

# **THAMESWEY DEVELOPMENTS LTD**

## **Business Plan 2018**

### **Covering the Period to 31.12.2018**

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## **1.0 Introduction**

- 1.1 The attached Business Plan sets out the proposed arrangements for delivering the company's activities for the next year and seeks to define its strategic direction for the period up to the end of 2018. Given the responsive nature of TDL the plan only covers a one year period. However, it is recognised that should the Council agree to accept the proposals put forward by TDL in February 2018 for the delivery of the first phase of Sheerwater a mid year update will need to be put forward extending the business plan.
- 1.2 The structure of the Business Plan is consistent with last year and includes:
- A summary of the purpose and structure of the company
  - A summary of principal business activities and highlights over the last 12 months
  - Planned activity over the next 12 months
  - There is no strategic plan other than that of taking instructions from WBC, Thameswey Group and Joint Venture companies.
- 1.3 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 short term objectives set out in the proposed strategic plans.

## **2.0 Purpose of the Company**

- 2.1 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.
- 2.2 The current board of directors are set out below:
- |                         |                        |
|-------------------------|------------------------|
| ▪ Terry Price           | Independent (Chairman) |
| ▪ Sue Barham            | Officer Director       |
| ▪ Cllr David Bittleston | Councillor Director    |
| ▪ Cllr John Kingsbury   | Councillor Director    |
| ▪ Peter Bryant          | Officer Director       |
- 2.3 The above board composition meets the requirements of the Thameswey Group Protocols as approved by the Council on 8<sup>th</sup> December 2011. In order to be quorate a board meeting must have at least one independent, one Councillor and one officer Director in attendance.
- 2.4 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. 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.

### **3.0 Operational Activity over the last 12 months**

#### **3.1 St. John's Memorial Hall**

The development of the St John's Memorial was completed this year following a significant delay due to contractor under performance.

#### **3.2 Horsell Civic Space**

TDL has continued to snag the first phase of the Civic Space project which is tied into the underperformance of the same contractor as was involved with St Johns Memorial Hall. While the snags and defects are minor they have taken an inordinate amount of time to resolve. TDL has also delivered phase two of the scheme which involved significant landscaping and the provision of a new tennis court. The second phase public realm was completed in full this year but the first phase defects are still being rectified by the original contractor.

#### **3.3 Old Library Site, Knaphill**

The Old Knaphill Library site was completed during the previous business plan period and 9 flats, all set at an affordable rent and subject to a Council nomination agreement, have been delivered. TDL also purchased a neighbouring site and a planning application for four houses has been submitted. The application also allows for pedestrian access to the rear of the first phase scheme to improve servicing/deliveries.

#### **3.4 St Dunstan's**

TDL has commenced the redevelopment of the existing St Dunstan's site which has been held within THL for the last few years. A new design for the original consented scheme was approved with construction currently underway. The Council's Planning Committee at its meeting on 14 November resolved to grant consent for a further extension of the scheme along Heathside Crescent.

#### **3.5 121 Chertsey Road**

TDL has acquired this site and has submitted a planning application to provide a supported accommodation block for elderly and vulnerable residents and other patients seeking to leave hospital but in need of intermediate support before returning home. (Use Class C2). The application is currently being considered by the Local Planning Authority.

#### **3.6 Elizabeth House/Cornerstone**

TDL has purchased this site and has entered into a development agreement with Magna Asset Management One who are a developer specialising in office conversions. Magna have obtained a permitted development (prior approval) for 158 units and work is currently ongoing to secure a contractor and obtain planning consent for improvements to the elevations.

#### **3.7 Griffin and Concord House**

In September 2017, TDL purchased Griffin and Concord House. The properties are currently let to third parties. The property will be held as an investment property until at least 2018, when current leases are due for renewal.

## 4.0 Business Opportunities 2018

### 4.1 Knaphill phase two

As soon as the planning consent is received for the second phase of Knaphill Library TDL will tender for a contractor to deliver the four residential units.

### 4.2 Hawthorne Road

TDL has been contracted by the Council Housing Revenue Account to progress this development of 5 units for new Council Housing. During the course of this business plan work will start on site and TDL will commence the planning process for Bonsey Close to provide more affordable units for the HRA.

### 4.3 Brookwood Lye

TDL is looking to develop part of the former traveller site at Five Acres to provide affordable housing to TDL. A planning application to deliver this will be submitted before the end of 2017 and subject to consent will be built out during 2018. TDL has entered into a partnership with Wienerberger to pilot their new e4 house concept at this site. These are brick built highly energy efficient properties aimed at affordable rent. As part of this partnership Wienerberger is taking the design lead.

