



Coventry Shareholder Committee

Time and Date

2.00 pm on Wednesday, 28th September, 2022

Place

Committee Room 3 - Council House

Public Business

1. **Apologies for Absence**

2. **Declarations of Interest**

3. **Minutes** (Pages 3 - 8)

To agree minutes of the meeting held on 30 March 2022.

4. **Exclusion of Press and Public**

To consider whether to exclude the press and public for the private item(s) of business for the reasons shown in the report.

5. **Annual Performance Report Year end 31 March 2022** (Pages 9 - 32)

Report of the Director for Coventry Municipal Holdings Limited

6. **Any other items of public business which the Chair decides to take as matters of urgency because of the special circumstances involved**

Private Business

7. **Annual Performance Report Year end 31 March 2022** (Pages 33 - 60)

Report of the Director for Coventry Municipal Holdings Limited

(Listing Officer: P Mudhar, email: parminder.mudhar@coventry.gov.uk)

8. **Any other items of private business which the Chair decides to take as matters of urgency because of the special circumstances involved**

Julie Newman, Director of Law and Governance, Council House, Coventry

Tuesday, 20 September 2022

Note: The person to contact about the agenda and documents for this meeting is Lara

Knight / Suzanne Bennett email: lara.knight@coventry.gov.uk /
suzanne.bennett@coventry.gov.uk

Membership: Councillors R Brown, K Caan, G Duggins (Chair), P Hetherington,
AS Khan, M Mutton, J O'Boyle, K Sandhu, P Seaman and D Welsh

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Lara Knight / Suzanne Bennett
email: lara.knight@coventry.gov.uk /
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Coventry City Council
Minutes of the Meeting of Coventry Shareholder Committee
held at 3.00 pm on Wednesday, 30 March 2022

Present:

Members: Councillor G Duggins (Chair)
Councillor AS Khan (Deputy Chair)
Councillor P Hetherton
Councillor M Mutton
Councillor J O'Boyle
Councillor K Sandhu
Councillor P Seaman
Councillor D Welsh

Coventry Municipal Holdings Limited: P Fahy, Director
G McKelvie, Director
P Mudhar, Director
K Nelson, Director
G Sangha, Secretary
A Walster, Director

Employees (by Directorate):

Chief Executive: M Reeves
Finance B Hastie (Chief Operating Officer)
Law and Governance J Newman (Director of Law and Governance), L Knight

Apologies: Councillor R Brown and K Caan

Public Business

1. Declarations of Interest

There were no disclosable pecuniary interests.

2. Exclusion of Press and Public

RESOLVED that the Coventry Shareholder Committee agrees to exclude the press and public under Sections 100(A)(4) of the Local Government Act 1972 relating to the private report in Minute 5 below headed 'Business Planning Cycle for 2022-23 for the Coventry Municipal Holdings Group' on the grounds that the report involves the likely disclosure of information as defined in Paragraph 3 of Schedule 12A of the Act, as it contains information relating to the financial affairs of a particular person (including the authority holding that information) and in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

3. **Business Planning Cycle for 2022-23 for the Coventry Municipal Holdings Group**

The Coventry Shareholder Committee considered a report of the Managing Director for Coventry Municipal Holdings Limited, which provided an outline of the key capital and revenue investments included in the business plans for companies within the Coventry Municipal Holdings Group (CMH).

A corresponding private report detailing confidential financial matters was also submitted for consideration (Minute 5 below refers).

On the 5th November 2021, the Council incorporated CMH and restructured their wholly owned company investments. The organisational structure, provided at figure 1 within the report, was implemented to strengthen the governance arrangements to ensure that the companies are managed in a robust and transparent manner.

Each of the companies had prepared their own business plans for 2022/23 and on overview for 2023-2025. These plans were appended to the corresponding private report. The CMH group included the following companies:

- Tom White Waste Limited (TWW) and subsidiaries: A&M Metals, TW(LACo) (the Teckal Company)
- Coombe Abbey Park Limited (CAPL) and subsidiaries: No Ordinary Hospitality Management (NOHM), Coombe Abbey Park (LACo) (the Teckal Company)
- Coventry Technical Resources Limited (CTR)
- Coventry Regeneration Limited (CR)
- No Ordinary Hotels Limited (effectively a dormant company)

The report indicated that the vision for CMH for 2022/23 and beyond is:

- To provide excellent governance across its own activities and those of its subsidiaries in accordance with the Group Governance Agreement
- To derive value from commercial activity in line with the strategic corporate objectives that may be used to off-set budget pressures and enhance services delivered by Coventry Council
- To have a positive social and environmental impact through its undertakings and activities
- To grow the portfolio of activity of CMH and its subsidiaries in a risk balanced manner through organic growth, further acquisition and investment in business process and infrastructure
- To provide a vehicle for investment

It was recommended that the business plans for CMH Ltd and each subsidiary entity be approved along with their vision and strategic objectives for 2022/23 and beyond in their entity business plans. The Committee noted that the strategic objectives for CMH were:

- To deliver positive social impacts for the residents of Coventry in the context of both CMH's direct activities, and by delivering 'profit for purpose', off-setting budget pressures with income and dividends derived from CMH and its subsidiaries' activities
- To drive commercial growth through all subsidiaries and through CMH led initiatives, exploring opportunities for business acquisition, development of new businesses and investment in business process, resource and infrastructure.
- To support the delivery of the business plans of the subsidiaries with resource capability and capacity and investment as appropriate
- To focus the activity of CMH within the environment and leisure sectors
 - Environment sector, with the intention of supporting the Council's climate change strategy with commercial activity that contributes to mitigating climate change, expanding on the activity of Tom White
 - Leisure sector, that supports the growth of business in the leisure sector to increase resilience of the existing investment in the sector at Coombe Abbey, and benefit from the growth in the UK leisure sector
- To explore the ability to set up an investment fund that is capable of supporting investment in the existing subsidiaries and further initiatives that will deliver the business plan.

