
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
Scrutiny Co-Ordination Committee

26 September, 2023
25 October, 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:

Coventry Municipal Holdings Limited Annual Performance Report year ended 31st March 2023

Is this a key decision?

No

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 Coventry Municipal Holdings (CMH) and its subsidiaries which includes the following entities.

- Coombe Abbey Park Limited (CAPL), including two subsidiaries:
 - No Ordinary Hospitality Management Limited (NOHM)
 - Coombe Abbey Park (LACo) Limited (CAPL LACo)

- Tom White Waste Limited (TWW), including two subsidiaries:
 - A&M Metals & Waste Limited (A&M)
 - Tom White Waste (LACo) Limited (TWW LACo)

- Coventry Regeneration Limited (CR)
- Coventry Technical Resources Limited (CTR)
- No Ordinary Hotels Limited (NOH)

The Group Governance Agreement (GGA) requires CMH to produce an Annual Performance Report looking back at the operation of the Group to the year-end 31st March 2023.

Recommendations:

The Coventry Shareholder Committee is recommended:-

- 1) To consider and accept the performance assessment and proposed budget amendments provided by Company Management in the Annual Performance Report for the CMH Group for the year ended 31st March 2023.

List of Appendices included:

None.

Background papers:

Business Planning Cycle for 2022-23 for the Coventry Municipal Holdings Group (Shareholder Committee 30th March 2022, Item 4)

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=773&MID=12662#AI35819>

Coventry Municipal Holdings - Annual Performance Report year Ended 31 March, 2022 (Scrutiny Co-ordination Committee 19th October 2022, Item 24)

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=151&MID=12873#AI37257>

Loan for Material Recycling Facility (Cabinet, 11th October, Item 41)

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=124&MID=12818>

Other useful documents

External Auditor's Value for Money Report on Coventry Council - Company Governance 2020-21 (Audit and Procurement Committee 25th July 2022, Item 19)

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MID=12763#AI36552>

Has it or will it be considered by Scrutiny?

Yes – Scrutiny Co-Ordination Committee – 25 October, 2023

Has it or will it be considered by any other Council Committee, Advisory Panel or other body?

Yes – Audit and Procurement Committee – 27 November, 2023

Will this report go to Council?

No.

Report Title: Coventry Municipal Holdings Limited Annual Performance Report year ended 31st March 2023

1. Context (or background)

- 1.1. Coventry Municipal Holdings Limited (CMH) was established in November 2021 as an intermediary parent company to strengthen the governance arrangements for the Council's existing company investments. CMH acquired the share capital of Council owned subsidiaries following an allotment of shares. The Council remains the ultimate parent company for the companies within the CMH group.
- 1.2. Coombe Abbey Park Limited (CAPL) was acquired by the Council in December 2017. CAPL operates Coombe Abbey Hotel in the surroundings of Coombe Abbey Park. The Council already owned the freehold of the hotel, which is let on a long-term lease to CAPL, held preference shares in the company and provided loan financing. The Council owns and operates Coombe Abbey Country Park, and the acquisition of the hotel management company provided an opportunity for the Council to consolidate its interest in an important leisure and cultural destination in the city. Following the acquisition, all future dividends are due to the Council as sole shareholder.
- 1.3. CAPL is operating a 15-month financial year from 1st January 2022 to 31st March 2023. This will align the company's annual reporting date with the Council and the other companies within the CMH group for future years. This approach meets a recommendation made by the Council's external auditor. CAPL's financial year will run from April to March from 2023/24 onwards.
- 1.4. Tom White Waste Limited (TWW) was acquired by the Council in March 2020. The Council aimed to achieve significant service benefits due to the synergies with internal services and the competitive advantage of becoming the largest Commercial Waste service in the city as a combined entity. TWW would also provide financial returns to support the Council's budgetary position.
- 1.5. Coventry Technical Resources Limited (CTR) holds the consideration for the sale of the shares in Arena Coventry Limited in 2014/15. These funds are due be transferred to the Council in 2023/24 following a restructure of the balance sheet for CTR.

2. Options considered and recommended proposal

- 2.1. **Option 1 – Not recommended – 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 Coventry 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 GGA, to meet the reporting requirements to the Coventry Shareholder Committee and ensure transparency and consistency in relation to information on the Council's wholly owned investment.

Accepting the performance assessment and proposed budget amendments provided by company management in the Annual Performance Report is the recommended option.

