



**Thameswey Group
Business Plan 2016
Covering the Period 2016-18**

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1.0 Introduction

- 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 for the period up to 2018.
- 1.2 The structure of the Group's Business Plan comprises:
- § A summary of the purpose of the company;
 - § Its structure & scope of current operations;
 - § A summary of the principal business activities and achievements over the last 12 months;
 - § A strategic plan setting out proposed medium & long term objectives/targets; and
 - § Summary reports of trading and forecasts for the business plan periods.
- 1.3 The strategic plans ensure that the focus of activity within each company is clearly aligned with those of Thameswey Limited (the Group Holding Company), and ultimately with Woking Borough Council's strategic objectives for the Thameswey Group. This business plan reflects the Board's views on the medium and long term objectives for the Group.
- 1.4 This business plan refreshes the Business Plan issued in 2014 and reflects the activity and challenges over the last year.
- 1.5 It should be noted that the business plan periods for the individual companies vary depending on the nature of the businesses. For example companies with long term infrastructure related projects have longer business plans compared to those with short term projects with little or no capital infrastructure requirements.

2.0 The Thameswey Group

- 2.1 Thameswey Limited (TL) is wholly owned (100%) by Woking Borough Council (WBC). TL acts as the holding company of the Thameswey Group.
- 2.2 The Thameswey Group subsidiaries and company ownership are shown below:

COMPANY	ABBR.	OWNERSHIP
Thameswey Energy Ltd	TEL	Wholly owned by Thameswey Ltd
Thameswey Central Milton Keynes Ltd	TCMK	Wholly owned by Thameswey Energy Ltd (TEL)
Thameswey Solar Limited	TSL	Wholly owned by TEL
Thameswey Housing Ltd	THL	Wholly owned by Thameswey Ltd
Thameswey Guest Houses Ltd	TGHL	Wholly owned by Thameswey Housing Ltd
Brunswick Road (Pirbright) Residents Company Ltd	BRPR	98% owned by Thameswey Housing Ltd 2% owned by 1 resident property

		owner
Thameswey Sustainable Communities Ltd	TSCL	Wholly owned by Thameswey Ltd
Thameswey Maintenance Services Ltd	TMSL	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 previously known as Rutland Woking (Westminster Court) Ltd	RWRL	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
Woking Necropolis & Mausoleum Ltd	WNML	Wholly owned by Thameswey Ltd
Brookwood Park Limited	BPL	99.983% owned by WNML
Brookwood Cemetery Limited	BCL	Wholly owned by Brookwood Park Limited

2.3 There have been three changes in the group structure since the last business plan.

- i) 25 % of the share capital in Thameswey Solar Limited (TSL) will be acquired from Total Gas Contracts in November 2015 making it a wholly owned subsidiary of the Thameswey Group.
- ii) All of the shares in TSL will then transferred to Thameswey Energy Limited (TEL) so that TEL effectively owns all of the energy generating interests of the Thameswey Group.
- iii) A new company was formed in December 2014 – Woking Necropolis and Mausoleum Limited to hold the interests in Brookwood Cemetery and is held on behalf of WBC awaiting its direction.

3.0 Purpose of Group

3.1 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.

3.2 In order to deliver these objectives TL established a number of subsidiary companies; some in joint ventures with other organisations.

3.3 Schedule 1 shows the Group organisation chart.

4.0 Appointment of Directors

4.1 The Council has the right to appoint and remove Directors on any of the wholly owned company Boards and any of the Group appointments to subsidiaries.

4.2 On the 8th December 2011 the Council approved the Thamesway Group Protocol document which was established to enhance transparency and improve governance.

4.3 The Protocols state: *“Group Company Boards should seek to achieve the following proportions, 1 Independent director, 1 Councillor Director and 2 Officer Directors but in any case Officer Directors must not be in the majority.”*

4.4 The current Directors are listed in the Business Plans of each Company.

4.5 Four group companies have not been asked to accept the Protocol document; they are the three joint ventures, Rutland (Woking) Ltd, Rutland Woking (Carthouse Lane), Rutland Woking (Residential) Ltd and Brunswick Road (Pirbright) Residents Company Ltd, a 98% owned Service Company.

4.6 The Independent Directors appointed by the Council are each paid in accordance with the allowances approved by the Council for Members; the first appointment in line with the Members Allowance (£7,115.00), the second and subsequent appointments at 50% of the Members Allowance (£3,557.50), subject to an aggregate cap of £15,000 per annum.

4.7 Councillors and employees of Woking Borough Council appointed as Directors of the companies by the Council are unpaid in respect of their duties as Directors.

There have been two changes in Directorship on the Thamesway Limited Board since the last business plan; Mark Rolt resigned as a Director on 3rd July 2015 to take up the position of Chief Operating Officer of the Thamesway Group following the retirement of John Thorp as Group Managing Director. Mark also continues in his position as a Strategic Director of WBC. Peter Bryant has been appointed as a director of Thamesway Group companies.

