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**To**  
Scrutiny Co-ordination Committee

Date 21 June 2006

**Subject**  
Coventry Venture Capital Fund Limited

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### **1 Purpose of the Note**

- 1.1 At its meeting on 1 March 2006, Scrutiny Co-ordination Committee requested that officers investigate the background to the Coventry Venture Capital Fund Limited, in particular how the company is structured, what it does, who the directors are, who appoints them and what role they have.

### **2 Recommendations**

- 2.1 Scrutiny Co-ordination Committee is requested to note that the Coventry Venture Capital Fund Limited is an investment vehicle that generates an attractive annual income for the City Council.
- 2.2 The specific details requested at your meeting on 1 March 2006 are outlined in section 3 below.

### **3 Information/Background**

- 3.1 The Coventry Venture Capital Fund was originally set up in the 1980s as a vehicle for the City Council and the West Midlands Enterprise Board to make venture capital investments in new and growing companies.
- 3.2 By 1993 it was recognised that the purpose of the fund was no longer being achieved and that the balance of the fund, approximately £200,000, needed to be invested to create a return.
- 3.3 At that time careful consideration was given to how the City Council might have its money returned. For legal and financial reasons it was decided that the best option was to generate for the City Council an income stream from an investment in a new building at the University of Warwick Science Park.
- 3.4 To achieve this the Coventry Venture Capital Fund Limited was restructured and the City Council received 5,000 preference shares in the new company. The new building was pre-let to a government education agency on a long term lease and that agency continues to occupy the building today.

- 3.5 The overall funding of the new building was a joint venture between the University of Warwick Science Park and West Midlands Enterprise, with the latter making a minority investment in the building of £721,478. The Coventry Venture Capital Fund Limited was the vehicle through which the West Midland Enterprise investment was made and this investment was entirely financed by a loan.
- 3.6 The City Council's 5,000 shares in the restructured Coventry Venture Capital Fund equate to 17.5% of the company and they entitle the Council to this proportion of the profit made on the rent received from the building. This produces an income stream of £15,051 per annum and this income has now been received for approximately twelve years and continues. This income goes into Regeneration Services budget to support their work.
- 3.7 This income equates to a return of 7.5% per annum on the City Council's initial investment of £200,000 in the original company in the 1980s.
- 3.8 The company has three directors, two are appointed by West Midlands Enterprise and one is appointed by the City Council.
- 3.9 Through its superior shareholding the company is controlled by West Midlands Enterprise, but the legal structure of the company was carefully devised in 1993 to protect the City Council's long-term interest.
- 3.10 The role of the Directors is very limited, as the Company's business relates only to contractual arrangements. They "meet" (via e mail rather than in person, as this is more cost-effective in terms of money and time) to approve the annual accounts and to convene the Annual General Meeting of Company Members. However, it is open to any Director to request that these meetings are held in a more formal manner.
- 3.11 The Company holds an Annual General Meeting of its Members (one of which is the City Council), when the annual accounts are considered and the Auditors appointed. The Council is entitled to nominate someone to attend and vote on the Council's behalf at this meeting: the nominee can be either an officer or a member.

#### **4 Conclusion**

- 4.1 The City Council's shares in the Coventry Venture Capital Fund Limited produce an attractive return on its initial investment made in the 1980s.
- 4.2 The complex nature of the investment in the building at the Science Park makes it highly unlikely that the City Council would find a buyer for its shareholding.
- 4.3 Even if it could, as the notional value of these shares is only about £43,000, the current income of £15,051 per annum represents better value.