A summary of the budget for 2022/23 was included in the corresponding private report which included the budget to March 2023. For CAPL this represented a 15 month trading period incorporating two of the quietest quarters in the hospitality calendar. This was to realign their year end to the end of March, in line with the wider group.

The CMH Group were on track to deliver a dividend that was declared by TWW in a previous accounting year but not yet paid and following a restructure of the balance sheet for CTR, a dividend which reflected the proceeds from the sale of the shares in Arena Coventry Limited.

The corresponding private report included the forecast capital and revenue investments which had been included in the individual business plans.

A key capital investment was for TWW who were exploring options to secure funding for the investment in redeveloping the material recycling facility on their site. The business case for the material recycling facility redevelopment was covered in more detail in the TWW Business Plan. The investment was focussed on enhancing the environmental performance of the Company and for businesses in Coventry, as more material would be recovered for beneficial use rather than disposal and should deliver zero material being sent to landfill. The net financial impact had been included within the budget for 2022/23 onwards.

TWW business plan also considered the creation of a new subsidiary – Tom White Haulage Limited. This new company would be created to undertake the haulage contract being discussed with Sherbourne Recycling Limited. The capital and revenue investment would only be undertaken if this contract was signed.

The Committee noted that the business plans were key documents for the companies to move forward to achieve the projections and objectives.

RESOLVED that, subject to consideration of the corresponding private report on this matter, the Coventry Shareholder Committee approve:

1. **The business plans for Coventry Municipal Holdings Limited.**
 2. **The business plan for Coombe Abbey Park Limited group.**
 3. **The business plan for Tom White Waste group.**
 4. **The business plan for Coventry Technical Resources Limited**
 5. **The business case investment in the Materials Recycling Facility as included within and appended to the Tom White Waste business plan.**
 6. **The incorporation of Tom White Haulage Limited as more fully described within the Tom White business plan.**
 7. **The Group budget as set out in Table 1 for Coventry Municipal Holdings Limited and its subsidiaries.**
 8. **The appointment of LDP Luckman's as the auditors for the group companies for a period of 3 years with the option to extend for a further year.**
4. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved**

There were no other items of public business.

5. **Business Planning Cycle for 2022-23 for the Coventry Municipal Holdings Group**

Further to minute 3 above, the Coventry Shareholder Committee considered a private report of the Managing Director for Coventry Municipal Holdings Limited, setting out the commercially confidential matters relating to the business planning cycle for 2022-23 for the Coventry Municipal Holdings Group.

RESOLVED that, the Coventry Shareholder Committee approve:

1. **The business plans for Coventry Municipal Holdings Limited.**
2. **The business plan for Coombe Abbey Park Limited group.**
3. **The business plan for Tom White Waste group.**
4. **The business plan for Coventry Technical Resources Limited**

5. **The business case investment in the Materials Recycling Facility as included within and appended to the Tom White Waste business plan.**
 6. **The incorporation of Tom White Haulage Limited as more fully described within the Tom White business plan.**
 7. **The Group budget as set out in Table 1 for Coventry Municipal Holdings Limited and its subsidiaries.**
 8. **The appointment of LDP Luckman's as the auditors for the group companies for a period of 3 years with the option to extend for a further year.**
6. **Any other items of private business which the Chair decides to take as a matter of urgency because of the special circumstances involved**

There were no other items of private business.

(Meeting closed at 4.00 pm)

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Public report

Coventry Shareholder Committee

A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it contains information relating to the financial and business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighs the public interest in disclosing the information.

Coventry Shareholder Committee

28th September 2022

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Managing Director for Coventry Municipal Holdings Limited – A Walster

Ward(s) affected:

None

Title:

Annual Performance Report year ended 31st March 2022

Is this a key decision?

No – an update on the position for the last 12 months

Executive summary:

The Annual Performance Report is focused on a backward look over the 12 months of operation April 2021 to March 2022 for Coventry Municipal Holdings and its subsidiaries.

Coventry Municipal Holdings was officially incorporated on 5th November 2021 when it acquired the shares from the Council in the following companies, although the Council remains as the ultimate shareholder for the Group.

- Tom White Waste Limited (Tom White, TW)
- Coombe Abbey Park Limited (CAPL)
- No Ordinary Hotels Limited
- Coventry Technical Resources Limited (CTR)
- Coventry Regeneration Limited

There have been a number of challenges with regards to the financial position for the subsidiaries in the group with the leisure sector recovering from the impact of Covid-19 and Tom White experiencing additional costs mainly due to the reliability of plant, machinery and vehicles as well as additional costs of third party waste disposal.

The Group Governance Agreement requires CMH to produce an Annual Performance Report looking back the operation of the group to the year-end 31st March 2022. The Public Annual Performance Report is appended to this paper.

Recommendations:

Shareholder Committee to:

- (1) Accept the Annual Performance Report for the CMH Group for the year ended 31st March 2022

List of Appendices included:

The following appendices are attached to this report:

- Coventry Municipal Holdings Limited - Annual Performance Report for 2022 (Public)

Background papers:

None

Other useful documents

None

Has it or will it be considered by scrutiny?

No

Has it or will it be considered by any other council committee, advisory panel or other body?