4.8 The current Thamesway Limited board of Directors is set out below:

- | | |
|--------------------------|---------------------------------|
| • Barry Maunders | Independent Director (Chairman) |
| • William Prescott | Independent Director |
| • Terry Price | Independent Director |
| • Cllr. David Bittleston | Councillor Director |
| • Cllr. Graham Cundy | Councillor Director |
| • Cllr. Beryl Hunwicks | Councillor Director |
| • Cllr. John Kingsbury | Councillor Director |
| • Sue Barham | Officer Director |
| • Ray Morgan | Officer Director |
| • Peter Bryant | Officer Director |
| • Douglas Spinks | Officer Director |

5.0 Major Achievements since the last Business Plan

Streets Ahead Grant

- 5.1 Thamesway Sustainable Communities Ltd (TSCL) has been delivering a £2.5 million project to insulate 'hard to treat' homes on behalf of the eleven Surrey local authorities. Funding for the project was awarded by the Department of Energy and Climate Change (DECC) under its Green Deal Communities Scheme. The project has been named 'Streets Ahead' and is enabling households living in some of the most energy-inefficient houses to benefit from solid wall insulation. A grant of £100,000 from TWL has also been awarded to provide some homes in the Woking Borough with free of charge insulation.

Action Surrey Green Deal Partnership Project

- 5.2 The Action Surrey programme entered its third year of operation within TSCL. Action Surrey's activities during the second year of its programme have resulted in Surrey residents implementing measures to save over 9,500 lifetime tonnes of CO₂ and it has advised over 4,400 residents on improving the energy efficiency of their homes.

Heat Networks Delivery Unit (HNDU) projects

- 5.3 TSCL prepared two successful bids for funding to the Department of Energy and Climate Change (DECC) through its HNDU programme. These comprised a technical feasibility appraisal of a heat pump based ground storage district energy network in the western part of Woking town centre, and a proposal for extension of the existing network in Milton Keynes to supply existing areas of housing, schools and the general hospital. In addition, TSCL worked with Greenfield Energy Ltd. on a HNDU/Small Business Research Institute funded study into the potential for deep bore geothermal energy to be used in conjunction with existing the CHP district energy network.

'SPECIAL' Thamesway Case Study

- 5.4 Thamesway has been the subject of a case study by the Town and Country Planning Association as part of European project following a visit to Milton Keynes Energy Station 1 by senior planning officials from six European Union member states. The case study will be published before the end of 2015 on the Spatial Planning and Energy for Communities in All Landscape website (special-eu.org).

Growth in Demand Side Response (DSR) Services

- 5.5 TCMK has continued its participation in a number of DSR activities and during the winter of 2014/2015 successfully operated its generating plant to supply energy to the grid at times of stress through the Project FALCON initiative operated by Western Power Distribution and STOR (Short Term Operating Reserve) operated by the National Grid, and also achieving 100% response to triad. The Government has warned of the risk of power outages in the Winter months of up to 14 days due to undercapacity.

Thamesway Solar Electricity Generation

- 5.6 During 2014, TSL's photovoltaic installations generated 1,008,647 kWh of electricity. This is an increase of 3% on the previous year. TSL's power generation saved 535 tonnes of carbon dioxide (CO₂) equivalent emissions (compared with the emissions emitted in an equivalent amount of grid electricity).

5.7 Boiler Replacement and Plant Room Maintenance Contracts

TMSL successfully tendered for the refurbishment of communal boiler plant in 5 HRA funded sites and secured a maintenance contract for 77 communal plant rooms. On 15th October the Executive approved the transfer/licensing of plant rooms to TEL and TMSL will be/has been contracted to maintain them.

New Affordable Housing in the Borough

- 5.8 Thamesway Housing Ltd (THL) completed the first phase of conversions at Westminster Court with 45 homes being marketed and let.

Horsell Civic Space/St John's Memorial Hall

- 5.9 During 2015 TDL completed work on the construction of a new Guide/Scout building, providing disabled access and improvements to the Village Hall and improved parking as well as a new community hall in St John's. There was a delay due to an enquiry and the Executive has authorised completion of the project which is currently out to tender. A contractor should be appointed by the end of 2015.

Community Foundation for Surrey

- 5.10 The Joint Venture companies were instrumental in the launch of the Woking area fund for the Community Foundation for Surrey charity.

6.0 The Opportunity

WBC Climate Change Strategy:

- 6.1 The key principles of the Climate Change Strategy for Woking are as follows:

- Reduction of Borough wide carbon dioxide equivalent emissions;
- Adaptation to climate change; and
- Promotion of sustainable development.

- 6.2 The Thamesway Group will continue to support WBC in achievement of its Climate Change Strategy, and will consider the opportunities to help achieve the Council's objectives for set out in its new strategy ('Woking 2050') when it is adopted.

Carbon Reduction Commitment (CRC):

- 6.3 Thamesway's activities have directly contributed to reducing the Council's liability for CRC payments, and the Group will seek to continue to assist the Council in reducing the cost of the CRC Scheme through further improvements in energy efficiency of Council owned buildings and increasing the amount of low carbon energy consumed in proportion to grid energy.

Domestic Energy Efficiency:

- 6.4 Following Government's decision to bring to an end the Green Deal, Action Surrey will continue to deliver its energy efficiency key programme with an increased focus on emerging priorities relating to reducing fuel poverty and tackling the adverse health impacts of poorly insulated and heated homes.

WBC Housing and Economic Development Strategies:

- 6.5 The key objectives of the Housing and Economic Development Strategies for Woking are as follows:

- Providing well-designed, quality homes that are affordable and suit people's needs;
- Preventing homelessness and providing help to people in housing need;
- Helping people to achieve independence and choice; and
- Making better use of all existing housing.

- 6.6 Thamesway Housing Ltd and Action Surrey are directly referred to in the WBC Housing Strategy Action Plan:

- "Action 1: To work with Registered Providers and private developers to facilitate the provision of 102 new affordable housing each year in accordance with the targets outlined in the Core Strategy. Relevant partners include Woking Borough Homes and Action Surrey.
- Action 52: Improve energy efficiency amongst private stock by working with Action Surrey to ensure take up of direct measures including all forms of assistance."
- There is a spread of rents from just above social through to market level.

