be reviewed to ensure that it is the most cost effective way of delivering services including the recruitment of new engineering staff to help deliver the new energy centre in Woking town centre.

- 9.5 TSL will seek opportunities to expand its renewable energy generating capacity and will progress a comprehensive preventative maintenance regime to maximise the output from its existing solar installations.

#### Housing and Property Division

- 9.6 THL will deliver a significantly increased residential holding in line with the Council's medium term financial strategy and the necessary infrastructure to manage and operate this scale of property holding. The aim is to reduce the company reliance on external providers. The company will also work to improve the current energy performance of its existing stock to reduce energy costs for its residents and to reduce the carbon impact of the stock. TGHL will continue to maximise occupancy following the contractual review.
- 9.7 TDL will respond to project requests from other group companies and the Council. In the business plan period this will include several significant residential blocks for THL and the development of a second Woking Energy centre for TEL in addition to the delivery of Sheerwater for the Council.

#### Environment, Sustainability and Economic Development

- 9.8 TSCL the company will work to ensure the staffing levels are sufficient to deliver the other group company objectives. Notably this will include an increase in residential service and project management resources. TSCL will also develop capacity to self deliver marketing and promotion activities but in the interim will work with external advisors to improve the overall brand and stakeholder understanding of the group activities. TSCL will also work to develop a comprehensive environment sustainability programme building on the activity of Action Surrey. This will include co-ordinating research on the deployment of additional renewable energy by the Group and the wider community. The company will also develop further sustainability reporting for the Group's activities.

### **10.0 Financial Proposals in the Business Plan**

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- 10.1 THL business plan proposes to utilise the additional funding & share capital structure agreed in the council's medium term financial strategy to support the purchase of street properties and developments within TDL. Additional funding of £85M is proposed to continue developments into 2021, covering the period from April 2020 to December 2021.
- 10.2 THL funding can be drawn down by TDL to support THL development projects. Work in progress is held within TDL, the balance at the end of 2018 is expected to be £150M. Upon completion developments transfer into THL as fixed assets.
- 10.3 THL has the facility to purchase Sheerwater properties within the red line regeneration scheme. Until 2019 the properties will be held in THL, post 2019 the properties will be transitioned to a new entity which will hold all Sheerwater rental properties long term.
- 10.4 TCMK will require additional funding to support the expected new connections to the plant & fund working capital totalling. Loans will be drawn over varying terms to match cash flow expectations on an annuity / repayment basis. Additional finance for 2020 and 2021 is forecast at £5,020,000.

10.5 TEL will develop a third energy station at Poole Road, a loan facility of £25M has been agreed, TEL proposes funding can be drawn on behalf of TDL to support the development.

10.6 The summary below, identifies capital investment during the business plan period:

- TEL £28.6M, including £25M Poole Road and £3.6M energy connections;
- TCMK £3.2M in energy connections;
- THL £156M of completed developments;
- TMSL £34K, including £10K Health & Safety software, and 3 vehicles totalling £24K;
- TSCL £34K, including website development and computer equipment upgrades / replacement for current and new team members.

10.7 The Thameswey Group also contributes financially towards the borough in other ways including:

- Net interest premium benefit per annum for 2018 is £2,702,108, equating to circa £65 equivalent of Band D Council Tax;
- WBC charges TL £10,000 per annum for use of the Thameswey trademark;
- THL pays ground rent for market Walk flats to WBC;
- TGHL dividend payable to WBC, proposed for 2018 at £95K.

## **11.0 Non-Financial Benefits to WBC**

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11.1 Thameswey also contributes to WBC through non financial benefits including:

- Carbon dioxide emission savings of some 4,406 tonnes in 2016;
- Assisting WBC in delivery of its Climate Change Strategy;
- Delivering Borough Redevelopment Projects.