No – However, a separate report will be submitted to the Audit and Procurement Committee

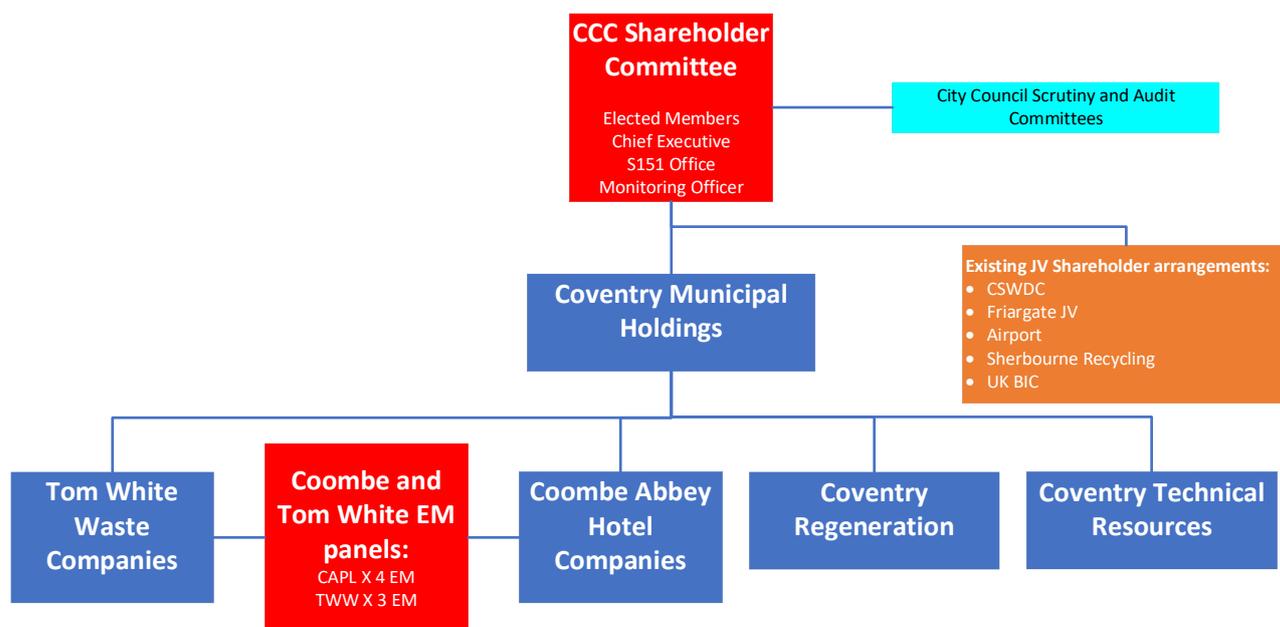
Will this report go to Council?

No

1. Context (or background)

- 1.1. Coventry Municipal Holdings Limited (CMH) group was created on the 5th November; when the company acquired shares in the subsidiaries from the Council and the Council acquired shares in CMH for an equal amount. The diagram below demonstrates the company and governance structure we have in place within the CMH group.

Figure 1: CMH group structure chart



- 1.2. The company has been working with the subsidiaries to embed the polices that make up the Group Governance Agreement. 2021/22 has been focused on strengthening the information that is provided to the Board of Directors and working closely with the Management Teams and Directors to achieve the aspirations of their original Business Plans.
- 1.3. **The companies are yet to receive their final audited accounts, so all figures may be subject to change depending on the audit adjustments that maybe required.** The draft consolidated position for the group is detailed in the Private report. When the audited accounts are available, an updated report will be published to reflect the final performance position.

2. Options considered and recommended proposal

- 2.1. **Option 1 – Do nothing** – the Group Governance Agreement (GGA) is a legally binding document that was entered into by the entities within the CMH group. It sets out the governance and reporting requirements for the group which includes presenting a report on the Annual Performance Report for the Group to the Shareholder Committee each year. This report has been drafted to meet this requirement.
- 2.2. This is not the recommended option.
- 2.3. **Option 2 – to accept the Annual Performance Report** which has been drafted in line with the GGA, to meet the reporting requirements to the Shareholder Committee and ensure transparency and consistency in relation to information on the wholly owned Council investment.

2.4. The Annual Performance Report includes details on:-

- the progress of each Group Member as against the Business Plans and financial projections therein;
- an overview of the Group's financial position;
- a summary of key activities undertaken by each of the Trading Companies and any of their subsidiary undertakings over the preceding Accounting Period;
- a summary of future business developments and opportunities for each Group Member;
- a summary of key risks for the Group and how the HoldCo Board of Directors are seeking to mitigate those risks; and
- any further information that the HoldCo Board of Directors deems to be appropriate for inclusion with the Annual Performance Report.

2.5. The report confirms compliance to the Procurement Policy which is part of the GGA to ensure value for money with procurement activity.

2.6. In July 2022, the Council's Audit Committee received the auditors Annual Report on Company Governance by Grant Thornton. The report made comment on the structure prior to the creation of the CMH group and the adoption of the GGA. The response to the points raised and actions has been included within the Annual Performance report. This detail is available in the appended report.

2.7. Accepting the Annual Performance Report is the recommended option

3. Results of consultation undertaken

3.1. No consultation has been undertaken

4. Timetable for implementing this decision

4.1. Upon approval of this report CMH will notify the subsidiaries that the Shareholder has accepted the performance position for the year ending 31st March 2022.

4.2. The final accounts for each subsidiary will be circulated to the Members of Coventry Shareholder Committee when they are finalised and published on Companies House.

5. Comments from Chief Operating Officer (Section 151 Officer) and Director of Law and Governance

5.1. Financial Implications

The Public Annual Performance Report as appended to this document, includes draft financial information based on the latest unaudited accounts for each entity and as such the figures are likely to change.

The operational performance and financial outturn for the year has been considered for each entity and a consolidated position for the group. The consolidated accounts have been

compiled using merger accounting where any movement in the investment value paid for the shares and the net asset value is held in a merger reserve rather than under the fixed assets category of the balance sheet as goodwill. As the value of the net assets change year on year, this value would be adjusted for in the reserve. This accounting treatment has been adopted on advice of the CMH auditors as it meets the requirements for mergers as a result of a business combination. The value of the shares is only realised at the point we dispose of them. Further details of the impact of the account treatment is available in the Private Report.

No dividends have been declared for the year. Final decisions on whether to offer a dividend to the Shareholder will be made by the Group board of directors when the final audited accounts are received for the Group.

5.2. Legal Implications

CMH has acted in accordance with the Group Governance Agreement which sets out the policies and obligations on the Group. The Group have submitted their confirmation statements and requirements to Companies House on the submission requirement dates. The audited accounts will be submitted to Companies House as soon as they are finalised.

