

# **THAMESWEY DEVELOPMENTS LIMITED**

## **Business Plan 2019**

### **Covering the Period 2019 -2022**

Address: 2<sup>nd</sup> Floor, Gloucester Chamber, Jubilee Square, Woking, Surrey GU21 6GA  
Registered Address: The St Botolph Building, 138 Houndsditch, London, EC3A 7AR

Company Registration No.: 06646380  
VAT Number: 981 0909 06

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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 period up to the end of 2022. The plan reflects the expected developments to be undertaken over the four-year period to 2022, previously the plan covered one year only as the company was essentially responsive to other parts of the group, however as projects are defined and in progress a more strategic outlook can be forecast especially given the scale of a number of the developments. However, it is recognised that the impact of the Council accepting the proposals put forward by TDL in early 2019 for the delivery of the residential phases of Sheerwater will require a mid-year update 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 4 years
- 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 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 Thameswey Developments Ltd is a private limited company registered in the United Kingdom and is 100% subsidiary of Thameswey Limited (the holding company of Thameswey Group), which is in turn solely owned by Woking Borough Council. TDL has a 50% share in joint ventures Rutland Woking Ltd, and 50% share in Rutland Woking Carthouse Lane Ltd. The remaining 50% of each joint venture is owned by Rutland Properties Ltd. The projects undertaken by RWL are on behalf of WBC for the duration of the business plan and have not been taken into account within this business plan.
- 2.3
- |                       |                                 |
|-----------------------|---------------------------------|
| Terry Price           | Independent Director (Chairman) |
| Cllr David Bittleston | Councillor Director             |
| Cllr Ayesha Azad      | Councillor Director             |
| Peter Bryant          | Officer Director                |
- 2.4 The above-board composition meets the requirements of the Thameswey Group Protocols as approved by the Council in February 2018. In order to be quorate a board meeting must have at least one independent, one Councillor and one officer Director in attendance.
- 2.5 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 and the surrounding area. 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 Harrington Place**

TDL has continued the redevelopment of the existing St Dunstan's site which has been held within THL for the last few years. Construction is well progressed, and the concrete frame will complete in November 2018. The building, which will provide 147 residential properties, will be handed over to Thameswey Housing in Autumn 2019. Due to VAT the freehold, including the non-residential leases will be held in TDL. The development has been named Harrington Place after the last vicar of the church on this site before it was relocated.

#### **3.2 121 Chertsey Road**

TDL was not able to acquire planning consent for a 'step down' residential block for elderly and vulnerable residents as TDL was not able to convince the Local Planning Authority of the operation and need for this type of residential offer. However, the LPA issued a deemed consent (permitted development) for conversion of the existing building into residential units. TDL is now working with THL to progress this option to ensure the site is put to beneficial use. Work has also commenced to look at the opportunity to use the site for energy infrastructure in support of Thameswey Energy Limited's town center infrastructure upgrades.

#### **3.3 Elizabeth House/Cornerstone**

TDL purchased this site as part of a development agreement with Magna Asset Management One. During Autumn 2018 TDL was able to terminate this agreement, following extensive legal advice, due to underperformance releasing the building to TDL to progress development.

#### **3.4 Griffin and Concord House**

In September 2017, TDL purchased Griffin and Concord House for redevelopment. The properties are currently let to third parties and will be held as an investment property until at least 2021 when current leases are due for renewal. Over the last 12 months a planning application has been submitted for a residential tower and new office facilities to regenerate the site. The application was subject to a Design South East review as part of the planning process which was complimentary about the design and the location of the site for a tall building. It is anticipated that consent will be obtained early 2019. TDL has also spoken to neighbouring land owners to determine if a wider regeneration of the area is possible. A decision as to a wider approach or site specific will be taken once the result of our current application is known.

#### **3.5 Knaphill Phase Two**

TDL submitted a planning application for redeveloping this site to provide four high quality houses. The application was rejected and an appeal has been lodged against this decision which is hoped to be considered in early 2019.

