

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

26th March 2025

Name of Cabinet Member:

N/a

Director approving submission of the report:

Director of Finance and Resources

Ward(s) affected:

All

Title:

Business Planning Cycle for 2025-26 for the Coventry Municipal Holdings Group

Is this a key decision?

No

Executive summary:

Coventry Municipal Holdings Limited (CMH) was incorporated in November 2021 as an intermediary parent company within the Council's group structure. As required by the Group Governance Agreement (GGA), CMH along with its subsidiaries, present their Business Plans for the year ahead ending 31st March 2026. This report has been prepared to summarise the key points with the detailed plans appended to the report.

The Business Plans set out some of the operational and forecast financial position for the current year and the budget for next year which, in accordance with the GGA, requires Coventry Shareholder Committee approval to proceed.

Recommendations:

Subject to the consideration of the corresponding private report, the Coventry Shareholder Committee is recommended to:

- (1) Approve the Business Plans for Coventry Municipal Holdings Limited which includes Coventry Technical Resources and Coventry Regeneration
- (2) Approve the Business Plan for No Ordinary Hospitality Management group
- (3) Approve the Business Plan for Tom White group
- (4) Approve the group budget for Coventry Municipal Holdings Limited and its subsidiaries.

List of Appendices included:

None - individual entity business plans are appended to the Private Report

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

Will this report go to Council?

No

Report Title: Business Planning Cycle for 2025-26 for the Coventry Municipal Holdings Group

1. Context (or background)

1.1. Coventry Municipal Holdings (CMH) is required by the Group Governance Agreement (GGA) to present the group business plan for approval by Coventry Shareholder Committee. This Business Plan covers the following companies:

- Coombe Abbey Park Limited (CAPL), the company that operates Coombe Abbey Park Hotel via a long lease from the Council, and subsidiaries:
 - No Ordinary Hospitality Management (NOHM), undertakes management contracts for third parties and provides the trading name for operations within the hospitality and leisure sector.
 - Coombe Abbey Park (LACo), a Teckal company set up to enable contracts to be directly awarded by the Council.
- Coventry Technical Resources (CTR), provides resourcing solutions to the Council via contractual arrangements.
- Coventry Regeneration Limited (CR), set up during the construction of Coventry Arena and continues trading with minimal transactions to preserve historic tax assets which may be usable in the future.
- No Ordinary Hotels Limited (effectively a dormant company)
- Tom White Waste Limited (TW), a commercial waste company, and subsidiaries:
 - A&M Metals & Waste, supports the waste management and recycling activities of the parent company. The company has ceased trading and management plan to liquidate the company in the foreseeable future.
 - Tom White Waste (LACo), a Teckal company set up to enable contracts to be directly awarded by the Council subject to demonstrating best value.

2. Options considered and recommended proposal

2.1. **Option 1: Do not approve the Business Plans** – Without approval of the Business Plans the entities will be working outside of the requirements of the GGA and therefore within the existing budgets and may not be able to move forward with plans they have for 2025/26 or contractual agreements they wish to enter.

2.2. **Option 2: Approve the Business Plans for CMH Ltd and each subsidiary entity** – Each entity has set out their vision, strategic objectives and budgets for 2025/26 and beyond in their individual company business plans. The Business Plans are summarised below along with any other relevant information.

2.2.1. Coventry Municipal Holdings (CMH)

The vision of CMH is to provide excellent governance in accordance with the Group Governance Agreement, derive value from commercial activity to enhance Council services and to have a positive social and environmental impact. CMH also aims to grow the portfolio of company investments as appropriate opportunities arise and to explore the ability to set up an investment fund to support this.

CMH recovers its costs from subsidiaries across the group or the Council. The cost base comprises of staffing costs for management and administrative support provided across the group. The forecast expenditure for CMH is included in the private report. These services are provided at cost, and it is assumed that they will be fully recovered from management recharges across all subsidiaries.

2.2.2. No Ordinary Hospitality Management (NOHM) group

This includes the activities of Coombe Abbey Park Limited (CAPL) which has started to trade under the NOHM brand as a business to business as well as any management contracts with the Council which are provided under Coombe Abbey Park (LACo) Limited (CAPLAC).