## **12.0 Group requests for Council Approval**

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12.1 The following are a summary of requests from Thameswey group for the period 2018 to 2021:

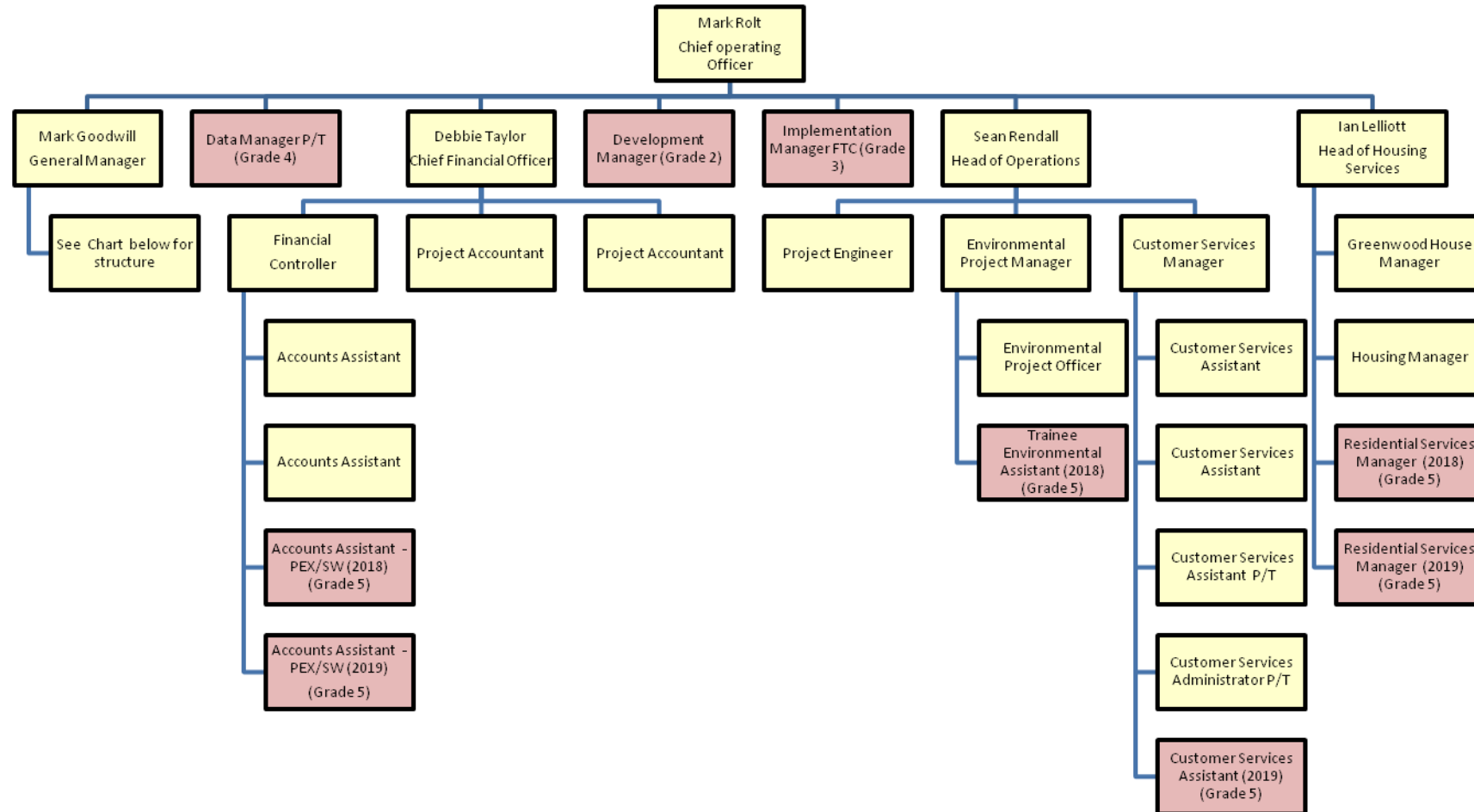
- Approval of all Company Business Plans;
- Appoint Barry Maunders as an independent director for TGHL;
- Appoint Councillor Kemp as a Councillor Director of TGHL and TL;
- WBC to provide TEL with leases for occupation of:
  - Format house,
  - 9 & 9a Poole Road
  - Construction lease for Poole Road car park
  - Board School Road car park;
- THL – Funding for the period of April 2020 to December 2021 of £75M to fund additional affordable homes, and £10M to service the debt. That future funding of

