



Commercial Investments

Finance & Corporate Services Scrutiny Board

November 2025



Background

- Councils have historically sought to protect financial position (and services), or make strategic interventions through 'commercial' investment
- Investment in the sector had some successes but also some high profile failures
- Regulatory change – Government intervention and regulation change aimed at preventing future instances of investing for yield
- MTFS position – 26/27 (onwards) Council Resources & Reserves will remain under pressure
- Capital position – finite resources, flexibility through prudential borrowing for business case-based investment.
- One Coventry Plan – green and financial sustainability plus economic prosperity

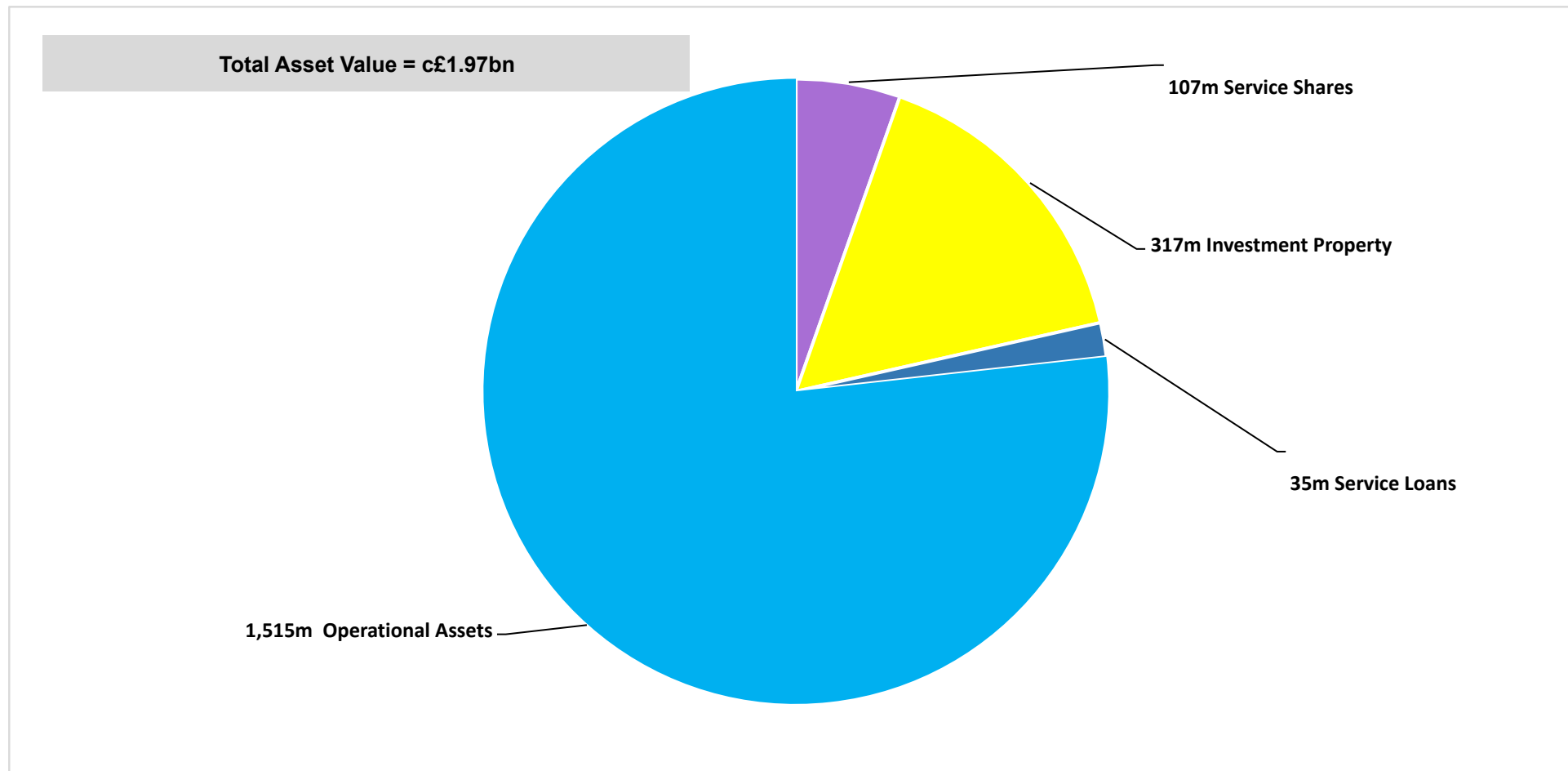


CCC Investment Portfolio

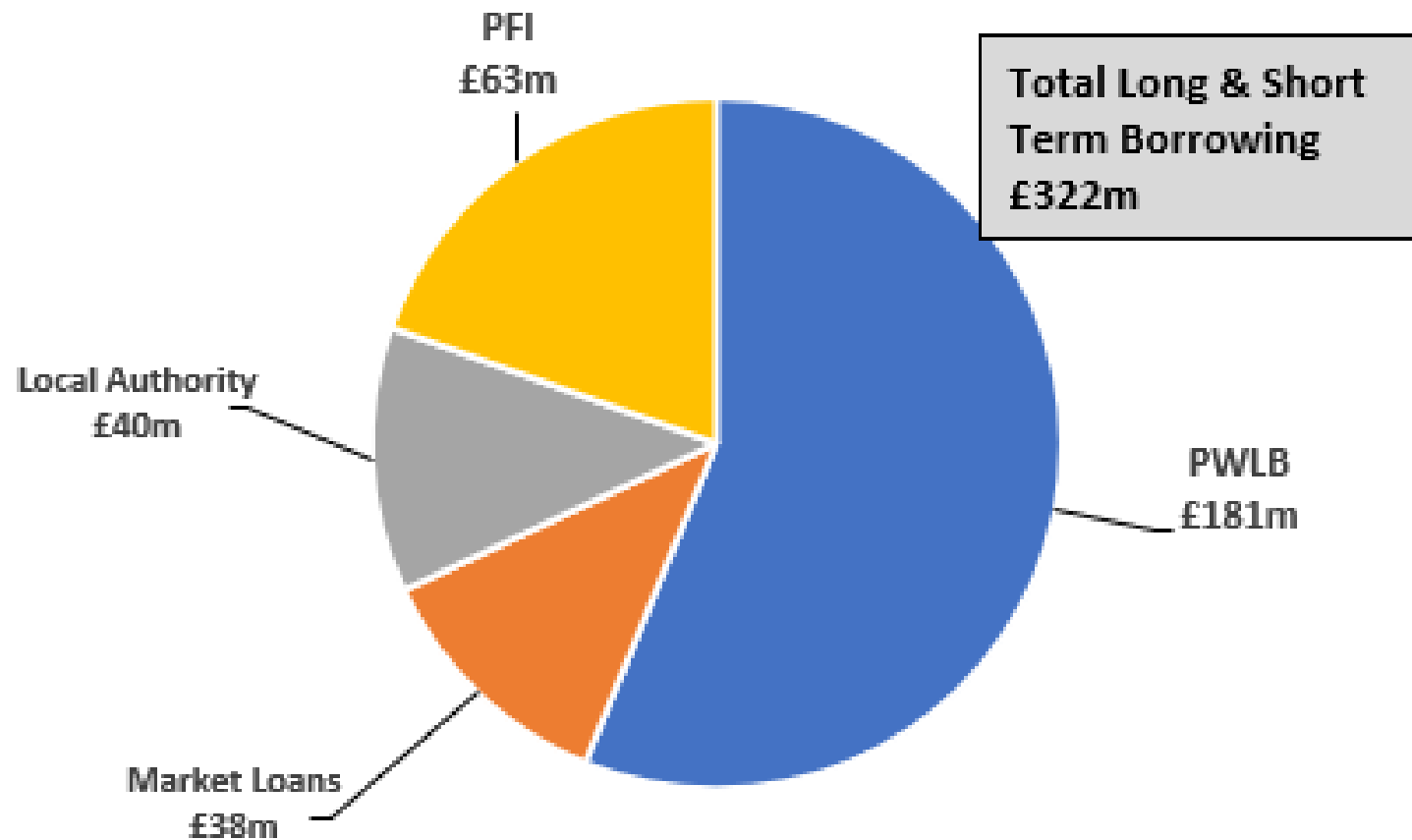
- Comprises :
 - Loans
 - Shares
 - Investment property
- Objective – includes strong service or strategic dimension e.g. local, regeneration or economic benefits
- Valuations updated every year
- Accounting – difference between latest value and original investment
- Vast majority of CCC total assets are operational (77%)