6. Other implications

6.1. How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)?

The dividend revenue declared by the entities in the group of companies will support the Council to deliver its core aims. We are hopeful that the CMH will be in a position to deliver dividends in 2022-23.

6.2. How is risk being managed?

The risks and mitigating actions that the Group is exposed to are listed below along with the approach to mitigate these risks.

- Political global environment – Subsidiary companies are in waste/ environmental and in leisure, both of which are sensitive to the geo political global environment and may be impacted by matters outside the control of the operating companies or CMH. The Board shall monitor these matters and impacts to performance, mitigate where ever possible, and report the same to the Shareholder Committee from time to time as appropriate.
- Capital risks – the vision and objectives for CMH includes growth of the portfolio of activity of CMH and its subsidiaries in a risk balanced manner through organic growth, further acquisition and investment in business process and infrastructure. There is a risk that there is insufficient capital to take these opportunities forward. One objective for CMH is to explore the possibility of setting up an investment fund to support the group to provide resource to meet the growth aspirations along side the subsidiaries seeking to secure capital through their own financial channels.
- Operational risks - given the growth strategy, there is a risk that the operational team will not have sufficient capacity to move all projects forward. The Group currently has a number of concurrent projects which are utilising the management team for the CMH along with the management teams in the respective subsidiaries. The Board of Directors will monitor the use of resources and redirect or seek to get in additional support as required so not to lose focus on the delivery of the underlying business alongside growth aspirations.

- Liquidity risk – the impact of Covid and current inflationary pressures will have an impact on the leisure market and environmental sectors as well for customers. Where possible the additional costs will be recovered through revenues. All subsidiaries monitor their cashflow on a regular basis to ensure they have sufficient resources to meet the operational requirements. This information is shared with the respective Board of Directors for each company on a regular basis.

6.3. What is the impact on the organisation?

The Group Governance Agreement has been embedded within CMH and the wider group. This will strengthen the governance arrangements and reporting requirements to the respective Board of Directors, Shareholder Committee and Shareholder. The GGA includes details on when and what should be reported as a minimum to the Shareholder Committee to provide transparency on the operations of the arm's length wholly owned commercial companies within the CMH group. In future years CCC should receive dividend income which will go towards delivery of the Council's priorities.

6.4. Equalities / EIA?

No equalities impact assessment has been undertaken.

6.5. Implications for (or impact on) climate change and the environment?

Tom White is a company that operates within the environmental sector. One of the performance drivers for TW has been availability of the plant and equipment to process waste, which has led to a lower recovery of recyclable material and more waste being sent to landfill. The Business Plan that was presented to the Coventry Shareholder Committee in March 2022, included the redevelopment of the material recycling facility which will increase waste recovery from 7% to 70%, reducing waste to landfill and contributing towards a positive impact on the environment.

6.6. Implications for partner organisations?

The report focuses a number of commercial companies, which have a relationship with the Council. Any impact on the Council or these companies as a result of the report is covered in the appended document.

Report author(s):

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Title Financial Director at **Coventry Municipal Holdings Limited**

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Enquiries should be directed to the above person

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Grant McKelvie	Director	CMH	14/9/22	20/09/22
Lara Knight	Governance Services Co-ordinator	Law and Governance	18/09/22	20/09/22
Gurbinder S Sangha	Company secretary	CMH	18/09/22	20/09/22
Names of approvers: (officers and members)				
Finance: Paul Jennings	Finance Manager	Finance	18/09/22	20/09/22
Legal: Julie Newman	City Solicitor and Monitoring Officer	Law and Governance	20/09/22	20/09/22
Director: Andrew Walster	Director	CMH	14/9/22	20/09/22
Member: Councillor George Duggins	Cabinet Member for Policy and Leadership	CCC	20/09/22	20/09/22

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COVENTRY MUNICIPAL HOLDINGS

Annual Performance Report 2022

Contents

1	Executive Summary	3
1.1	Overview of the year in review	3
1.2	Coventry Municipal Holdings Limited (CMH).....	3
1.3	Tom White Performance	4
1.4	Coombe Abbey Park Performance.....	4
1.5	Coventry Technical Resources	4
1.6	Other subsidiaries	4
2	Summary of Key Business Activities in 2021/22	5
2.1	Tom White.....	5
2.2	Coombe Abbey Park Limited.....	5
2.3	Coventry Technical Resources Limited.....	6
3	2021/22 Performance for the Entities.....	6
3.1	Tom White.....	6
3.1.1	TW Performance Influences	6
3.1.2	TW Financial Performance	7
3.2	Coombe Abbey Park Performance.....	7
3.2.1	CAPL Performance Influences	7
3.2.2	CAPL Financial Performance	7
3.3	Coventry Technical Resources	8
3.3.1	CTR Performance Influences	8
3.3.2	CTR Financial Performance	8
4	Coventry Municipal Holdings Group.....	8
4.1.1	Performance Influences.....	8
4.1.2	CMH Group Consolidated Financial Performance.....	8
5	Priorities and Initiatives 2022/23	9
5.1	Tom White.....	9
5.2	Coombe Abbey Park Hotel Limited	9
5.2.1	No Ordinary Hospitality Management Limited/ Coombe Abbey Park (LACo) Limited	10
5.3	Coventry Technical Resources	10
5.4	Coventry Technical Resources (CTR) is established to provide efficient resource and services in accordance with objectives and business plan. Coventry Regeneration	10

5.5	Coventry Municipal Holdings.....	10
7	Risks and Mitigations	11
8	Procurement Update	11
8.1	Compliance to the Procurement Policy	12
9	Response to Grant Thornton’s VfM Annual Report on Company Governance .	12

1 Executive Summary

1.1 Overview of the year in review

The Annual Performance Report is focused on a backward look over the 12 months of operation April 2021 to March 2022 for Coventry Municipal Holdings and its subsidiaries.