£5m per annum is built into Council financial strategies for long term debt servicing within THL;

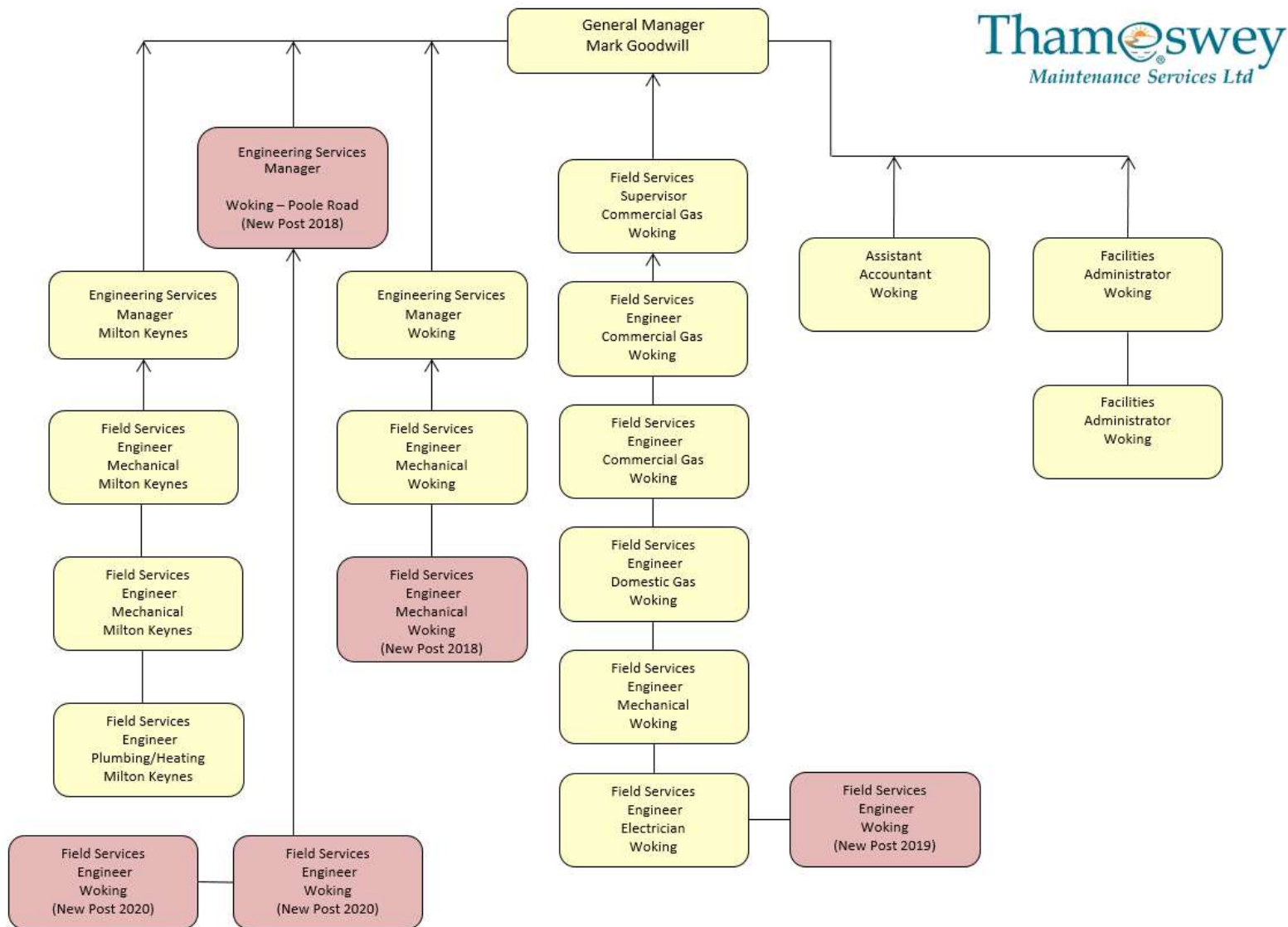
- TDL to be granted approval to draw down loans on behalf of TEL to fund Poole Road energy station;
- TCMK – Additional funding for 2020 and 2021 funding of £5,020,000 (previous business plan included finance up to 2019).

