

<p align="center">Agenda Item 11 Council – 18th October 2022 Recommendation from Cabinet 11th October 2022</p>

Coventry City Council
Minutes of the Meeting of Cabinet held at 2.00 pm on Tuesday, 11 October 2022

Present:

Cabinet Members:	Councillor G Duggins (Chair) Councillor A S Khan (Deputy Chair) Councillor R Brown Councillor K Caan Councillor M Mutton Councillor K Sandhu Councillor P Seaman Councillor P Hetherton Councillor D Welsh
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Non-Voting Deputy Cabinet Members:	Councillor P Akhtar Councillor G Hayre Councillor S Nazir
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Non-Voting Members:	Opposition	Councillor P Male Councillor G Ridley
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Other Non-Voting Members:	Councillor R Lakha Councillor C E Thomas
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Employees (By Service)

Chief Executive	M Reeves (Chief Executive)
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Adult Services and Housing	P Fahy (Director of Adult Services and Housing), S Caren
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Business, Investment and Culture	S Weir
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Children's Services	J Gregg (Director of Children's Services), N Jeffreys, A Whitrick
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Education and Skills	K Nelson (Director of Education and Skills), N Hart, K Mawby, J Moffat
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Finance	B Hastie (Chief Operating Officer (Section 151 Officer)), E Dewar
Law and Governance	O Aremu, L Knight, C Taylor
Streetscene and Regulatory	A Walster (Director of Streetscene and Regulatory Service), D Blackburn, A Chowns

RECOMMENDATION

28. Declarations of Interest

There were no disclosable pecuniary interests.

41. Loan for Material Recycling Facility

The Cabinet considered a joint report of the Managing Director of Coventry Municipal Holdings Limited and the Chief Operating Officer, which set out preferred options to finance the development of the material recycling facility (MRF) by seeking funding to Tom White via a commercial loan.

A corresponding private report detailing confidential financial matters was also submitted for consideration (Minute 46 below refers).

The Business Plan for Tom White (TW) for 2022/23 was approved by the Shareholder Committee in March 2022 which supported Tom White business growth and ongoing development.

The business plan set out proposals to redevelop the Tom White recycling infrastructure at Longford Road site. Once completed, this redevelopment would improve the environmental performance of Tom White, dramatically increase the recycling rates for commercial waste and help to increase the financial dividend payable from Tom White back to the Shareholder (the Council).

Tom White growth generally, and the facility redevelopment specifically; focused on tackling climate change and supporting the One Coventry Plan and Climate Change Strategy by:

- Enhancing the recycling ability by reducing burden on raw materials and promoting circular economy;
- Achieving greater diversion of commercial waste from landfill; and
- Increasing energy production either directly or through a fuel manufacture.

The recycling facility redevelopment was core to these growth objectives, and the diagram at Appendix C showed how the new MRF sits in the context of overall waste management and recycling in Coventry and the sub-region.

The current recycling plant and equipment used by TW has historically suffered with little planned maintenance under previous ownership and as it reaches the end of its economic life was now experiencing significant breakdowns, with plant availability reducing considerably. During April to December 2021, the facility experienced 72 days of plant downtime. The impact of this was an increased cost of maintenance (plant and vehicle repairs and spares) and increased plant hire in the financial year 2021/22. There was also an increased cost of disposal due to more material going to landfill due to the plant not being available to sort material for an alternative, cheaper and environmentally sustainable disposal route as a fuel source for onward processing.

The existing plant performance was causing significant cost pressures in Tom White, such that month to month the business is currently operating at about 'break even'. Accordingly the new plant solution would remove the cost pressures that undermine profitability and allow the business to get back on track for profit and dividend availability.

In the short term the Tom White management team have hired new resilient mobile equipment to compensate for the poor performance of the plant. This means that the old unreliable plant does not need to be run, thereby cutting significantly the maintenance costs and subsequent impacts. However this is not a long term solution for the volume of waste processed through the facility, nor would it provide the opportunity to enhance recycling rates and improve financial returns to the shareholder.

The management team at Tom White have been working with its preferred supplier to design the new facility to move away from waste disposal but focus on treating commercial waste as a commodity from which the maximum environmental and economic benefit should be extracted. Therefore the solution was focussed on creating zero waste to landfill.

The business plan increases economic stability with the business case for the recycling facility increasing financial stability of Tom White each year.

The approval of the business plan by the Coventry Shareholder Committee was subject to funding. The report put forward the preferred options to finance the development of the material recycling facility by seeking funding to Tom White via a commercial loan for the sum, as detailed in the corresponding private report to enable delivery of the recycling infrastructure.

RESOLVED that, the Cabinet recommends that Council:

- 1) Approve a Loan up to the value detailed in the Private Report on commercial market terms for the purposes of delivering the recycling infrastructure.**
- 2) Approve the addition of up to the value detailed in the Private Report to the Councils approved capital programme for the purposes of entering into the Loan**

- 3) Approve the increase in the Commercial Investment Strategy limit for 2022/23 for investment in service loans as detailed in the Private Report.**
- 4) Delegate authority to the Chief Operating Officer (S151 Officer) and the Chief Legal Officer , following consultation with the Cabinet Member for Strategic Finance and Resources, to finalise and agree the detailed terms of the transaction with Tom White. The authority under this delegation shall also include the power to enter into the necessary legal agreements and subsequently the power to negotiate and agree any such variations as is deemed necessary to the terms of the loan facility and ancillary documents.**