The vision for CAPL is for Coombe Abbey Hotel to be a destination of choice for families, business, and events both **regionally** and on the **national stage**. Creating outstanding memorable **experiences** whilst delivering **sustainable financial returns** to its shareholders. This is supported by the three priorities for the coming year:

- i. Promote sales growth in the key markets of meetings and conferences, private functions/ events and weddings.
- ii. Management control of payroll expenditure and efficiency in the use of resources
- iii. Generating revenue through skills and experience

NOHM continues to have significant challenges to profitability due to cost inflation and the changes to payroll affecting national living wage and national insurance and subsequent pay increases for supervisory staff to keep parity, in response to government legislation.

The budgeted revenue for the 2025/26 financial year is on par with the current year.

The budget being proposed is expected to deliver a gross operating profit of £3.3 and after fixed costs and other overheads, the earnings before interest, depreciation and amortisation (EBITDA) also referred to as the cash generated profit is detailed in the private report. The bottom line result, after interest (payable to the Council) and depreciation expenses (non-cash expenditure), is included in the private report. The probability of sustainable dividends over the medium term is low without a capital restructuring of the company. There is a legacy dividend of £0.072m that is due to be paid to the Council, likely payment in 2025/26.

The 2025/26 budget includes income due to the Council from the hotel and other leases, interest payable on commercial loans and a profit share from catering concessions – **this totals a benefit to the Council of £1.22m.**

To support the priorities and stimulate revenue growth several capital investments are being considered for 2025/26. These are detailed in the private report and represent the most significant investments in the Hotels facilities in recent years.

Whilst they are focused on driving revenue growth some are defensive in nature to protect the fabric of the building or protect current revenues. The key investments are:

- Replacement of the hotel goods lift which is beyond its useful life
- Exploring the potential refurbishment of the Garden Room restaurant
- Replacement heating in a bedroom block
- Development of an event space that meets the needs of the market
- Refurbishment of some hotel bedrooms to support the sales of meetings, weddings and events

Further details of capital expenditure are included in the Business Plan appended to the private report.

2.2.3. Tom White (TW) group

The vision of TW is to be a conscious brand with a mission to make a positive environmental and social impact whilst creating shareholder value for distribution into the local community.

Following the sale and lease back transaction in January 2025, the business has strengthened its cash position. The budgeted revenue for TW in 25/26 and 26/27 includes assumed sales growth across the various modes of waste collection and is detailed in the business plan appended to the Private report.

The budgeted cash generated profit (EBITDA) position, after fixed costs and overheads is included in the Private report. It is higher partly impacted by a change in the accounting treatment for leases, which has inflated the cash generated profit. This is explained in more detail in the Tom Whites business plan appended to the private report.

The balance sheet has been affected by the implementation of IFRS 16 – accounting for leases. This accounting standard moves the cost of the lease from the profit and loss account (which would have reflected lease costs for the 12month period) to the balance sheet as the total value of the lease liability over the term of the lease. This lease liability would reduce over time as lease payments are made, with part of the lease payment going to towards interest costs and part of it being used to reduce the lease liability on the balance sheet.

The balance sheet has an asset at the total value of lease payments. The asset would be reduced over the time on a straight-line basis (equal amount each month) to the end of lease period. There is a difference between the rate that the lease liability is paid down and the rate of depreciation. More details are included in the business plan to explain this position (appended to the Private Report).

The loan that Tom Whites has with the Council will be fully repaid by December 2025.
The Council will receive a commercial rent from the lease arrangement.

Further details of capital expenditure are included in the Business Plan appended to the private report.

2.2.4. Coventry Technical Resources Limited (CTR)

The vision of CTR is to provide resource solutions to the Council either via direct employment or via contract as required by the Council. The costs of all resource deployed is reimbursed by the Council. The posts in CTR have supported a range of projects including the Children's Services Transformation Programme, the Care Facility Project and increasing revenue from sponsorship and advertising.

The CTR budget assumes that no additional posts will be added and that inflationary costs will be up to 5% per annum. The forecast cost base, including a small profit margin is included in the revenue recovered from contracts with the Council.

When the Council disposed of its shares in Arena Coventry Limited (ACL) for £2.7m on 8th October 2014 the funds from the transaction were received by CTR. This cash remains on the company balance sheet and can be paid to the Council as a dividend when required. The Council have previously managed the cash on behalf of CTR to generate interest income.