Appendix 1: Organisational Charts

TSQL Organisation Structure



Vacancy / Redefined Post
In Post



**Appendix 2: WBC Income from Loan Margin**

2017	Company	Balance of WBC loans o/s on 01.01.17 £	New Loans in 2017 £	Less Repayments in Period £	Net Estimated Balance of loans 31.12.17 £	Total interest due in 2017 £	Interest Paid by WBC on o/s group loans £	Net Benefit to WBC £	Equivalent to Band D 2016/17
	TCMK	25,676,046	3,600,000	-1,734,346	<b>28,163,541</b>	1,873,955	1,028,336	<b>845,619</b>	<b>21.21</b>
	TEL	14,195,783	0	-477,460	<b>13,718,323</b>	774,289	533,159	<b>241,130</b>	<b>6.05</b>
	THL	116,755,234	53,791,352	-24,648	<b>170,521,938</b>	7,418,975	5,486,994	<b>1,931,981</b>	<b>48.47</b>
	TSL	1,667,075	0	-134,735	<b>1,532,340</b>	97,804	34,874	<b>62,930</b>	<b>1.58</b>
	<i>Less WBC Interest on TL Share Capital @ 31.12.17</i>				<b>30,995,451</b>		1,049,286	<i>-1,049,286</i>	<b>-26.66</b>
	<b>2017 Group Total benefit to WBC excl Develop</b>				<b>182,940,691</b>	<b>10,165,023</b>	<b>8,132,650</b>	<b>2,032,373</b>	<b>50.65</b>

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 £	Total interest due in 2018 £	Interest Paid by WBC on o/s group loans £	Net Benefit to WBC £	Equivalent to Band D 2017/18
	TCMK	28,163,541	3,650,000	-1,226,203	<b>31,485,652</b>	1,898,596	1,139,300	<b>759,296</b>	<b>18.28</b>
	TEL	13,718,323	0	-504,302	<b>13,214,021</b>	747,655	514,408	<b>233,247</b>	<b>5.62</b>
	THL	170,521,938	112,307,126	-27,121	<b>282,801,943</b>	9,349,548	6,513,938	<b>2,835,610</b>	<b>68.27</b>
	TSL	1,532,340	0	-142,942	<b>1,389,398</b>	89,828	31,847	<b>57,981</b>	<b>1.40</b>
	<i>Less WBC Interest on TL Share Capital @ 31.12.18</i>				<b>30,995,451</b>		1,184,026	<i>-1,184,026</i>	<b>-28.51</b>
	<b>2018 Group Total benefit to WBC excl Develop</b>				<b>297,895,563</b>	<b>12,085,627</b>	<b>9,383,519</b>	<b>2,702,108</b>	<b>65.05</b>

**Appendix 3: Thamesway Limited Share Capital**

Company	31.12.16	31.12.17	31.12.18
	£	£	£
THL	17,915,000	23,915,000	23,915,000
TEL	5,050,450	5,050,450	5,050,450
TDL	10,001	10,001	10,001
TMSL	660,000	660,000	660,000
TSCL	250,000	250,000	250,000
TSL	1,110,000	1,110,000	1,110,000
<b>Sub Total</b>	<b>24,995,451</b>	<b>30,995,451</b>	<b>30,995,451</b>
<b>Share Capital from THL</b>			
TGHL	360,000	360,000	360,000
<b>Sub Total</b>	<b>25,355,451</b>	<b>31,355,451</b>	<b>31,355,451</b>
<b>Share Capital from TEL</b>			
TCMK	1,110,000	1,110,000	1,110,000
<b>Total</b>	<b>26,465,451</b>	<b>32,465,451</b>	<b>32,465,451</b>

THL share capital may increase in 2018 dependant on project requirements

**End of Business Plan**