Coventry Municipal Holdings was officially incorporated on 5th November 2022 when it acquired the shares from the Council in the following companies, although the Council remains as the ultimate shareholder for the Group.

- Tom White Waste Limited (Tom White, TW)
- Coombe Abbey Park Limited (CAPL)
- No Ordinary Hotels Limited
- Coventry Technical Resources Limited (CTR)
- Coventry Regeneration Limited

There have been a number of challenges with regards to the financial position for the subsidiaries in the group with the leisure sector recovering from the impact of Covid-19 and Tom White experiencing additional operating costs, higher material disposal costs, together with the correction historic accounting practices. These were referenced in the Business Plan approved by Shareholder Committee in March 2022. These are covered in more detail below.

One of the key drivers for incorporating CMH was to improve the governance and reporting for the Council's commercial investments. The changes implemented by CMH across the group have addressed points raised by Grant Thornton in their Value For Money Annual Report on Company Governance for 2020-21 which was presented to Audit and Procurement Committee in July 2022. This is covered in more detail in Section **Error! Reference source not found.** of this report.

1.2 Coventry Municipal Holdings Limited (CMH)

CMH implemented its financial system and processes to manage its business.

The company has been working with the subsidiaries to embed the policies that make up the Group Governance Agreement. 2021/22 has been focused on strengthening the information that is provided to the Board of Directors and working closely with the Management Teams and Directors to achieve the aspirations of their original Business Plans. No dividends have been declared for the year yet. Final decisions on whether to offer a dividend to the Shareholder will be made by the Group Board of Directors when the final audited accounts are received for the Group.

The draft consolidated position for the Group is not yet finalised as the individual audited accounts for each of the entities are not yet available as this is still being undertaken by the auditors. The CMH consolidated accounts will be based on the performance of the group from the date that CMH was incorporated to the 31st March

2022. The individual entity accounts will reflect the duration of their trading (12 month period). A further report will be produced when the audited accounts are available to present the final financial position for the group.

Further details for the group are included in Section 3 - 2021/22 Performance.

1.3 Tom White Performance

The performance of Tom White in 2021/22 was driven by

- Additional operational costs
- Higher material disposal costs due to changes in the local disposal market
- Driver availability post-Covid and post-Brexit
- Benefit of new contracts
- Correction of historic accounting practices

Further information on the drivers behind the years performance is provided in paragraph 3.1.

1.4 Coombe Abbey Park Performance

The performance of Coombe Abbey Park in 2021/22 was driven by

- Partial trading due to Covid restrictions
- Refinancing of the existing loans in the company provided allowed the company to manage its financial commitments and outgoings whilst recovering from the impact of limited trading
- Staff shortages following Covid restrictions being relaxed and impact of Brexit
- New contracts being secured and existing contracts performing well

Further information on the drivers behind the years performance is provided in paragraph 3.2.

1.5 Coventry Technical Resources

The performance of Coventry Technical Resources in 2021/22 was driven by

- Steady trading with the Council as expected in the budget
- Addition of staff in line with the business plan

1.6 Other subsidiaries

Coventry Regeneration has a very limited number of transactions each year in relation to the operation of the business. The company holds a small cash balance which is used to generate a small return as interest. There are no other trading activities taking place in this entity.

No Ordinary Hotels Limited is effectively a dormant company. There are no transactions in this company for the year.

2 Summary of Key Business Activities in 2021/22

The main business activities for the subsidiaries did not change throughout the year, although there were some additions to the portfolio for each subsidiary which are described below.

2.1 Tom White

The main business activities for TW are in relation to the collection of waste for trade and commercial customers and then the processing of the waste collected through the material recycling facility (MRF) located on the Longford Road site. The MRF separates the waste into its component parts for onward processing or the material is shredded to create a fuel source called Refuse Derived Fuel (RDF) which can be used as an input material for other processors.

TW rebranded in 2021/22 from Tom White Waste to Tom White, with a clear vision relating to the environment, our people and creating a profit for purpose. The new branding has been widely shared across the industry and social media, and continues to receive positive feedback.

During 2021/22 TW started exploring opportunities for strategic growth aligned to business strategy. These opportunities all have material commercial benefit, and have informed the 2022/23 business plan and subsequent engagement with the Shareholder.

Further details on opportunities being pursued are included under Section 5 – Priorities and Initiatives.

2.2 Coombe Abbey Park Limited

The hospitality sector suffered as a result of Covid-19 and the Government restrictions which affected the operation of the business in 2021/22. The hotel was closed for 5 months (January – May 2022). The company refinanced its debt in April 2021 to ease the pressure on their cashflow as a result of the impact of Covid. The company is now showing a healthy cash position.

The company focused on increasing the revenue within its catering outlets at Coombe Abbey Park while the hotel was closed and successfully delivered further two outlets; The Sundae Club and Abbey Artisan Market both opening their doors within the Visitors Centre in November 2021.

In April 2021, CAPL incorporated two subsidiaries:

- No Ordinary Hospitality Management Limited (NOHM) which has been set up to undertake management contracts for third parties. This year NOHM secured the contracts to manage a number of short term let properties of the Historic

Coventry Trust (HCT) cottages. The HCT contract went live in year. The Company started strengthening the brand of NOHM during 2021/22, with the intention that over time it becomes the principal branding for the group.

- Coombe Abbey Park (LACo) Ltd (CAPLACo) which was also formed.

During 2021/22 the company also started exploring growth opportunities that align to the business plan.

As the company moves NOHM to be the brand under which all the business units trade, the company has been actively seeking further opportunities that align to its core business. These are discussed further in Section 5 – Priorities and Initiatives.

2.3 Coventry Technical Resources Limited

The business activities of this company have been focused on providing resource solutions in line with its approved business plan.

3 2021/22 Performance for the Entities

Coventry Municipal Holdings was incorporated in November 2022 when it acquired the shares from the Council in the following companies, although the Council remains as the ultimate shareholder for the group.