- 6.7 Action Surrey will promote the Council's 'Safe and Warm' grant to qualifying households and individuals in the borough. It will also target greater awareness of energy efficiency improvements and funding opportunities for private rented stock.

- 6.8 The Thamesway Group will continue to pursue opportunities to provide assistance to the Council in achieving the key objectives of the Housing Strategy. This could include both purchasing of market properties through Thamesway Housing Ltd and development of new homes through Thamesway Developments Ltd. The Thamesway Group has developed a guest house property in the Borough in order to provide help to people in need and provide improved temporary accommodation (through Thamesway Guest Houses Ltd (TGHL).

- 6.9 Thamesway Housing Ltd (THL), will actively pursue opportunities to improve the energy efficiency of its own stock and Thamesway Group companies will work with New Vision Homes to identify opportunities to improve energy efficiency and installation of renewable energy technologies in Council housing stock. THL recognises environmental impacts of its developments.

WBC Local Development Scheme:

- 6.10 The Council's Core Strategy and its Supplementary Planning Document promote the use of sustainable energy in new development including the integration of Combined Heat and Power (CHP) or other forms of low carbon district heating, especially within defined zones in the town centre. This provides opportunities for new connections to the Thamesway

Energy Station in the Town Centre. It could also lead to the development of new energy stations and networks, particularly in the western half of the town centre.

Other Opportunities:

- 6.11 The Thameswey Group will consider other opportunities that arise to assist the Council in achieving its other policies and objectives during the business plan period. This may be achieved through additional investment by the Thameswey Group (any capital investment projects will require Board and Council approval) or through consultancy, project management and advice services.
- 6.12 The Thameswey Group will continue to review opportunities to expand its existing operations, optimise the use of its assets and reduce costs.

The Group will continue to seek opportunities for Government funding of energy efficiency, low carbon energy generation and heat delivery network projects for supporting the Borough and Surrey's residents and businesses. It is anticipated that there will be new opportunities for Action Surrey to be the delivery agency for Government funded programmes relating to fuel poverty, independent living and improving the quality of homes for vulnerable people.

7.0 Current Operations

- 7.1 TL supports Group activities and acts as the Thameswey Group holding company.
- 7.2 TL continues to support the WBC Climate Change Strategy targets by funding and delivering a number of projects relating to energy supply and energy efficiency.
- 7.3 One of those projects, Action Surrey, was set up by TSCL to deliver carbon reductions within the domestic and community sectors across Woking and Surrey. The project was launched in 2009 as Action Woking and grew to become Action Surrey in 2011. In 2013 it embarked on a five year programme to promote take up of the Green Deal on behalf of all local authorities in Surrey. This project is delivered through Thameswey Sustainable Communities Ltd (TSCL) with funding provided through a combination of investment from TL and Surrey local authorities, referral fees paid by installers and Government grants. Action Surrey has been successful in securing £2.5m of funding from DECC to improve insulation in hard to treat homes, and currently delivering this project across Surrey. Following the Government's decision to wind up the Green Deal, Action Surrey is consulting its local authority partners on changes to its business plan. This includes focusing its activity on Surrey residents most at risk of fuel poverty and improving energy efficiency and warmth for vulnerable people.
- 7.4 The Thameswey Group also provides assistance to Woking Borough Council in support of the Housing and Economic Development Strategies in providing affordable housing in the Borough and its business plan reflects significant additional investment in affordable houses in the period to 2019. Thameswey will also assist the Council in the provision of temporary and transient accommodation within the Borough.
- 7.5 The Group operates in support of the Council's Local Plan and assists the Council with specific development projects acting on instruction from WBC.
- 7.6 WBC holds the Thameswey Trademark Licence and charges TL £10,000 per annum for use of the licence. TL recovers this cost from the subsidiary companies by charging companies using the Thameswey brand within the Borough of Woking an annual fee of

£1,000, and companies providing the majority of their services outside the Borough an annual fee of £10,000.

- 7.7 TL owns the intellectual property of the Thamesway Group and charges its subsidiary companies project fees on capital investment of up to 4%. As well as supporting the Thamesway Group, these fees are used by TL to support Energy & Environmental, Housing Support Services and Economic Development within the Borough (depending on the source of the funds).

8.0 Strategic Plan for each Business

- 8.1 The business plans for the subsidiary companies vary in time period due to the different industries and return expectations compared to the capital invested.

Thamesway Energy Limited (TEL)