### 3.6 Hawthorne Road

TDL has been contracted by the Council Housing Revenue Account to progress this development of 5 units for new Council Housing. Work is on site and the property should be released to the Council during 2019.

## 4.0 **Business Opportunities 2019-22**

### 4.1 Small Affordable In-Fill sites:

TDL has been working with the Council to develop affordable property, either for direct HRA ownership or Band C THL property using redundant garage sites. Plans for a new development of apartments in Bonsey Close to provide more affordable units for the HRA were rejected by the LPA in late 2018. TDL will review the comments during early 2019 and re-submit a new application to address the concerns raised and hopefully, subject to a satisfactory consent, work will commence in 2019.

Two further sites have already been consented and during 2019 TDL will go to tender for their development with work due to start later in late 2019.

### 4.2 Brookwood Lye

TDL is looking to develop part of the former traveller site at Five Acres to provide affordable housing to THL. A planning application to deliver this was submitted in 2017 and the application is expected to be determined in early 2019. TDL has entered into a partnership with Wienerberger to pilot their new e4 house concept at this site and as part of this partnership TDL will be able to benefit from the Wienerberger supply chain and research into environmentally friendly building. It is planned to commence work on site in Summer 2019, subject to satisfactory consent, and the scheme is likely to take two years to complete although early release of property is expected in mid 2020.

### 4.3 Poole Road Energy Centre

The Victoria Way 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 also been acquired enabling a more comprehensive development to take place. A planning application has been re-submitted to take advantage of this increased site area. The new application, submitted early 2018, is expected to be determined in late 2018 and will provide a new residential concept to Woking in addition to a new energy centre. The application has a residential element of co-living/co-working space. This provides cost effective residential facilities which share communal leisure and working space aimed at young professionals and those studying who would benefit from being able to work, socialise and live in a central location at a more cost effective rate than renting a standalone apartment. This concept has been successful in other major urban areas across the world and will be a strong economic development driver for Woking. TDL have engaged with a contractor and work on site is expected to start early 2019.

### 4.4 Elizabeth House/Cornerstone

With the termination of the development agreement in 2018 TDL will progress other options to develop this building and as part of this has engaged with a high profile educational establishment to see if the building could be used as a campus. This would keep the building in commercial use, as opposed to residential conversion, and would bring approximately 800 people to the town (a mix of students, academics and central support staff) leading to a significant economic development opportunity for Woking. TDL is working up the details and expects to submit a new planning application for the building to enhance its façade in early 2019. TDL will also be submitting a proposition to the Council to obtain borrowing approval for this development, which will involve returning the completed asset to the Council. While funding is available within the group to deliver this refurbishment, as the end product will not be residential led, a specific approval to fund the development will be sought prior to committing to a construction contract. Should this proposition not be successful TDL will commence the existing approved residential conversion during 2019 on behalf of THL.

#### 4.5 Sheerwater

TDL will continue to progress the Sheerwater Regeneration following its approval as preferred developer of the Council in 2017 and the approval of the Leisure element of the scheme as the first stage of delivery in 2018. A revised application for the rest of the site, addressing the key Council challenges of increasing usable public open space and housing density, is due to be determined in early 2019 by the LPA. As soon as this is determined TDL will submit the economic model for the residential led element of the scheme to Council for approval. This will be in parallel with the Council considering the making of a Compulsory Purchase Order. Upon approval of these two steps TDL will commence the first phase of the residential development in Spring 2019. At this stage, given the scale of the development and its effect on the financial standing of TDL, a revised business plan will be re-submitted for approval.