- Tom White Waste Limited,
- Coombe Abbey Park Limited
- No Ordinary Hotels Limited
- Coventry Technical Resources Limited
- Coventry Regeneration Limited

The financial performance and the matters and challenges that have influenced the each of the companies are provided and discussed below, together with a consolidation for Coventry Municipal Holdings.

3.1 Tom White

3.1.1 TW Performance Influences

The aspects of 2021/22 that have influenced and impacted performance are detailed within the Tom White business plan. In summary;

- Ongoing culture change from family business to corporate SME
- Changes to the management team
- Introduction of a data led approach to business management
- Rebrand to 'Tom White' with clear new values associated with 'profit for purpose', 'focus on our people', and 'doing the right thing environmentally'

- Supporting the City Council strike action with emergency waste management services
- Escalating costs associated with delivering the normal course of business
- Driver availability post-Covid and post-Brexit has been a challenge

3.1.2 TW Financial Performance

The performance influencers above have impacted on the financial operation of the business. The audited accounts for the company are not yet available, and as such a supplementary report along with the audited accounts will be shared once they are available.

A copy of the final audited accounts will be published at Companies House when they are available.

3.2 Coombe Abbey Park Performance

3.2.1 CAPL Performance Influences

The aspects of 2021/22 that have influenced and impacted performance are detailed within the Coombe Abbey Park business plan. In summary;

- The hotel was required to close at the start of 2021 due to government restrictions, with partial trading from April in the form of outdoor dining and restrictions lifted in July 2021
- Ongoing restrictions and requirements around social distancing and the need to limit capacity of events had an ongoing impact through the year
- In August the greater removal of restrictions then saw unprecedented demand in the leisure sector
- Ongoing availability of staff in the market (another post-Brexit issue)
- The diverse nature of CAPL, with outlets in the parks, Go Ape and new No Ordinary Hospitality contracts in the city meant that the non-hotel business grew revenues
- New outlets were opened following capital investment in the Coombe visitor centre, the performance from which will deliver in to 2022

3.2.2 CAPL Financial Performance

The audited accounts for the company are not yet available, and as such a supplementary report along with the audited accounts will be shared once they are available. The company will report a 15 month position to 31st March 23 to realign the year end with the wider group.

A copy of the final audited accounts will be published at Companies House once they are available.

3.3 Coventry Technical Resources

3.3.1 CTR Performance Influences

Coventry Technical Resources (CTR) performed as expected against the budget, with the provision of the services as anticipated for the year.

3.3.2 CTR Financial Performance

CTR is forecasting to generate small profit, with all costs recharged to the Council as part of the agreed employment terms for each appointment.

CTR holds a cash balance which will be transferred to the Council following a restructure of the balance sheet for CTR to enable it to make payment of these funds by way of dividend to CMH and through to the Council.

A copy of the final audited accounts will be published at Companies House once they are available.

4 Coventry Municipal Holdings Group

4.1.1 Performance Influences

The performance of CMH is driven by the management charges levied against the subsidiaries which covers the head office overheads of the company. These were duly charged in 2021/22.

CMH is not a trading entity, however some of the CMH Directors' time is provided back to Coventry City Council and recharged accordingly.

4.1.2 CMH Group Consolidated Financial Performance

The audited accounts for the company are not yet available, and as such a supplementary report along with the audited accounts will be shared once they are available. The draft unaudited financial statements that have been prepared for the period that CMH has been incorporated. This is based on the reported position for the key subsidiaries as detailed in Section 3, to the 31st March under an International Financial Reporting standards (IFRS) basis.

The accounts have been consolidated based on the merger accounting basis which reflects the movements with entities under common control without inflating the balance sheet. Any movement in the investment value paid for the shares and the net asset value for each entity will be held in a merger reserve rather than under the fixed assets category of the balance sheet as goodwill. As the value of the net assets change year on year, this value would be adjusted as required, in the reserve. This accounting treatment has been adopted as it meets the requirements for mergers as a result of a business combination. The value of the investment in the company shares is only realised at the point we dispose of them.

On incorporation CMH acquired shares in the subsidiaries at the value that was equal to the long-term investment value on the Council's balance sheet at the time. This will be compared to the net asset value at the point of acquisition with any difference recorded and held in the merger accounting reserve. This would normally be considered as goodwill under the assets of the balance sheet.

The consolidated accounts for CMH are based on International Financial Reporting Standards whereas the entity accounts for TW and CAPL will be based on UK Generally Accepted Accounting Practice (UKGAAP) where there are some differences in the accounting standards being applied, a relevant example of this is IFRS16 accounting for leases standard. Under IFRS 16 there are now a number of leases appearing on the Statement of Financial Position (balance sheet) as part of the non-current (fixed) assets which would not have been treated as such under UK GAAP.

A copy of the final consolidated accounts for CMH will be published at Companies House once it is available.

5 Priorities and Initiatives 2022/23

Acknowledging the performance of 2021/22, and as shared within the 2022/23 business plans for each of the subsidiaries, the following is a short summary of the priorities and initiatives being pursued by each subsidiary into 2022/23. Many of these are being progressed with suitable separate engagement with the Shareholders as required by the Group Governance Agreement.

5.1 Tom White

- Organic **growth of core business**, using an expanded sales team to drive additional business growth across key market segments of Construction, Manufacturing and Tertiary Education
- Expanding **the 'value added' services** of Tom White into the customer base,
- Developing and starting the execution of the **decarbonisation strategy**,
- Subject to funding, on site development to improve financial and environmental performance of the company.

5.2 Coombe Abbey Park Hotel Limited

- In 2022/23 there is a period of **consolidation at the hotel**, strengthening the foundation for growth to the 2026 strategic vision as set out in the CAPL business plan
- Focusing **sales on traditional services** and activities to satisfy customer demand; hotel occupancy, dining, café offers, weddings and conferencing
- Development of **systems and digitisation** (including accommodating hybrid meeting delivery) strengthening the **management team**, new sales exec to

focus on **management contract growth**, all with capital and revenue investments accordingly.