- 8.2 The TEL business plan anticipates high levels of activity over the next three years. In the period 2016 to 2019 TEL will seek to secure additional customer connections to its Woking Town Centre Energy Station. During 2015 TEL has seen a significant growth in development proposals for scheme located within the defined district heat zones in Woking town centre. These represent a good opportunity to secure new connections to TEL's networks.
- 8.3 In the short term the anticipated growth in demand arising from new connections to the town centre networks can be met in part from efficiency improvements in the Victoria Way station and distribution networks. An engineering study has produced an optimisation programme identifying a number of individual improvements. The TEL business plan proposes taking these forward as required to meet growth in demand, subject to providing short term return on investment.
- 8.4 In the longer term, TEL will continue to explore further options for new Energy Stations in the town centre and elsewhere in the borough during 2016 to 2019. Future options for replacing or relocating the Victoria Way energy station will also be considered, along with alternative technologies for generating and distributing heat and cooling to new and existing customers. Investment by TEL in individual connections and installation of new distribution infrastructure will be subject to cost-benefit appraisal.
- 8.5 TEL will also continue to operate the Woking Park Energy Station and the 8 small scale CHP's across the Borough. A schedule of work to overhaul the Woking Park Energy Station has been prepared to improve reliability and efficiency of energy supplies to the Leisure Centre and Pool in the Park buildings. WBC agreed to licence its communal heating plant to TEL to operate and maintain it on 15th October.
- 8.6 If requested by WBC or private investors TEL will consider investment in additional Energy Stations to provide energy to new developments including the Bandstand Square and Sheerwater redevelopment projects. The cost and timescales of these projects are currently not known and have not been included in the TEL budget.
- 8.7 TEL will seek further investment from WBC if required; subject to the approval of each project by the TEL and TL Board's and Council.

- 8.8 TEL will not pursue investment opportunities outside the Borough of Woking but will continue to respond positively to opportunities to work in partnership with others where the funding and/or fees are secured from third parties and none are required from WBC.
- 8.9 The forecast return for shareholders, based on the business plan proposal is 1.21% per annum, it is expected that a shareholder distribution of £4.7m is achievable.

Thamesway Central Milton Keynes Limited (TCMK)

- 8.10 Energy Station 1 (ES1) in Milton Keynes comprises two 3 MWe CHPs and ancillary equipment. During 2016 to 2019 TCMK will continue to progress the development of its energy distribution network to meet the needs of new customer connections and optimise the use of ES1.
- 8.11 The company has been developing its relationship with Milton Keynes Council (MKC). TCMK has worked with Milton Keynes Council to secure funding from DECC to carry out a design study on expansion of its energy networks. This will include potential connections both within central Milton Keynes and surrounding area. The study will also consider the potential for adopting alternative funding models, including Milton Keynes Council taking ownership of new distribution assets.
- 8.12 New opportunities for participating in the electricity market are emerging with DSR services such as Footroom (adjustment of the engine operating regime depending on National Grid demand levels) and Capacity Market offering significant revenues through premium payments to CHP operators. TCMK is in a good position to exploit these opportunities
- 8.13 The current fixed asset value is £24.8m of which developer contributions and grants totalled £8.2m; the overall total capital cost of ES1 together with a completed distribution network is forecast to be approximately £35m. In accordance with the original strategy for Milton Keynes further capital investment will be required by TCMK, developer contributions and, potentially, support from Milton Keynes Council (MKC) to expand the distribution network to service retrofitting of existing buildings and new development sites. For further information please see paragraphs 4.10 to 4.13 of the TCMK business plan.
- 8.14 The operational business plan period is forty four years from 2010 with a return for shareholders of 4.2% per annum on a £1.11m shareholder investment with distributions for shareholders of £10.4m forecast with a net present value (NPV) of £4.4m. This compares with the target return of 12% and reflects that the business has been adversely affected by the economic downturn that occurred after operations commenced. The policy to continue financing the company with new loan finance at 6% pa interest is reviewed annually and it is proposed to continue for 2016 to 2019.
- 8.15 This business plan seeks to approve rescheduled loan finance for 2019 of £3.2m with the ongoing interest rate of 6% pa. This is not additional funding within the business plan.
- 8.16 As part of the project development for Milton Keynes, TL receives a project fee for its intellectual property; this fee is set at up to 4% of the capital expenditure on extending the network and on new capital works. The project fee is then available to TL to support energy and environmental initiatives in Woking in furtherance of the WBC's Climate Change Strategy. In 2014 TL received a fee of £5k. 2015 and 2016 are forecast at £5k and £10k respectively.

Thamesway Housing Limited (THL)

- 8.17 THL was established to support the WBC Housing Strategy. The company is expanding its activities to provide additional affordable homes for local people and key workers in the Borough across a wide spectrum of household incomes.
- 8.18 THL invests funds in homes in the long term interest of the Borough. During the Business Plan period 2016 to 2019 the company relies upon WBC financing and seeks approval of an additional £15m of financing for 2016 and £5m for 2019. This will provide additional funds to take advantage of a number of potential housing projects under consideration in favourable market conditions.
- 8.19 On the 24th January 2013 the Council approved a proposal to invest £6m section 106 funding received for the new Brookwood Farm site in share capital in THL to be used in conjunction with existing approvals for THL finance for the acquisition and/or development of 75 affordable housing units.
- 8.20 On 10th July 2014 Council approved £18m from the Victoria Square Development to be invested in at least 60 units of affordable housing.
- 8.21 As at June 2015 THL has invested £68m in housing and land. The company has drawn down a total of £67.3m of financing (including both share capital and loan finance) and has a further £32.4m approved available to be drawn down to the end of 2018. This is now largely committed and because of a number of opportunities around the Borough a further £15m has been requested for 2016. This is expected to lead to the acquisition/development of at least an additional 50 homes. THL will draw loans for its subsidiary and itself.
- 8.22 Maybury Lodge Hotel was purchased in 2012; the company has financed the renovation of the property via Thamesway Developments Ltd in order to be able to provide bed and breakfast facilities to Woking and for other Councils as emergency shelter for those in housing need.
- 8.23 Thamesway Guest Houses Limited (TGHL) operates the guest house and does not have its own business plan because it operates only on the instruction of THL and is funded through THL's existing loan and share capital structure. Both companies have the same Boards of Directors. TGHL is registered for VAT and will operate parts of THL's portfolio that are not exempt for VAT purposes.
- 8.24 The Board agreed in 2012 to operate in accordance with purchasing policy guidelines substantially in the form put forward by WBC, but with a few minor amendments (the Guidelines are attached as Schedule 1 of the THL business plan).
- 8.25 The company anticipates continuing to follow these guidelines, with the possible exception of the guidelines for shared ownership properties. As more affordable properties are purchased the percentage of shared ownership properties will fall. The company has also found that there is limited demand for shared ownership in the current market.
- 8.26 WBC have authorised Thamesway to enter into a development agreement with a partner to develop the St Dunstan's site which is currently held by THL.