CCC Total Assets at 31 March 2025



CCC Liabilities at 31 March 2025



CCC Liabilities at 31 March 2025

- Actual borrowing is significantly lower than underlying 'need' to borrow (Capital Financing Requirement or CFR = £505m)
- Strong cash balances enable us to use instead of external loan
- There is likely a medium-term borrowing need
- Published LA debt figures show Coventry at (184th of 317), well below the England average per capita (£697 vs £1,641)
- Compared to similar Met/Unitary's Coventry are 10th lowest (90th of 99), significantly lower than average per capita (£697 vs £1,661)
- For comparison, high profile LA's are in some cases over 10x these levels



CCC Return on Investments

- Over the last 3 years the following returns on investments have been achieved:

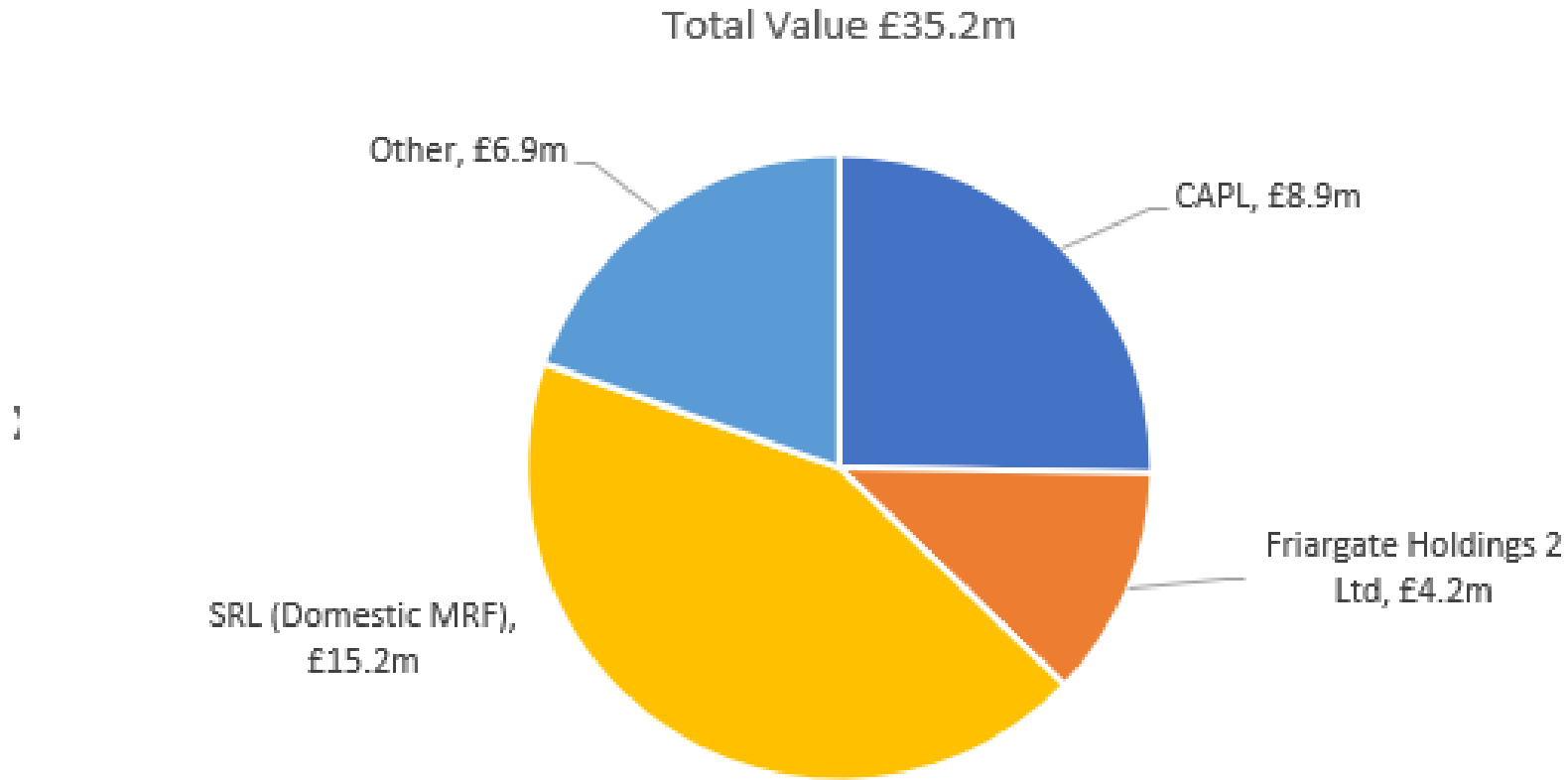
Investment Category	2022/23 Return on Investment %	2023/24 Return on Investment %	2024/25 Return on Investment %
Service Loans (i)	3.9%	5.8%	6.1%
Service Shares (ii)	6.6%	10.6%	14.9%
Investment Property (iii)	4.3%	4.2%	3.9%
Total Commercial Assets	4.8%	6.0%	6.6%