- Minor capital **investment in building fabric and furnishings**
- Implementing measures to **improve staff retention** to improve resilience by investing in people and their conditions, including evolution of the employment structure to have more permanent staff
- Relocation of some back office functions into a newly leased off-site office space to free up revenue creating space within the hotel

5.2.1 No Ordinary Hospitality Management Limited/ Coombe Abbey Park (LACo) Limited

- Capital and revenue investment where appropriate and supported by business cases
- Marketing **existing opportunities and expanding**
- **Increase the management contracts**
- Investment in a **sales executive** to drive interest generation and response to management contract queries. This post has been included in the budget for NOHM
- Targeted marketing of the Coombe Abbey Park Visitor Centre outlets – farm shop, desert shop and flower shop

5.3 Coventry Technical Resources

5.4 Coventry Technical Resources (CTR) is established to provide efficient resource and services in accordance with objectives and business plan. Coventry Regeneration

It is the intention of CMH to leave Coventry Regeneration (CR) effectively dormant during 2022/23.

5.5 Coventry Municipal Holdings

CMH has appointed a full time Finance Director (FD) to support the financial operation of CMH during 2022/23, but also working closely with the Executive and Management Teams in the subsidiaries to provide strategic and financial guidance to meet the company's financial commitments.

The FD will work closely with the Financial Management functions in the subsidiaries to understand the financial drivers of the business to support increasing revenue and reducing cost pressures as well as ensuring the companies have the necessary framework through policies and procedures to ensure sound financial management and internal controls.

7 Risks and Mitigations

The risks and mitigating actions that the Group is exposed to are listed below along with the approach to mitigate these risks.

- Political global environment – Subsidiary companies are in waste/ environmental and in leisure, both of which are sensitive to the geo political global environment and may be impacted by matters outside the control of the operating companies or CMH. The Board shall monitor these matters and impacts to performance, mitigate where ever possible, and report the same to the Shareholder Committee from time to time as appropriate.
- Capital risks – the vision and objectives for CMH includes growth of the portfolio of activity of CMH and its subsidiaries in a risk balanced manner through organic growth, further acquisition and investment in business process and infrastructure. There is a risk that there is insufficient capital to take these opportunities forward.
- Operational risks - given the growth strategy, there is a risk that the operational team will not have sufficient capacity to move all projects froward. The Group currently has a number of concurrent projects which are utilising the management team for the CMH along with the management teams in the respective subsidiaries. The Board of Directors will monitor the use of resources and redirect or seek to get in additional support as required so not to lose focus on the delivery of the underlying business alongside growth aspirations.
- Liquidity risk – the impact of Covid and current inflationary pressures will have an impact on the leisure market and environmental sectors as well for customers. Where possible the additional costs will be recovered through revenues and business efficiency measures. All subsidiaries monitor their cashflow on a regular basis to ensure they have sufficient resources to meet the operational requirements. This information is shared with the respective Board of Directors for each company on a regular basis.

8 Procurement Update

The CMH Group is subject to the Procurement Policy that is included in the Group Governance Agreement (GGA) entered into by all parties. The GGA is a legal document that sets the delegations for decision making, reporting requirements for the group as well as a number of key polices in relation to transactions between the group and achieving value for money through procurement.

The Procurement Policy (Schedule 8 of the GGA) complies with the Councils core policies and has a regard for local suppliers and driving innovation along side sustainable procurement. It has been designed to allow the most appropriate and

efficient procurement route in line with the respective delegation levels for the entities and various Boards through the Shareholder Committee and Full Council.

8.1 Compliance to the Procurement Policy

- TW have made two key purchases in 2022 which are in line with the Capital Investment Schedule approved by the TW Board as part of the Business Plan for 2021/22. CAPL have made no capital purchases outside of its Business Plan or outside of the Procurement Policy in the GGA.
- CMH has acquired its financial system in line with the Procurement Policy.
- CTR has not made any purchases this year.

9 Response to Grant Thornton’s VfM Annual Report on Company Governance

In July 2022, Audit and Procurement Committee received a report from Grant Thornton in relation to the Company Governance for 2020-21. The report related to the period prior to incorporating CMH and as such a number of recommendations have already been delivered through the new structure and Governance arrangements.

The table below sets out the response to Grant Thornton along with any outstanding actions.

Table 1: Response to Grant Thornton on the Company Governance Report Actions

	Recommendation	Response
1	The review of financial performance performed by officers should be on a more formal and regular basis, perhaps quarterly. Financial performance for each commercial entity should then be reported to the Shareholder Committee and Audit and Scrutiny Committee.	<p>Financial information will be obtained and reviewed by officers on a quarterly basis with any issues reported onwards to Shareholder Committee on an exception basis.</p> <p>There are two representatives from CMH on each subsidiary Board so collectively CMH has visibility of the subsidiary companies performance on a monthly basis at each Board meeting.</p> <p>Financial reporting will form part of the agenda for Shareholder Committee, the meetings for which are already established in the municipal calendar.</p> <p>It is proposed that Audit and Procurement Committee will receive a consolidated financial performance report following the Shareholder Committee September meeting.</p> <p>It is proposed that Scrutiny Board includes on its work programme an item to consider a review of company business plans following consideration by Shareholder Committee in March each year.</p>
2	The new CMH Shareholder Committee should receive draft statutory and management accounts showing the financial performance of each entity where the Council has an investment	Financial reporting will form part of the agenda for Shareholder Committee, the 6 monthly meetings for which are already established in the municipal calendar.