2.2.5. Coventry Regeneration Limited

This company is effectively dormant but is still audited and has other financial administration costs. All the costs of operation are covered by CMH by way of a working capital grant.

CR retains a loan balance of the £5,000 which the company refinanced with CMH in 2024/25. This loan has been provided on the same terms as the loan was previously.

There is no other planned activity due to take part in CR in 25/26. The Directors will review if the company requires an audit going forward based on the limited transactions that take place within the company. This would reduce the financial costs of operation.

2.2.6. CMH Group Position

The consolidated financial position across the group is detailed in the Private report.

3. Results of consultation undertaken

3.1. No consultation undertaken.

4. Timetable for implementing this decision

4.1. Upon approval the Business Plans will be used to set the Budget for 2025/26 for each entity.

5. Comments from Director of Finance and Resources and Director of Law and Governance

5.1. Financial Implications

Based on the current financial projections, the companies are not forecasting to pay any dividends during 2025/26, but this will be monitored throughout the year. For any dividends to be declared a positive balance is required on the retained earnings/ profit and loss reserve and the company needs to have sufficient cash to pay any dividends.

The cash balance of £2.7m held by CTR from the sale of the shares in ACL can be paid when required by the Council.

The budgets include various transactions involving the Council, which are governed by existing contractual agreements. There are no requests for any new financing from the Council in the 2025/26 budgets. CAPL will continue to access the existing financing in place with the Council and may seek external financing for the proposed Abbeygate redevelopment.

5.2. Legal Implications

The decisions which are being made comply with the Terms of Reference of Coventry Shareholder Committee and align with the GGA and the Delegations Policy.

6. Other implications

6.1. How will this contribute to the One Coventry Plan?

The future dividend revenue declared by the entities in the group of companies will support the Council to deliver its core aims. The operations of TW will deliver environmental benefits through greater recycling and extraction of recyclable materials. The operations of NOHM, including Coombe Abbey Hotel, will support making Coventry an attractive and enjoyable place to be through the leisure offer they provide.

6.2. How is risk being managed?

The risks and mitigations for the entities are detailed in each entity Business Plan. There is a risk in relation to the Council's commercial investments and the role that CMH plays in mitigating this risk on the Council's Corporate Risk Register.

6.3. What is the impact on the organisation?

The Council has various contractual agreements with entities within the CMH group including resourcing solutions from CTR which impacts on staffing and the long term lease of Coombe Abbey Hotel to CAPL which impacts on the Council's assets. The Council may receive dividends subject to declaration by the respective company boards.

6.4. Equalities / EIA?

No Equalities Impact Assessment (EIA) has been undertaken.

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

TW have improved their compliance standards, achieving A grade operator status from the Environment Agency, and it is a strategic objective of the company to continue to reduce the carbon footprint of operations by installing LED lighting across the sites and phasing out older less fuel efficient assets.

CAPL have moved from single use guest supplies in bedrooms to refillable dispensers, which has resulted in cost savings and environmental benefits. CAPL are upgrading the heating system in the Park Priory bedroom block to improve energy efficiency and customer experience.

6.6. Implications for partner organisations?

Any impact on partner organisations has been covered in the Business Plans.

Report author(s):

Michael Phillips
Lead Accountant – Business Partnering

Service Area:

Financial Management

Tel and email contact:

Tel: 02476 972315
Email: mike.phillips@coventry.gov.uk

Parmi Mudhar
Financial Director - CMH

Service Area:

Coventry Municipal Holdings Limited

Tel and email contact:

Tel: 02476 971391
[Email:parminder.mudhar@coventry.gov.uk](mailto:parminder.mudhar@coventry.gov.uk)

Enquiries should be directed to the above person.

Contributor/approver name	Title	Service Area	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Co-ordinator	Law and Governance	13/03/25	13/03/25
Grant McKelvie	Managing Director CMH	-	13/03/25	13/03/25
Names of approvers for submission:				
Finance: Tina Pinks	Corporate Finance Manager	Finance	13/03/25	14/03/25
Legal: Gurbinder Singh Sangha	Major Projects Commercial Lawyer	Law and Governance	13/03/25	17/03/25
Director: Andrew Walster	Director of City Services	City Services	13/03/25	17/03/25
Director: Barry Hastie	Director of Finance and Resources	-	13/03/25	17/03/25
Members: n/a	-	-		

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