- 8.27 Sensitivity analysis has been performed on the THL rental income with positive results. It has proved that the business model is reliable and working. Some investment categories are starting to make positive financial contributions and most are forecast to become profitable within a 16 year period as long as 5% annual rental increases continue to be achievable. The rental market has been very buoyant over the last 12 months and a Revaluation Reserve was created for the first time in 2014 totalling £6.8m. For further information please see the THL 2016 - 2019 Business Plan.
- 8.28 The company is looking at alternative funding options to supplement the PWLB borrowing which may include commercial finance, bond issues (either directly or through the Municipal Bonds Agency) or the possibility of joint venture approaches to future developments. Should an alternative funding provision offer an economic benefit to the company a proposal will be put forward for separate consideration and approval.

Thamesway Sustainable Communities Limited (TSCL)

- 8.29 TSCL provides support for the Thamesway Group through business strategy development, financial management and accounting, consultancy, project management, energy management, utility billing and customer relationship management services. Business growth will be dependent upon improved market conditions if the consultancy business and other initiatives are to be expanded.
- 8.30 The TSC business in the period 2016 to 2018 will concentrate on the following key areas:
- Operational management of the Thamesway companies
 - Financial and accounting services and administration of the Group
 - Customer services for TEL/TCMK
 - Delivery of energy efficiency improvements projects through Action Surrey
 - Low carbon community promotion and development and energy consultancy

8.31 TSCL established the Low Carbon Community (LCC) project to provide a range of mechanisms and routes for residents to build their own capacity and awareness of opportunities to reduce energy consumption and adopt more sustainable practices. The project is working within the strategic framework of the WBC Climate Change Strategy and is complementary to the activities carried out by Action Surrey.

8.32 The LCC project is being financed for an initial three year period by TL. A budget of £50,000 per annum for 2014 to 2016 has been agreed. This has leveraged a further £50,000 from DECC through its Green Deal Communities fund for energy efficiency improvements to community buildings. .

8.33 The LCC project will also act as an additional mechanism to engage the wider community and inform them about other Action Surrey services.

Thamesway Developments Limited (TDL)

8.34 TDL was established to further construction developments in the Borough of Woking, particularly the Hoe Valley flood alleviation project.

8.35 TDL has been involved in a number of projects to improve community facilities in the Borough. The Horsell Civic Space Project was completed in early 2015 but the areas affected by the footpath will need to be the subject of a new project and tender in 2016. St.

Johns Memorial Hall was completed in May 2014. Maybury Lodge was completed in July 2014 and 4 homes to the rear of the Lodge are nearing completion.

- 8.36 TDL is currently working to dispose of the Blackness Lane site for residential use. An option to purchase was granted which was valid until July 2016, subject to planning permission. The appeal was recently rejected for technical reasons which are expected to be resolved.
- 8.37 In March 2014, TDL purchased a property on the High Street, Woking. It consisted of a retail unit which is currently being let, and some offices. TDL received permitted development rights and converted the office space into four flats which was completed in January 2015 and rented by THL at combination of affordable and market rents.
- 8.38 TDL operates on instructions from other Thameswey Group companies and requests from the Council.
- 8.39 TDL has established two 50% joint venture companies with Rutland Properties Ltd; Rutland (Woking) Ltd (RWL) and Rutland Woking (Carthouse Lane) Ltd (RWCL). RWL has one 50% subsidiary, Rutland Woking (Residential) Ltd (RWRL) which is 50% owned by THL. RWRL recently changed its name from Rutland Woking (Westminster Court) Ltd. Further Joint Ventures (JV) or Limited Liability Partnerships (LLPs) will be formed for projects as required. The projects are undertaken in accordance with the determinations of the Council and contracts from fellow subsidiary companies.
- 8.40 The Joint Venture companies initiated the commencement of a Woking area fund for the Community Foundation for Surrey. The fund focuses on local giving for local needs. It has been agreed to donate a percentage of the JV's profits to the fund subject to annual review.
- 8.41 RWPL acquired Westminster Court in Old Woking in December 2013. Permitted development rights were allowed for conversion of the offices to over 45 units of housing. The property will be transferred to THL around the middle of 2016.
- 8.42 After the high demand for the Carthouse Lane Allotments, RWCL is considering a second phase of the Carthouse Lane Project. The site available is being considered both for allotments and other uses. Any projects will only proceed with the authorisation and financing of WBC.
- 8.43 Other sites that the Joint Venture companies are considering developing include land at Sythwood between the Horsell allotments and Goldworth Park Trading Estate and New Monument Way West. These could be developed for office, industrial or residential uses. A proposal is also to be taken forward to provide new secure equipment storage, toilet and kitchen facilities for Horsell Allotments Association.