Coventry Municipal Holdings
Annual Performance Report 2022 – PUBLIC REPORT

	Recommendation	Response
3	Shareholder Panels and, in the case of wholly-owned subsidiaries, Member Panels, should also receive draft statutory and management accounts, and publish minutes capturing the questions and scrutiny of elected members and how they are answered by officers of the relevant companies.	The reporting process now ensures that member advisory panels receive financial information as recommended. It is not proposed that the minutes of these meetings are published due to it being commercially sensitive.
4	Member Panels should be held regularly and in time for their minutes to be part of the data received by the Holdco (CMH) Shareholder Committee.	Member Panels will be held regularly and in time for their minutes to be made available to Shareholder Committee. It is not proposed that the minutes of these meetings are published due to it being commercially sensitive.
5	There should be sufficient time set aside for members to scrutinise the companies and their accounts, so they may offer guidance to the Directors of those entities and make informed decisions concerning support provided by the Council to those entities.	Formal papers will be issued in line with standard committee paper timescales to allow sufficient time for scrutiny.
6	We support the Council's recommendation of bringing all entities onto the same year end for reporting purpose but note that period comparisons should be made available to members to aid their analysis of the accounts.	Accounting period comparisons already exist in reports brought to committee and will be included in those presented in September 2022 and future meetings.
7	Each trading company should have its own business plan, setting out the financial projections, business strategy and opportunities to be pursued over the coming financial year.	These requirements are now fulfilled as reflected in papers brought to Shareholder Committee on 30 th March 2022.
8	Each entity should be aware of how their plans meet value-for-money and quality requirements, and that performance against those requirements is captured through an adequately resourced monitoring function in each entity.	These requirements are monitored as reflected in papers brought to Committee on 30 th March 2022.
9	There should be ongoing assessment of risks relating to the entity, supported by processes to ensure that risks are highlighted in the business plan managed as part of the Council's overall risk management approach, with appropriate escalation and reporting.	Risks are monitored as reflected in papers brought to Committee on 30 th March 2022. A review of these risks will be undertaken as part of the Council's Risk Management process and incorporated within the Finance Directorate Risk Register as appropriate. CMH will have its own risk register which will be reviewed on a regular basis as part of the ongoing assessment of risks for the group.
10	Officers and members should be involved in the scrutiny, oversight, and approval of business plans, through direct officer involvement in each entity and the submission of company business plans to members on the Holdco Shareholder Committee, wholly-owned company Member Panels, and Shareholder Panels.	Member involvement already occurs through business plans being submitted to Shareholder Committee (March and September 2022). Officer oversight will be undertaken ahead of member meetings and any issues raised as appropriate with the Section 151 Officer and monitoring Officer as appropriate to feed into Shareholder Committee.
11	There should be evidence of formal periodic shareholder/Chair/CEO meetings with effective supporting papers to inform subsequent company board meetings. These should exist for: company board meetings; shareholder panels; member panels; CMH Board meetings; the Council's new Shareholder	Individual Managing Directors will be invited to Shareholder Committee, Audit and Procurement Committee and/or Scrutiny Committee meetings as appropriate and where required with usual minuting protocols.

Coventry Municipal Holdings
Annual Performance Report 2022 – PUBLIC REPORT

	Recommendation	Response
	Committee; and the Council's Scrutiny and Audit Committee.	
12	Minutes and actions from those meetings should be captured systematically by the Council for each commercial entity.	Any support is approved in line with the Group Governance Agreement which sets out the delegations policy for decision making, Procurement Policy for securing contracts for goods and services and the Council Contracting Policy which is in relation to contracts between the entities and the Council.
13	Any support or services provided by either party to the other party should be reported to the relevant Board, Panel or Committee by commercial entity.	This will be put in place from December 2022 and minutes are already available for the March 2022 Shareholder Committee meeting.
14	All decisions to provide loans or grants to a commercial entity should be reported to the relevant Board, Panel or Committee by commercial entity.	All such decisions will be subject to the Council's existing delegated financial decision matrix and reported accordingly.
15	All agreements between the Council and the Entity should be negotiated and agreed at 'arms length', with clear, up-to-date, and regular monitoring and review of performance against these agreements.	These papers are already produced as evidenced by individual Service Level Agreements with the subsidier companies where required. These documents have review and monitoring arrangements built in.
16	Any changes to arms-length agreements should be documented so that a clear audit trail exists.	Changes to these agreements are documented as evidenced by the Service Level Agreements referred to in item 15
17	The Council should ensure that CMH carries with it a Company secretarial function to monitor and control formal papers, minutes and actions for wholly owned entities.	This function and the relevant documentation and processes now exist for CMH.
18	There should be evidence of formal training provided to members who regularly attend Shareholder Panels. Member Panels, the new Shareholder Committee and the Council's Scrutiny and Audit Committee.	Initial formal training for members of Shareholder Committee has been provided. Mandatory training is already in place for members of Audit & Procurement Committee and Scrutiny in relation to their functions. It is proposed that members' Training and Development Work Programme is amended to allow for members of Audit & Procurement and Scrutiny to receive a condensed version of training provided to Shareholder Committee members, an overview of CMH and future training on the Council's investment strategy approach.
19	Fit and proper persons tests should be performed to ensure there are no conflicts of interest arising from the appointment of officers to boards or members to panels and committees.	This is addressed through: the CMH conflicts of interest policy; the Terms of Reference for the Shareholder Committee; the register of conflicts held by the Council and CMH; Council members' register of interests and meeting declarations; directors fit and proper person declarations upon appointment and; evidence sought on director skills and experience at point of appointment.
20	The Council should maintain a record of how it is operating against the Local Partnerships checklist in the paper "Local Authority Company Review Guidance – A toolkit for undertaking strategic and governance reviews of wholly or partly owned council commercial entities." (see Appendix F).	It is proposed that this is undertaken with the first report to Shareholder Committee then Audit and Procurement Committee in September 2023.

Coventry Municipal Holdings

Annual Performance Report 2022 – PUBLIC REPORT

	Recommendation	Response
21	The Council should strengthen its group accounting arrangements ensuring that it obtains appropriate advice and agrees accounting treatments in advance of purchasing or establishing a company.	The Council has increased its finance function capacity and specialism in relation to group accounts. The recommendation to obtain appropriate advice in advance of establishing or obtaining future company interests is noted.

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