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**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

26 September, 2023

**Name of Cabinet Member:**

Cabinet Member for Policy and Leadership – Councillor G Duggins

**Director approving submission of the report:**

Chief Operating Officer (Section 151 Officer) – B Hastie

**Ward(s) affected:**

None

**Title:**

**Sherbourne Recycling Limited Annual Performance Report year ended 31<sup>st</sup> March 2023**

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**Is this a key decision?**

No

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**Executive summary:**

The Annual Performance Report is focused on a backward look over the 12 months of operation from April 2022 to March 2023 for Sherbourne Recycling Limited (SRL). The report is being brought to the Coventry Shareholder Committee to enable the Council's interest in the company to be monitored and for the assessment of performance made by company management to be accepted by the Shareholder.

The Shareholders Agreement requires SRL to produce an Annual Performance Report looking back on the operation of the company for the year ended 31<sup>st</sup> March 2023.

**Recommendations:**

- 1) The Coventry Shareholder Committee is recommended to consider and accept the assessment made by company management in the SRL Annual Performance Report for the year ended 31<sup>st</sup> March 2023.

**List of Appendices included:**

None.

**Background papers:**

Proposed Development of a Regional Materials Recycling Facility with Partnering Authorities  
(Cabinet 27<sup>th</sup> August 2019, Item 23)

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=124&MID=11942#A129021>

Investment in Material Recycling Facility – Update  
(Council 16<sup>th</sup> March 2021, Item 103)

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=130&MId=12238>

**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.

**Will this report go to Council?**

No.

**Report Title: Sherbourne Recycling Limited Annual Performance Report year ended 31<sup>st</sup> March 2023**

**1. Context (or background)**

- 1.1. Sherbourne Recycling Limited (SRL) was incorporated in February 2021 after the successful completion and contract award for the design and construction of a Material Recycling Facility (MRF) located in Coventry. Coventry City Council and seven other local authorities (North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council, Stratford-on-Avon District Council, Solihull Metropolitan Borough Council, Walsall Council and Warwick District Council) jointly own the company and will be customers of the facility once it is operational in the Autumn of 2023.
- 1.2. The Council is the largest single shareholder having invested £0.215m to acquire a 21.50% shareholding. Walsall Council holds 19.66% and Solihull Metropolitan Borough Council holds 14.63%. The shareholding proportions are based on the waste tonnage that each authority was projected to deliver to the facility in 2018. This was agreed by all parties at the time and has been locked into the Shareholder Agreement that governs the relationship between the eight shareholders.
- 1.3. The rationale for investing in the company was to have greater control over the processing of the recyclate waste material collected by each Council.
- 1.4. As the construction phase draws to a close, the facility is preparing to become operational from Autumn 2023.

**2. Options considered and recommended proposal**

- 2.1. **Option 1 – Not recommended – Do nothing** – The Shareholders Agreement (SA) is a legally binding document that was entered into by SRL and the shareholders. It sets out the governance and reporting requirements which includes presenting an Annual Performance Report to the Shareholder Committee each year. This report has been drafted to meet this requirement.

This is not the recommended option.

- 2.2. **Option 2 – Recommended – Accept the Annual Performance Report** which has been drafted in line with the SA, to meet the reporting requirements to the Shareholder Committee and ensure transparency and consistency in relation to information on the Council's investment.

Accepting the assessment made by company management in the Annual Performance Report is the recommended option.

Performance Overview

As a non-trading entity, the draft accounts show the costs incurred by SRL during the construction phase. The company has incurred administrative costs without the revenue to support this expenditure while the MRF is not yet operational.

Each of the Shareholders have committed to provide loan financing to cover the cost of constructing the MRF. The loan agreements are in proportion to each authority's shareholding.

The SRL Board of Directors will review the payment of dividends if funds are available for distribution in the future. The primary benefits to the Council in the short term will be the operational savings on waste services and treasury income on the lease / loan.

### **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, SRL will be satisfied that the Council, as Shareholder, have accepted the performance assessment made by company management for the year ending 31<sup>st</sup> March 2023.

4.2. The final accounts will be circulated to the Coventry Shareholder Committee when they are finalised. The filing deadline for SRL's accounts for the year ended 31<sup>st</sup> March 2023 is 31<sup>st</sup> December 2023. The final accounts are due to be available on Companies House by the filing deadline.