Thameswey Solar Limited (TSL)

- 8.44 This company was formed in 2011; a shareholder agreement was completed with Total Gas Contracts Ltd (TGC) becoming a 25% shareholder investing £295,672 and Thameswey Limited a 75% shareholder investing £887,016 in share capital. The company was financed by the share capital and by a loan of £2.2m from WBC. The annual interest rate on the loan is 6.0% and it will be repaid in full over 14 years. TGC will sell its shares to Thameswey Limited for £147,836 in November 2015 – a discount of 50%. All shares in TSL will then be transferred to TEL.

- 8.45 TSL has installed over 4,900 solar photovoltaic (PV) panels across 35 sites in the Borough of Woking, with a total capacity of 1,238 kWp (kilowatt peak).
- 8.46 Arson damage to Goldwater Lodge in December 2012 has resulted in no electricity generation from the site since that date until 8th May 2015 when the reinstallation was completed.
- 8.47 TSL operates a website (www.thamesweysolar.co.uk) to provide public information on all of Thameswey's solar installations in order to raise public awareness of the project and solar PV.
- 8.48 The 2015 TSL business plan had a return on share capital of 3.99%. The current plan forecasts a return on share capital of 3.80% before allowing for the discounted share purchase from Total Gas Contracts Limited of 50% which improves the investment return by 0.13% to 3.93%.

Thameswey Maintenance Services Limited (TMSL)

- 8.49 This company has installed and maintained the group's CHP and ancillary equipment in Woking and Milton Keynes for many years and became a wholly owned subsidiary of TL in December 2011.
- 8.50 The results of TMSL are being closely monitored and efforts are being made to make cost savings where possible by re-assessing all contracts with third parties.
- 8.51 During 2016 to 2018 TMSL will continue to support primary heating plants and district energy networks under the ownership of TEL, TCMK, TSL, THL and WBC.
- 8.52 The company is instrumental for the group in providing, operation, optimisation and maintenance of primary heating plants and district energy networks, metering systems and project engineer management of new installations and network extensions.
- 8.53 The company will continue to provide call out services for the WBC communal boilers.
- 8.54 TMSL will also seek other opportunities to provide general engineering services including electrical and thermal installations to the Thameswey Group, WBC and third parties.
- 8.55 The company has recently been recapitalised and envisages a return on investment in future years in the region of 8% per year.

Woking Necropolis and Mausoleum Limited (WMNL)

- 8.56 WMNL was formed in December 2014 to hold the two Brookwood Cemetery companies within the Thameswey Group. The main trading entity is Brookwood Park Limited (BPL) and the other company which holds some land but does not trade is Brookwood Cemetery Limited (BCL). The purchase of the cemetery was approved by Council resolution on 24th November 2014. A proposal for the future will be made in 2016.
- 8.57

The purchase of Brookwood Cemetery was financed by a loan facility granted by the same Council resolution on 24th November 2014. The Loan Facility is up to £5.5m for 75 years with the first 25 years being interest only and the subsequent 50 years based on a 50 year annuity. By the end of August 2015 £4m of the loan had been used. The resolution also

approved new share capital of up to £500,000 which is yet to be drawn. A business plan will be developed over the coming year and included in next year's business plans.

Thameswey Limited (TL)

- 8.58 During 2016 to 2018 the holding company will continue to support Group activity.
- 8.59 TL will continue to support the WBC Climate Change Strategy and its draft new Strategy through the operation of Action Surrey via TSCL to help residents reduce the carbon emissions from their homes; and generally support residents of Woking with the provision of Energy Efficiency Advice.
- 8.60 TL is funding the Low Carbon Community (LCC) project within Woking via TSCL (for more information see paragraph 4.13 of the TSCL business plan). £50k per annum has been approved for the years 2014 to 2016.
- 8.61 The Company will continue to support Energy and Environmental projects, Housing and Economic development within the Borough over the Business Plan period. It will also support the subsidiary companies where necessary.

Group Business Development

- 8.62 TL was established to use its resource for the energy and environmental benefit of residents of the Borough. This is being achieved partly by financing Action Surrey programmes to benefit residents and reduce emissions. None of these activities are funded by Council tax taxpayers but by loan finance from WBC and profits and project fees from within the Thameswey Group.
- 8.63 There are a number of opportunities for new business development arising from national targets and programmes relating to energy supply and emissions reductions such as the Government's new national heat strategy, renewable heat incentives, investment in community energy, and the ambition for improvements in energy efficiency of existing buildings. Increased Government focus on the role of local government in leading a significant expansion in district heat networks has resulted in Government funding of £7million being made available for local authorities to take forward proposals. TL has the opportunity to be involved in the delivery and operation of new district heat schemes in Woking and expansion of the Milton Keynes network, both of which have been awarded funding for studies by the Department of Energy and Climate Change.
- 8.64 Current Government focus includes seeking to empower local communities to have greater influence in delivering energy efficiency and carbon reduction targets and provide the council through TL the opportunity to take a role in supporting local residents and the business community. The Government's plans for a policy framework to replace the Green Deal are expected to focus on tackling fuel poverty and improving public health through improved energy efficiency in existing homes, public and commercial buildings; and expansion of existing decentralised heat networks remains a Government priority for tackling UK emissions.
- 8.65 The Thameswey Group will continue to support applications for Government grant funding when opportunities arise and is well placed through the establishment of the Action Surrey programme to further develop the range of services it provides to households, businesses and communities across the county.

8.66 In order to achieve growth the Group will focus on business development during the plan period. Business development is currently covered in-house with external consultants used for specific tasks and projects. The company is building good relations with Milton Keynes Council and the business community in Milton Keynes, and will continue to build on these relationships.