(i) Interest received and accrued

(ii) Dividends

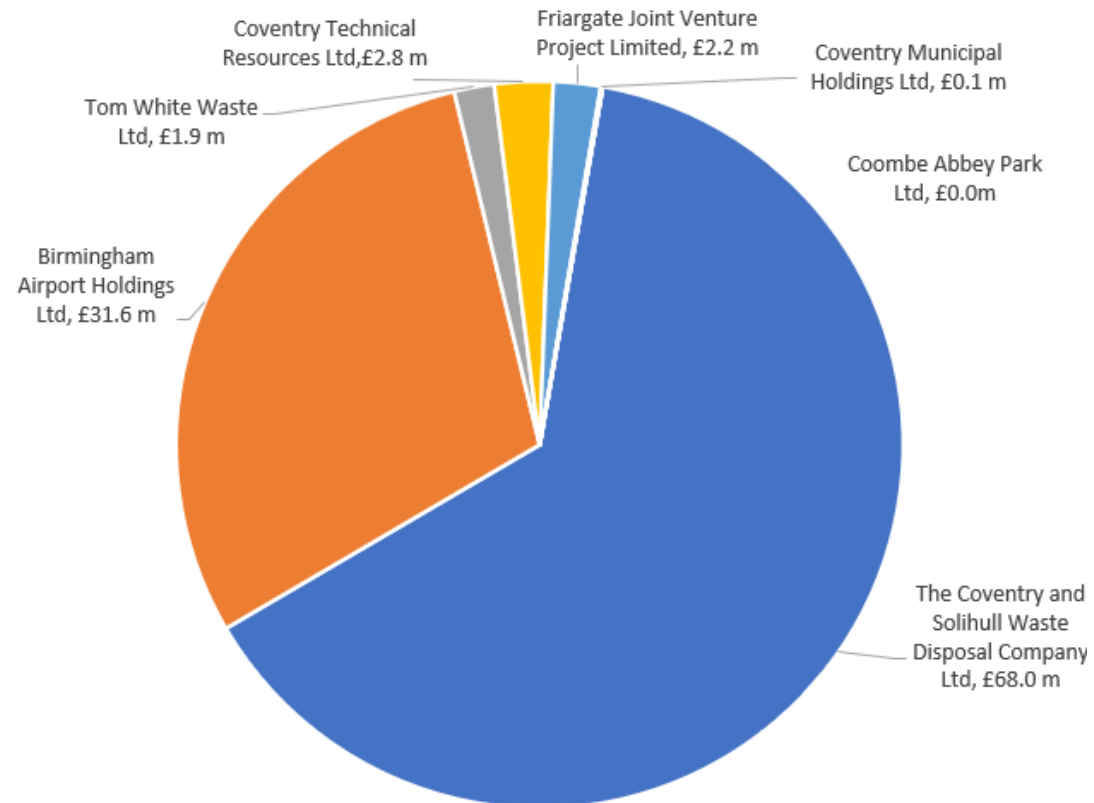
(iii) Rental income net of service charge, voids & other direct costs