### 4.4 Poole Road Energy Centre

The town centre energy station in Woking is nearing capacity and will not be able to supply the new Victoria Square development and the wider developments along Goldsworth Road. Therefore there is an opportunity to increase the energy network in this area of the town. TEL has identified Poole Road as a potential new energy centre providing low carbon energy to facilitate future development in the town. A full business case was approved by TEL during 2017 and a planning consent was achieved for 9 and 9A Poole Road. Since consent was achieved the neighbouring site has become available and Woking Borough Council has commenced acquisition. This changes the opportunity of the energy centre site and should the Council purchase of the site go through the Poole Road project will be reviewed and a new planning application submitted. This will cause a necessary delay in getting 'power on' from the site to Victoria Square. TDL and TEL have therefore been working with the developer of Victoria Square to provide temporary supply solutions while the new site is under construction.

### 4.5 Sheerwater

During 2017 Thameswey were been appointed by the Council as its development partner and was subsequently commissioned to bring forward proposals regarding the development of Sheerwater taking over the original Hybrid Master Plan consent obtained by New Vision Homes on behalf of the Council. The initial request was for TDL to obtain detailed costs (by going out to the market for tenders) for the delivery of the first phase of the Hybrid master plan, which had already achieved a detailed planning consent, and to get to a position whereby a planning application could be submitted for the remainder of phase one and phase two. The Council provided an underwrite of £2.5m in fees for the delivery of this work and set a target deadline for proposals to be submitted to Council for February 2018.

Following the next Council gateway in Spring the move from planning for, to delivery of, the first phase of Sheerwater this will fundamentally change the scale of TDL development work and commence a project which is likely to last 7-10 years. As such a

new interim business plan will need to be submitted for Board and Council approval which will cover a longer period to reflect the length of this project.

## **5.0 Financials/Budget**

### **5.1 Business Performance**

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. The other half is to be passed to Thameswey Limited for reinvestment in Environmental Projects, including for Action Surrey and Action Woking projects.

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.

### **5.2 Financial Performance**

#### **The Profit and Loss account is in appendix 1.**

Revenue is higher than previous years due to rent income received for Griffin and Concord House. Costs associated with the ground floor of Griffin and Concord House are included within the overheads, which TDL intend to use for contractors and staff.

Loan interest has increased due to Griffin and Concord House, while the building is tenanted. The loan interest relevant to ongoing development projects is included within the work in progress balance sheet item.

TDL has generated a dividend in 2017 for £250,000, payable to Thameswey Limited to reinvest in Thameswey Sustainable Communities Ltd to support Action Surrey projects. During 2018 a further dividend is proposed of £200,000.

#### **The Balance Sheet is included in Appendix 2**

The balance sheet includes Griffin and Concord house as investment properties, along with 20, High Street. The total value of investment properties in 2018 are £11.1M. The balance sheet includes an increasing Work in Progress balance of £134.2M as at December 2018.

TDL has borrowed short term to fund developments during their project period until the sale to THL, loans at December 2018 are expected to be £145.7M. In addition a long term loan exists, provided by THL, to fund 20 High Street.

#### **The cashflow is included in Appendix 3.**

**Appendix 1 – Profit and Loss Account**

	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>Actual</i>	Forecast	Budget
	£	£	£
<b>Turnover</b>			
Project Income	1,545,065	2,000,000	7,975,800
Rental Income	58,220	58,220	430,817
Non-Trading Income	0	1,200	
	1,603,285	2,059,420	8,406,617
<b>Cost of Sales</b>			
Insurance	6,923	7,879	12,879
Direct Cost of Projects	1,093,541	1,900,000	7,385,000
	1,100,464	1,907,879	7,397,879
<b>Gross profit/(loss)</b>	<b>502,821</b>	<b>151,541</b>	<b>1,008,738</b>
<b>GP% of turnover</b>	31.4%	20.3%	20.3%
<b>Indirect Costs</b>			
Non-Executive Directors	5,404	5,404	5,404
Administration Exp	32,362	12,000	12,000
Trade Mark Licence	1,000	1,000	1,000
Rates and Utilities	(12,124)	0	17,995
Service Charge	0	0	16,005
Cleaning	0	0	3,000
Legal Fees	16,974	5,000	5,000
Auditors Remuneration	7,500	7,000	7,000
Bank Charges	716	350	350
Sundry Exp	130	0	0
Bad Debts	(2,000)	0	0
Total Costs	49,962	30,754	67,754
<b>EBITDA</b>	<b>452,859</b>	<b>120,787</b>	<b>940,985</b>
Depreciation	0	0	0
<b>Operating Profit/(loss)</b>	<b>452,859</b>	<b>120,787</b>	<b>940,985</b>
Finance Income	5,943	500	500
Investment Income (Divd.)	172,518	0	0
Finance Costs	57,059	57,059	358,059
<b>Profit/(Loss) Before Tax</b>	<b>574,260</b>	<b>64,228</b>	<b>583,425</b>
Corporation Tax P&L	43,369	0	0
<b>Profit/Loss After Tax</b>	<b>530,891</b>	<b>64,228</b>	<b>583,425</b>
Dividends Paid	0	250,000	200,000
<b>Retained Profit</b>	<b>530,891</b>	<b>(185,772)</b>	<b>383,425</b>