Group Risk Management

8.67 A business risk management exercise was carried out in May 2014 with assistance from, and using a template provided by Woking Borough Council. A number of business risks were evaluated and prioritised, along with control/mitigation measures. The risks identified principally relate to operational and financial matters, with the single highest scoring risk associated with unexpected changes in the Council's priorities impacting directly on business activities, finance and resources.

8.68 The consequences of this could include loss of business continuity, the need to re-prioritise and re-deploy resources in a reactive (unplanned) response and adverse impacts on existing projects. Management of this risk includes ensuring TL remains closely informed on emerging Council policy and strategy through regular meeting with senior elected Members and CMG, and ensuring this is adequately reflected in the Group's business plans.

8.69 The next highest scoring risk relates to a high dependency on a relatively small number of staff with knowledge and experience in the diversity of business activities undertaken by TL. Loss of key members of staff and/or loss of revenue-generating business activity to support the retention of staff could have severe adverse impacts on the ability to deliver existing or remaining services.

8.70 Control measures available to TL that are in place include developing robust knowledge and information storage systems and seeking to retain experienced staff through providing development opportunities. The group is designing a new system of delegation of authority to improve controls over expenditure.

8.71 The Thameswey Group will seek to align its risk management policy with that of the Council.

9.0 Thameswey Ltd Financials (non consolidated)

Revenue Operation

9.1 The TL budgeted revenue operation over the Business Plan period is set out below:

	Actual 2014 £000	Forecast 2015 £000	Plan 2016 £000	Plan 2017 £000	Plan 2018 £000
Turnover:					
Project Fee	23	5	20	40	150
Other Fees	21	17	20	20	24
Total Income	44	22	40	60	174
Cost of Sales:					
Admin & Trademark Costs	10	10	11	12	12
Reserve Spend	50	50	150	50	50
Gross Profit/(Loss)	(16)	(38)	(121)	(2)	112
Admin Expenses	43	35	35	38	40
Depreciation & Amortisation	29	16	16	16	16
Operating Profit/(Loss)	(88)	(73)	(156)	(40)	72
Interest & Dividend Received	427	400	100	2	2
Interest Payable	0	0	0	0	0
Profit/(Loss)	339	327	(56)	(38)	74
Profit B/Fwd	694	1,033	1,360	1,304	1,266
Profit C/Fwd	1,033	1,360	1,304	1,266	1,340

- 9.2 Admin expenses are lower in 2015 following the reallocation of costs throughout the group.
- 9.3 It should be noted that these are not losses, as the company is using the profit and loss reserve (accumulated profit) to fund specific projects and investments.
- 9.4 The reserve spend is the contribution that TL makes to energy and environmental projects to benefit the Borough. TL uses the project fees and is using the profit on the Wolsey Place Ltd transactions to fund this as well funding for subsidiary companies.
- 9.5 The reserve spend in 2015 is made up of funds for the Low Carbon Communities (LCC) project. The £150k reserve spend in 2016 is made up of £50k for the LCC project and £100k for the Streets Ahead solid wall insulation project.

Financial Statements

- 9.6 The audited Financial Statements of the Group companies for the year ending 31 December 2014 are available on the group's website under each company:

<http://www.thamesweygroup.co.uk/about/organisational-overview/>

- 9.7 The Financial Statements have been audited and there are no matters of concern to bring to the attention of the Council as ultimate owner.

Finance Structure

- 9.8 Schedule 2 shows how TL has invested the share capital it received from WBC in the subsidiary companies.
- 9.9 The proposed financing structure for the Group for 2016 to 2019 envisages additional investment by the Council in TCMK and THL.
- 9.10 The Thamesway Group business plans envisage the Council advancing additional finance to Group companies during the business plan period 2016 to 2019. This excludes any finance required for the property development companies which are financed on a project by project basis with individual Council approval for each project and excludes finance for THL authorised outside the business plan process (for more details see the THL business plan)

Previously Approved Finance:	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	Total £m
TCMK	2.85	1.65	2.25	3.00	2.70	3.00	3.00	3.00	21.45
TEL*	1.50	2.90	2.60	0.00	0.00	0.00	0.00	0.00	7.00
TSL	0.00	2.20	0.00	0.00	0.00	0.00	0.00	0.00	2.20
THL	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	40.00
Total	9.35	11.75	9.85	8.00	7.70	8.00	8.00	8.00	70.65

*The TEL £1.5m in 2011 was approved share capital and the 2012/3 loans were approved for the Honeywell project.

- 9.11 This business plan seeks to extend the approved finance into 2019 and requests:
- Additional finance for THL in 2016 of £15.0m and 2019 £5m;
 - New finance for TCMK in 2019 of £3.2m of which £850,000 is rescheduled from 2014 – 2017 – see schedule 3 on page 15 of the TCMK plan.
- 9.12 It will bring the total investment by the Council in the companies in 2016 to 2019 (excluding the development companies) to £93.9m which excludes the additional £6m of share capital for THL and £18m of loan finance which have been separately approved by WBC outside the business planning process.
- 9.13 The raising of any commercial loans to finance group companies will be subject to approval by the Board and the Council. The company's bankers have expressed an interest in making short term finance available on development projects and buy to let properties at commercially competitive rates of interest.