CCC Service Loans & Commitments

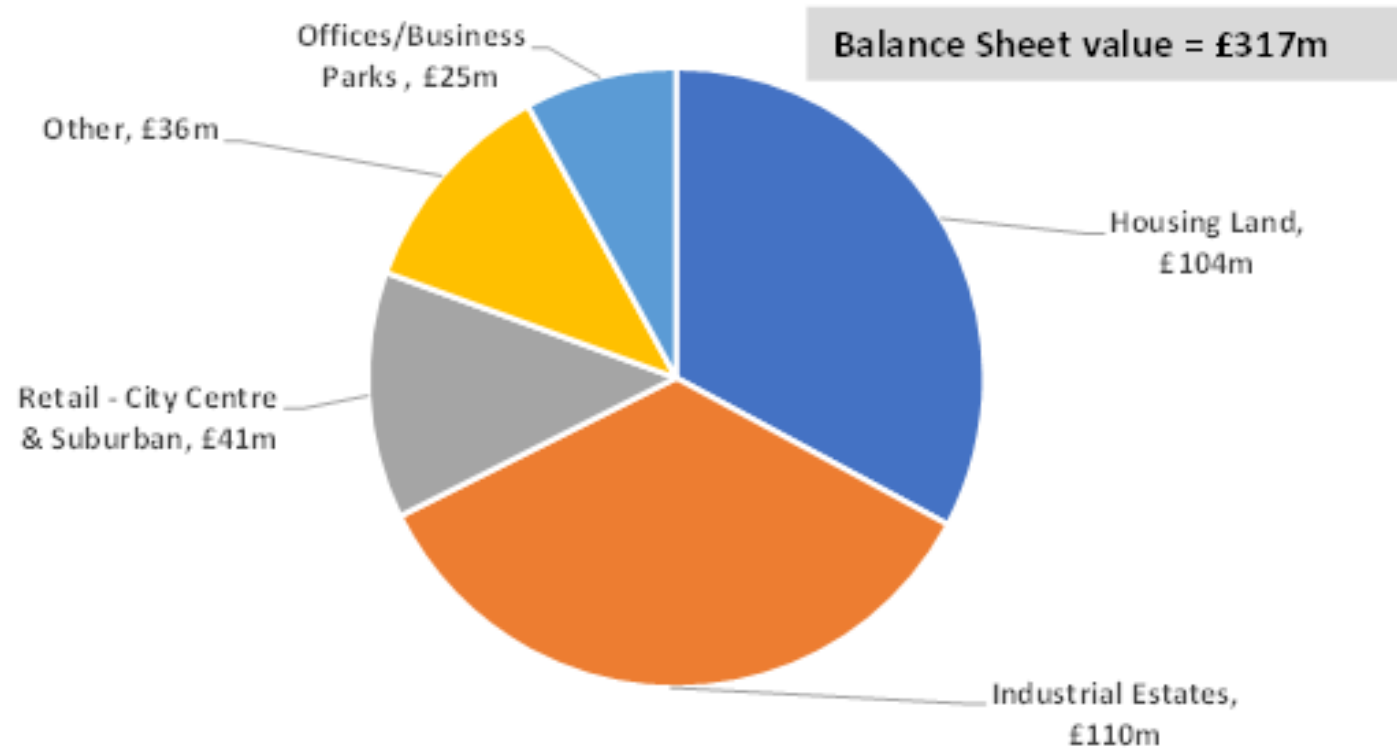


CCC Service Shares

Balance Sheet Value (£106m):



CCC Investment Property



Regulatory Framework

- Wider framework – existing guidance with strong risk focus including Prudential Code; Investment Guidance; Minimum Revenue Provision; PWLB; Treasury Management; Capital strategies
- In recent history, Govt & CIPFA had concerns re investment risk - Debt funding (Coventry well below National average per capita); Losses and capitalisation
- Response: PWLB rule changes; Prudential Code changes;
- Revised Prudential Code - Risks should be **proportionate**; **must not borrow to invest**. Investments classed as treasury; service and commercial (for yield)
- PWLB Rules - No access if the authority plans to invest **primarily for yield** but LA's can invest for service objectives
- Commercial Investment Strategy - part of budget setting report since 2018; sets out the Council's approach to risk, liquidity and proportionality; sets limits for loans & shares



Commercial Investment Risk

- Capital value/Price Risk:
- Revenue/Income Risk:
- Other risks e.g. reputational
- Income Risk includes:
 - share dividend income from small number of shareholdings
 - service loan interest (but security exists for larger loans)
 - property income (but importantly is diversified across sectors & all local)
- Total Capital Risk of over c£100m
- Diversification – some concentration in waste area through shares, loans, potential guarantees

