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Coventry City Council

Minutes of the Meeting of Coventry Shareholder Committee held at 2.00 pm on Wednesday, 28 September 2022

Present:

Members: Councillor G Duggins (Chair)
Councillor P Hetherton
Councillor P Seaman

Coventry Municipal Holdings Limited: G McKelvie (Director)
P Mudhar (Director)
G Sangha (Director)
A Walster (Director)

Employees (by Service):

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

Apologies: Councillors R Brown, K Caan, AS Khan, M Mutton, J O'Boyle,
K Sandhu and D Welsh

Public Business

1. Declarations of Interest

There were no disclosable pecuniary interests.

2. Minutes

The minutes of the meeting held on 30th March 2022 were agreed and signed as a true record. There were no matters arising.

3. 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 12 below headed 'Annual Performance Report Year End 31st March 2022' 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

4. **Annual Performance Report Year end 31 March 2022**

The Coventry Shareholder Committee considered a report of the Managing Director for Coventry Municipal Holdings Limited, which provided a backward look over the 12 months of operation from April 2021 to March 2022 for Coventry Municipal Holdings and its subsidiaries.

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

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

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

The Group Governance Agreement required CMH to produce an Annual Performance Report, looking back at the operation of the group to the year-end 31st March 2022. The public Annual Performance Report was provided at Appendix 1 to the report.

The Committee noted that there had 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 of historic accounting practices. These had been referenced in the Business Plan approved by the Shareholder Committee at their meeting on 30th March 2022.

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 had addressed points raised by Grant Thornton in their Value for Money Annual Report on Company Governance for 2020/21, which was presented to the Audit and Procurement Committee in July 2022 (their Minute 22/22 refers).

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

It was noted that the draft consolidation position for the Group was not yet finalised as the individual audited accounts for each of the entities was not yet available as this was still being undertaken by the auditors. The CMH consolidated accounts would be based on the performance of the group from the date that CMH was

incorporated to the 31st March 2022. The individual entity accounts would reflect the duration of their trading (12 month period) and a further report would be produced when the audited accounts were available to present the final financial position for the group.

Further details for the group were included in Section 3 of the Appendix, with a summary of the drivers for the 2021/22 year as identified below:

- Tom White Limited
 - 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.

- Coombe Abbey Park Limited
 - Partial trading due to Covid restrictions.
 - Refinancing of the existing loans in the company 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 the impact of Brexit.
 - New contracts being secured and existing contract performing well.

- Coventry Technical Resources Limited
 - Steady trading with the Council as expected in the budget.
 - Addition of staff in line with the business plan.

With regard to other subsidiaries, the Committee noted that Coventry Regeneration Limited had a very limited number of transactions each year in relation to operation of the business. The company holds a small cash balance which was used to generate a small return as interest. There were no other trading activities taking place. No Ordinary Hotels Limited was effectively a dormant company and there were no transactions in the company for the year.

A summary of the key business activities for each of the subsidiaries during 2021/22 was also provided. The main business activities did not change throughout the year, although there were some additions to the portfolio for each subsidiary, which were set out in the report.

The financial performance as well as matters and challenges that had influenced each of the companies were set out and are summarised below:

Tom White Limited – Performance for 2021/22 had been influenced and impacted by the ongoing culture change from a family business to a corporate SME; changes to the management team; the introduction of a data led approach to business management; a 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; and driver availability post-covid and post-Brexit. These matters had impacted on the financial operation of the business. Audited accounts were not yet available but would be published at Companies House in due course.

Coombe Abbey Park Limited – Performance against the business plan had been influenced and impacted during 2021/22 by the hotel being 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 at events had an ongoing impact across the year; in August the greater removal of restrictions then saw unprecedented demand in the leisure sector; ongoing availability of staff in the market (post-Brexit); the diverse nature of CAPL, with outlets in the park, Go Ape and new No Ordinary Hospitality contracts in the city meant that the non-hotel business grew revenues; and new outlet were opened following capital investment in the Coombe visitor centre, the performance from which will deliver in to 2022. The audited accounts for the company were not yet available, but would be published at Companies House in due course.

Coventry Technical Resources Limited – performance was as expected against the budget, with provision of services as anticipated for the 2021/22 year. It was forecast that there would be a small profit, with all costs recharged to the Council as part of the agreed employment terms for each appointment. The cash balance held would be transferred to the Council following a restructure of the balance sheet for CTR to enable it to make payment of these fund by way of dividend to CMH and through to the Council. A copy of the audited account would be published at Companies House when available.

The performance of CMH was driven by the management charge levied against the subsidiaries, which covers the head office overheads of the Company. These were duly charged in 2021/22. The report indicated that whilst CMH was not a trading entity, some of the CMH Directors' time was provided back to the Council and recharged accordingly.

The audited accounts for CMH were not yet available. The draft unaudited financial statement had been prepared for the period that CMH had been incorporated. This was based on the reported position for the key subsidiaries set out in the report to the 31st March 2022, under an International Financial Reporting standards (IFRS) basis.

The accounts had been consolidated based on the merger accounting basis which reflected 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 would 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 changed year on year, this value would be adjusted as required, in the reserve. This accounting treatment had been adopted as it met the requirements for mergers as a result of a business combination. The value of the investment in the company shares was only realised at the point they were disposed.

The consolidated accounts for CMH were based on International Financial Reporting Standards whereas the entity accounts for TW and CAPL would be based on UK Generally Accepted Accounting Practice (UKGAAP) where there were some differences in the accounting standards being applied, a relevant example of this was IFRS16 accounting for leases standard. Under IFRS 16 there were 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 would be published at Companies House once it is available.

In July 2022, the Audit and Procurement Committee received a report from the external auditors, Grant Thornton, in relation to the Company Governance for 2021/22. The report related to the period prior to incorporating CMH and, as such, a number of recommendations had already been delivered through the new structure and Governance arrangements. The report included the recommendations from Grant Thornton, along with a response and details of any outstanding actions. These were accepted by the Committee.

RESOLVED that, the Coventry Shareholder Committee accept the Annual Performance Report for Coventry Municipal Holdings Group for the year ended 31st March 2022.

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

There were no other items of public business.

6. **Annual Performance Report Year end 31 March 2022**

Further to Minute 3 above, the Coventry Shareholder Committee considered a private report of the Managing Director for Coventry Municipal Holdings Limited, which set out the commercially confidential matters relating to a backward look over the 12 months of operation from April 2021 to March 2022 for Coventry Municipal Holdings and its subsidiaries.

RESOLVED that, the Coventry Shareholder Committee accept the Annual Performance Report for the Coventry Municipal Holdings Group for the year ended 31st March 2022.

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

There were no other items of private business.

(Meeting closed at 2.55 pm)

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