### **5. Comments from Chief Operating Officer (Section 151 Officer) and Chief Legal Officer**

#### **5.1. Financial Implications**

The financial statements of SRL will be consolidated into the Council's group accounts as the Council has significant influence over the company. This influence is evidenced by the size of shareholding (over 20%), board representation and material transactions with the company such as the shareholder loan and lease of the land at Whitley Depot.

The commercial loan provided by the Council to SRL is not due for repayment until the facility is operational. Any interest due during the construction phase will be added to the loan and repaid over the term of the loan.

#### **5.2. Legal Implications**

SRL has acted in accordance with the Shareholders Agreement which sets out the policies and obligations on the company. SRL submitted their annual confirmation statement to Companies House in February 2023. 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 One Coventry Plan?**

<https://www.coventry.gov.uk/onecoventryplan>

The forecast reduction in carbon dioxide emissions with Council vehicles not having to travel to alternative facilities, the reduction in the amount of waste due to the production of higher quality output materials and the powering of the facility using low carbon fuel sources will contribute to tackling the causes and consequences of climate change.

The savings on the existing haulage costs to transport waste to for processing and the additional income generated by the sale of recycled materials will help to contribute towards the continued financial sustainability of the Council.

#### **6.2. How is risk being managed?**

The Council have provided a shareholder loan to SRL which creates risk due to currency fluctuations, default and interest rate risk. The risk of default is mitigated by regular monitoring of company performance, SRL budgeting for the repayments in their business plan and the

security provided by a legal charge over the assets of the company. The lease agreement for the site at Whitley Depot includes a regular rent review every five years over the 45-year term.

The financial and performance risks presented by the Council's company investments are being considered for inclusion in the latest update of the Corporate Risk Register.

### **6.3. What is the impact on the organisation?**

The Council must continue to provide the appropriate staffing resources to manage its equity interest and the commercial loan, seeking external advice where needed. The long-term investment value was assessed by an external valuer as at 31<sup>st</sup> March 2023. The valuers report included a valuation of the MRF site by a chartered surveyor.

### **6.4. Equalities / EIA?**

The Public Sector Equality Duty (PSED) contained in section 149 of the Equality Act 2010 requires public authorities to have due regard to several equality considerations when exercising their functions. While the Council does not have control over the operations of SRL and are not involved in day-to-day operations, it does have significant influence. It is important for the Council to consider the PSED in its role as a shareholder. SRL's objectives are to provide a safe place of work for all and to be a good neighbour that positively contributes to the local community and demonstrates strong social and environmental practices. SRL have developed an Equality & Diversity policy and all policies and procedures were reviewed within 6 months of company incorporation by appointed HR consultancy support. This provides assurance that no specific groups are likely to be negatively impacted by the operations of the company.

No equality impact assessment has been carried out as the recommendations in this report do not constitute a new project or review existing / develop new Council strategies, policies, guidelines or services.

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

The development and future operation of the MRF is expected to make a positive impact on climate change and the environment. Further details are provided in section 6.1 of this paper as performance in this area is a key reason that SRL contributes towards the One Coventry Plan.

### **6.6. Implications for partner organisations?**

SRL is operated in partnership with seven other local authorities from across the region.

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**Service Area:**

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Gurbinder Singh Sangha	Major Projects Commercial Lawyer	Law and Governance / Sherbourne Recycling Limited	24/08/2024	06/09/2023
Grant McKelvie	Commercial Business Director	Coventry Municipal Holdings	24/08/2024	07/09/2023
Andrew Walster	Director	Sherbourne Recycling Limited	24/08/2023	12/09/2023
Layla Shannon	Business Manager	Sherbourne Recycling Limited	24/08/2024	04/09/2023
Richard Dobbs	Managing Director	Sherbourne Recycling Limited	24/08/2024	04/09/2023
Suzanne Bennett	Governance Services Co-ordinator	Law and Governance	24/08/2023	24/08/2023
<b>Names of approvers for submission:</b>				
Finance: Tina Pinks	Corporate Finance Manager	Financial Management	12/09/2023	18/9/2023
Legal: Oluremi Aremu	Head of Legal and Procurement Services	Law and Governance	12/09/2023	18/9/2023
Director: Barry Hastie	Chief Operating Officer (S151 Officer)	Financial Management	12/09/2023	18/9/2023
Member: Councillor George Duggins	Cabinet Member for Policy and Leadership	-	12/09/2023	18/9/2023

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