#### 4.6 Ancillary Commercial Space and Freeholds

As part of a number of residential schemes, either acquired by THL or developed for THL by TDL, there are ancillary non-residential spaces. Normally these form commercial spaces required by the relevant Local Planning Authority to ensure an 'active street scene'. Due to VAT rules it isn't effective for these spaces to be held in THL. Therefore, while the residential elements of the scheme will be transferred to THL the freehold and ancillary commercial spaces will be held by TDL. This also helps with the separation of developer and final owner and operator with regard to new build warrantees. Given that a number of these spaces will not have any commercial demand TDL will look to model development business cases on the residential elements and progress occupation of the ancillary space to avoid cost to the Group as opposed to generate income, for example pepper-corn rental arrangements to mitigate voids.

### 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, including reducing the cost on certain schemes to promote affordable rents. The other half is to be passed to Thameswey Limited for reinvestment in Environmental Projects delivered by TSCL in consultation with the Council Climate Change Woking Group.

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

Revenue includes reoccurring income relating to Griffin and Concorde House which is tenanted. In addition, development income includes the sale of developments, based on forecast costs and a 4% markup on each development. The table identifies the developments to be sold each year, to whom they are sold and the associated development costs.

Site	Year of Sale	Selling Price	Cost Price	Development Profit	Comments
Camp Road	2018	7,680,670	7,385,260	295,410	Sold to THL
Harrington Place	2019	51,395,838	49,419,075	1,976,763	90% sold to THL
Bonsey Lane	2020	3,223,101	3,099,135	123,965	Sold to WBC
Chertsey Road	2020	4,991,509	4,799,528	191,981	Sold to THL
Cornerstone	2020	30,371,338	29,203,209	1,168,128	Sold to THL
Hawthorn Road	2020	1,865,380	1,793,635	71,745	Sold to WBC
Knaphill 2	2020	2,400,000	2,040,120	359,880	Sold to THL
Poole Road Energy Station	2020	19,184,884	18,447,004	737,880	Sold to TEL
Eden Grove	2020	832,000	800,000	32,000	Sold to THL
Lockwood Path	2020	1,352,000	1,300,000	52,000	Sold to THL
Brookwood Lye	2021	32,178,346	30,940,717	1,237,629	60% sold to THL
Poole Road Accommodation	2021	34,421,418	33,097,517	1,323,901	Sold to THL
<b>TOTAL</b>		<b>189,896,484</b>	<b>182,325,201</b>	<b>7,571,283</b>	

Finance costs relate to 20 High Street, and Griffin / Concorde house. All loan interest associated with developments is wrapped into the development costs and forms part of the sale cost to the purchasing entity.

TDL has generated dividends during the business plan period to support Environmental projects, payable to Thameswey Limited to reinvest in Thameswey Sustainable Communities Ltd.

The balance sheet includes Griffin and Concord house as investment properties, along with 20, High Street. The total value of investment properties in 2019 are £11.2M

The balance sheet includes an increasing Work in Progress balances until individual projects are completed and sold. The table below identifies the project balance at each year end. During 2020 and 2021, there are a significant number of developments completed, the financial impact being an in year reduction in work in progress spend and a negative spend profile, although positive cumulative spend.

Project	2017 & prior	2018	2019	2020	2021	2022	TOTAL
Net Work In Progress PA	48,380,214	34,133,498	25,209,979	- 10,539,868	- 53,952,853	3,958,966	47,189,935
Cumulative WIP	48,380,214	82,513,712	107,723,691	97,183,823	43,230,970	47,189,935	47,189,935

TDL has historically borrowed short term to fund developments during their project period until the sale, loans are increasing as project spend increases. At the point of project completion short term loans are repaid to WBC, and long-term loans are drawn within the new owning entity. In periods of increasing interest rates, funding may be drawn long term to mitigate increasing funding costs. In addition, a long-term loan exists, provided by THL, to fund 20 High Street.

The loans drawn to Support Sheerwater leisure centre and Gateway 1&2 total £30M within the business plan period.

Loans at the end of 2018 total £90M, additional loans drawn during the business plan period total £71M, loans repaid during the business plan period total £113M, leaving loans outstanding at 2022 of £48M. Of the £48M, £30M relates to Sheerwater and £18M relates to Griffin / Concorde development.

End of Business Plan