10.0 Realisation of Value

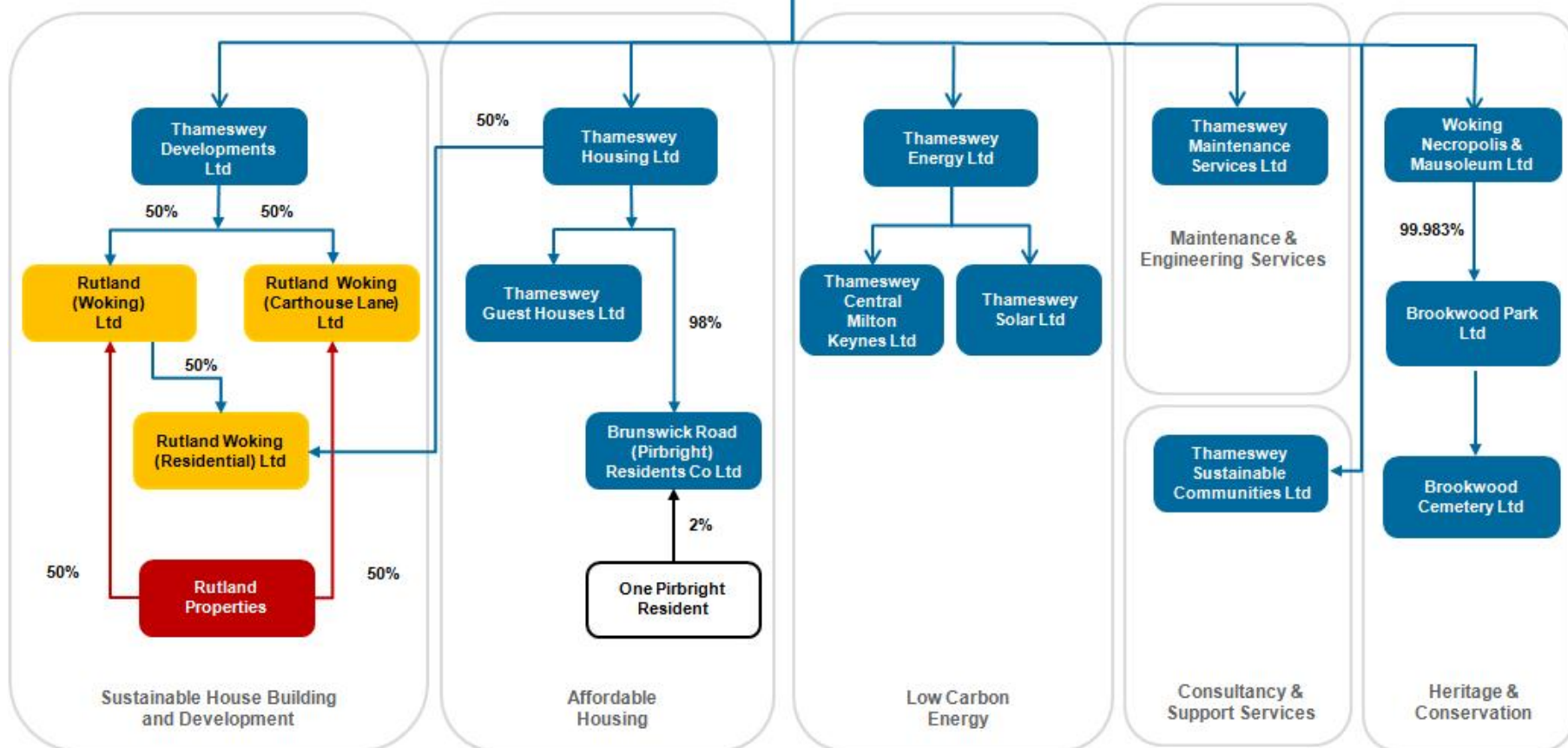
The companies have been established and structured to enable the Council at a future date to realise value from their activities. This is a long term view and would require the full establishment of the companies and their respective trading positions, consideration of the impact for the Council and a positive investment market to realise value. As part of the annual Business Plan review this will be kept under consideration. The company does not expect to propose disposal of any of its interests in the current market or business plan period.

Schedule 1 – Organisation Chart

30 09 2015



Thameswey
Ltd



Schedule 2 - Breakdown of WBC investment in Thameswey Ltd

The investment in Thameswey Limited share capital by WBC is shown below:

Company	Balance of Investment as at:			
	31.12.13 £	31.12.14 £	31.12.15 £	31.12.16 £
TL	168,400	168,400	168,400	168,400
TCMK	1,110,000	1,110,000	1,110,000	1,110,000
TEL	3,443,451	3,443,451	3,443,451	3,443,451
TMSL	694,365	694,365	694,365	694,365
TSCL	400,000	400,000	400,000	400,000
TSL	887,015	887,015	887,015	887,015
Sub Total	6,703,231	6,703,231	6,703,231	6,703,231
Housing Investment:				
THL	10,015,000	12,015,000	14,015,000	16,015,000
Total	16,718,231	18,718,231	20,718,231	22,718,231

It should be noted that the share capital was purchased by WBC with the intention of assisting TL in financing particular companies. TL has used the funds to invest in the share capital of the subsidiaries and also to cover other investment costs such as legal fees.

The purchase of Brookwood Cemetery was financed by a loan facility granted by Council resolution on 24th November 2014. The Loan Facility is up to £5.5m for 75 years with the first 25 years being interest only and the subsequent 50 years based on a 50 year annuity. By the end of August 2015 £4.2m of the loan had been used. The resolution also approved new share capital of up to £500,000 which is yet to be drawn.