

THAMESWEY BUSINESS PLANS 2020

This Executive Summary report summarises the Thameswey Group Business Plan with the individual Business Plans for the companies listed below. The Business Plans are approved by the relevant Boards of the Thameswey companies. The Business Plans for Thameswey Limited, Thameswey Developments Limited, Thameswey Housing Limited and Thameswey Guest Houses Limited are due to be signed off by the Boards in the week leading to Council; any changes which arise from the Board Meetings will be reported at Council.

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 2018 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 2019.

The Directors of the Company are appointed by Council and reviewed each year. Appendix 1 sets out the Directors for confirmation.

The Business Plans for the Thameswey Group of Companies are set out in the following Appendices:-

- Appendix 2 - Thameswey Limited (Group Plan)
- Appendix 3 - Thameswey Energy Limited
- Appendix 4 - Thameswey Central Milton Keynes Limited
- Appendix 5 - Thameswey Housing Limited (includes Thameswey Guest Houses Ltd)
- Appendix 6 - Thameswey Developments Limited
- Appendix 7 - Thameswey Maintenance Services Limited
- Appendix 8 - 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 environmental projects, 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 2018 the Thameswey Group saved 2,849 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 593 homes for rent to meet local need;
- Providing an additional 24 new homes a year at rents closer to Council rents;
- A development programme, excluding Sheerwater Regeneration, which should provide in excess of an additional 700 homes over the next four years for rent to meet local need;
- A development programme to enable the Council to deliver Sheerwater Regeneration; and
- Operation of Mayford Lodge which provided 3,359 nights of accommodation up to 30 September in 2019 as 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.

Following revised government guidance requiring the repayment of new borrowing applied to share capital over a shorter period than the current policy the new financing arrangements are by way of loan only as opposed to the previous combination of shares and loan finance. This change has been implemented so as to be cost neutral to both the Council and Thameswey.

The net benefit to Council Tax taxpayers in the Borough during 2018 was £2.218m, which was equivalent to £54.82 at Band D. The forecast net benefit for 2019 is £2.432m which is equivalent to circa £59.68 at Band D and for 2020 is £2.650m which is equivalent to £63.14 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 2018/19.

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;
- Potential rebate from TGHL subject to financial performance (£40,000 in 2018); 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 2020 to 2023:-

1. Confirm the appointment of the Directors of the Companies (Appendix1)
2. The Business Plans for the Thameswey Group of Companies be approved Appendices 2 - 8);
3. THL – Funding of £5m for 2023 (based on the previous Council agreement to build £5M per into Council financial strategies for long term debt servicing within THL);
4. TCMK – Additional funding of £3.5m for 2023 (previous business plan included finance up to 2022); and
5. Authorisation of investment in the provision of specialist need accommodation outside of the 30 minute commute to Woking area previously determined by the Council.

Requests 1- 4 are fully supported by Council Officers and are incorporated in the recommendations set out below. If these requests are approved the Council Investment Programme will be updated.

Request 5 seeks to extend the activities of the Council housing subsidiary beyond the boundaries originally determined by the Council. Given national concerns about Councils undertaking investments outside their area it is considered that this should not be supported. It is true that opportunities may exist outside of the 30 minute commute parameter previously set by the Council which may present the ability to meet a specialist need that cannot be sustainably delivered within the 30 minute commute zone. However if such opportunities arise they should be individually presented to the Council for approval.

Recommendations

The Council is requested to:

RESOLVE That

- i) the continued Appointment of the Directors of the Thamesway Group of Companies, as set out in Appendix 1, be approved;
- ii) the Business Plans for the Thamesway Group of Companies (appendices 2 – 8), subject to the removal of the request for Thamesway Housing Limited to operate outside of the 30 minute commute zone, be approved;
- iii) an increased Loan Facility of £5M in 2023 for Thamesway Housing Limited be approved; and
- iv) an increased Loan Facility of £5m for Thamesway Central Milton Keynes in 2023.

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

Background Papers: None.

Reporting Person:

Ray Morgan, Chief Executive
Ext 3333, E Mail: Ray.Morgan@woking.gov.uk

Douglas Spinks, Deputy Chief Executive
Ext. 3440, E Mail: Douglas.Spinks@woking.gov.uk

Peter Bryant, Head of Democratic and Legal Services/Monitoring Officer
Ext. 3030, E Mail: Peter.Bryant@woking.gov.uk

Leigh Clarke, Finance Director
Ext. 3277, E Mail: Leigh.Clarke@woking.gov.uk

Contact Person:

Ray Morgan, Chief Executive
Ext 3333, E Mail: Ray.Morgan@woking.gov.uk

Douglas Spinks, Deputy Chief Executive
Ext. 3440, E Mail: Douglas.Spinks@woking.gov.uk

Peter Bryant, Head of Democratic and Legal Services/Monitoring Officer
Ext. 3030, E Mail: Peter.Bryant@woking.gov.uk

Leigh Clarke, Finance Director
Ext. 3277, E Mail: Leigh.Clarke@woking.gov.uk

Date Published: 27 November 2019

REPORT ENDS