Performance Overview

CAPL has been significantly affected by COVID and inflationary pressures, which are issues that have been observed across the hospitality industry. Management's focus is on cost control and improving the hotel's positioning within the market. Further information is available in the Private report and the accounts will be published at Companies House once the audit is complete.

The draft accounts indicate that TWW generated a positive EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation) and made an overall profit in 2022/23. Further information is available in the Private report and the accounts will be published at Companies House once the audit is complete.

TWW have experienced a sustained increase in turnover in recent years, but the company has been impacted by inflationary pressures. The management team have taken actions to address these pressures and are confident that the position has improved at year end following a difficult start to the year.

Coventry Technical Resources Limited (CTR) provides resourcing solutions and consultancy support to the Council under a series of contracts. CTR made a small profit in 2022/23 from the margin on contracts for the provision of resourcing solutions to the Council. Further information is available in the Private report and the accounts will be published at Companies House once the audit is complete.

Coventry Regeneration Limited (CR) has a limited number of transactions and No Ordinary Hotels Limited (NOH) is effectively a dormant company.

Treasury Returns

During 2022/23, the Council received treasury returns from its property assets and service loans. The Council received lease payments from CAPL for Coombe Abbey Hotel and other properties on the site. The Council received interest repayments on service loans from CAPL and TWW.

Budget Amendments

The Annual Performance Report provided by company management seeks approval to make amendments to the company budgets that were approved by Coventry Shareholder Committee in March 2023. The Council is not required to provide any additional resources as a result of these budget amendments.

MRF Project

Update on the MRF Project as further set out in the Private report.

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 the CMH group will be satisfied that the Council, as Shareholder, have accepted the performance assessment made by company management for the year ending 31st March 2023.
- 4.2. The filing deadline for all entities within the CMH group for the year ended 31st March 2023 is 31st 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

- 5.2. **Investment Valuation** – The Council has commissioned external valuation advice on its equity interest in CMH. The fair value of the shareholding is included in the Private report.

- 5.3. The financial statements of the subsidiaries within the CMH group will be consolidated into the Council's group accounts as the Council has control over these entities as the ultimate parent company.

5.4. Legal Implications

- 5.5. 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 One Coventry Plan?

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

TWW are continuing to focus on tackling the causes and consequences of climate change which was a key consideration in the Council's decision to acquire the company. During 2022/23, TWW improved the availability of plant and reorganised their sites to balance production capacity with offtake demand, increasing materials recovery and reducing volumes sent to landfill. TWW are looking to progress a number of future projects to improve the recycling of plastics, wood, aggregates and counterfeit goods. Each of these projects has the potential to support a circular economy regionally, improve recycling rates, and create green jobs in Coventry.

The Council's control over the hotel management company and the surrounding land at Coombe Abbey Park, will continue to provide opportunities to increase the economic prosperity of the city and the region. For example, the Go Ape course continues to be a popular visitor attraction and CAPL's subsidiary company No Ordinary Hospitality Management (NOHM) gained recognition in the marketplace in 2022/23.

The Council received treasury returns from the CMH group, related to leased property assets and service loans which contributed towards the continued financial sustainability of the Council.

Dividends have not yet been declared for 2022/23, with this position due to be reviewed by the CMH Board of Directors when the final accounts are available.

6.2. How is risk being managed?

The Council is managing risks at a corporate level through its treasury management strategy and quarterly budget monitoring.

Company management have identified specific risks and mitigations for the companies within the CMH group. This includes the risk of operating in industries (hospitality / waste management) influenced by macroeconomic factors and liquidity risk due to inflationary pressures.

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 the performance and investment value of its equity interests, assess the condition of property assets held by subsidiaries and manage the repayment of service loans, seeking external advice where needed.

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. The Council has control over all of the companies within the CMH group and it is important for the Council to consider the PSED in its role as sole shareholder. The companies within the CMH group have developed Equality & Diversity policies and it is not expected that any specific groups will be disproportionately impacted, either positively or negatively, by the recommendations in this report.

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?

TWW is expected to continue to make a positive impact on climate change and the environment. Further details are provided in section 6.1 of this report as performance in this area is a key reason that TWW contributes towards the One Coventry Plan.

6.6. Implications for partner organisations?

The report focuses a number of commercial companies, which have a relationship with the Council.

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Director: Barry Hastie	Chief Operating Officer (S151 Officer)	Financial Management	12/09/2023	18/9/2023

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