**Appendix 2 – Balance Sheet**

	2016	2017	2018
	Actual	Forecast	Budget
	£	£	£
<b>FIXED ASSETS</b>			
Land & Buildings	827,491	11,107,491	11,107,491
	827,491	11,107,491	11,107,491
<b>LONG TERM INVESTMENTS</b>			
Rutland (Woking) Ltd	99,726	99,726	99,726
Rutland Woking (Carthouse Lane) Ltd	1	0	0
	99,727	99,726	99,726
<b>CURRENT ASSETS</b>			
Trade Debtors	323,152	323,152	323,152
Other Debtors	178,730	0	0
VAT Refund	3,793,732	3,793,732	2,400,000
Work in Progress	25,284,647	56,244,647	134,244,647
Prepayments	10	0	0
Accrued Income	433,331	0	0
Deposits	45,619	45,619	45,619
Bank Account	1,314,621	2,209,191	1,029,286
	31,373,842	62,616,341	138,042,704
<b>CURRENT LIABILITIES</b>			
Trade Creditors	474,116	1,548,000	600,000
Other Creditors	2	0	0
Payment on Account - THL	2,009,062	2,009,062	0
Accrued Expenses	605,611	0	0
Corporation Tax	386,114	386,114	386,114
	3,474,905	3,943,176	986,114
<b>NET CURRENT ASSETS</b>	<b>27,898,937</b>	<b>58,673,165</b>	<b>137,056,590</b>
<b>LONG TERM LIABILITIES</b>			
Long Term Loan - WBC	26,500,000	67,740,000	145,740,000
Long Term Loan - Intercompany	815,135	815,135	815,135
	27,315,135	68,555,135	146,555,135
<b>NET TOTAL ASSETS</b>	<b>1,511,020</b>	<b>1,325,247</b>	<b>1,708,672</b>
<b>CAPITAL &amp; RESERVES</b>			
Share Capital	10,001	10,001	10,001
P&L Account Brought fwd	970,128	1,501,019	1,309,715
Retained Profit FY	530,891	(185,772)	388,956
	<b>1,511,020</b>	<b>1,325,247</b>	<b>1,708,673</b>



**Appendix 3 – Cashflow**

	2017 £	2018 £
<b>Operating Activities</b>		
Profit/(Loss) Before Financing	120,787	940,985
(Increase)/Decrease in Debtors	(30,347,929)	(84,582,068)
Increase/(Decrease) in Creditors	468,271	(2,957,062)
Add Back: Depreciation / Less Amortisation		0
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(29,758,871)</b>	<b>(86,598,145)</b>
<b>Investing Activities</b>		
(Purchase)/Disposal of fixed assets / WIP		0
(Purchase)/Disposal of Long term investments	(10,280,000)	7,975,800
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(10,280,000)</b>	7,975,800
<b>Financing Activities</b>		
Increase in Share Capital	0	0
Dividends Paid	(250,000)	(200,000)
Investment Income (Divd.)	0	0
Interest Received	500	500
Interest Paid	(57,059)	(358,059)
Grant For Energy Centre		
Loans Received	41,240,000	78,000,000
Repayment of Loans	0	0
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>40,933,441</b>	<b>77,442,441</b>
<b>NET CASH INFLOW/(OUTFLOW) OF CASH</b>	<b>894,570</b>	<b>(1,179,905)</b>
Cash Balance @ Beginning of Period	1,314,621	2,209,191
Cash Balance @ End of Period	<b>2,209,191</b>	<b>1,029,286</b>