Commercial Investments

Finance & Corporate Services Scrutiny Board

September 2026

Coventry City Council

ONE COVENTRY

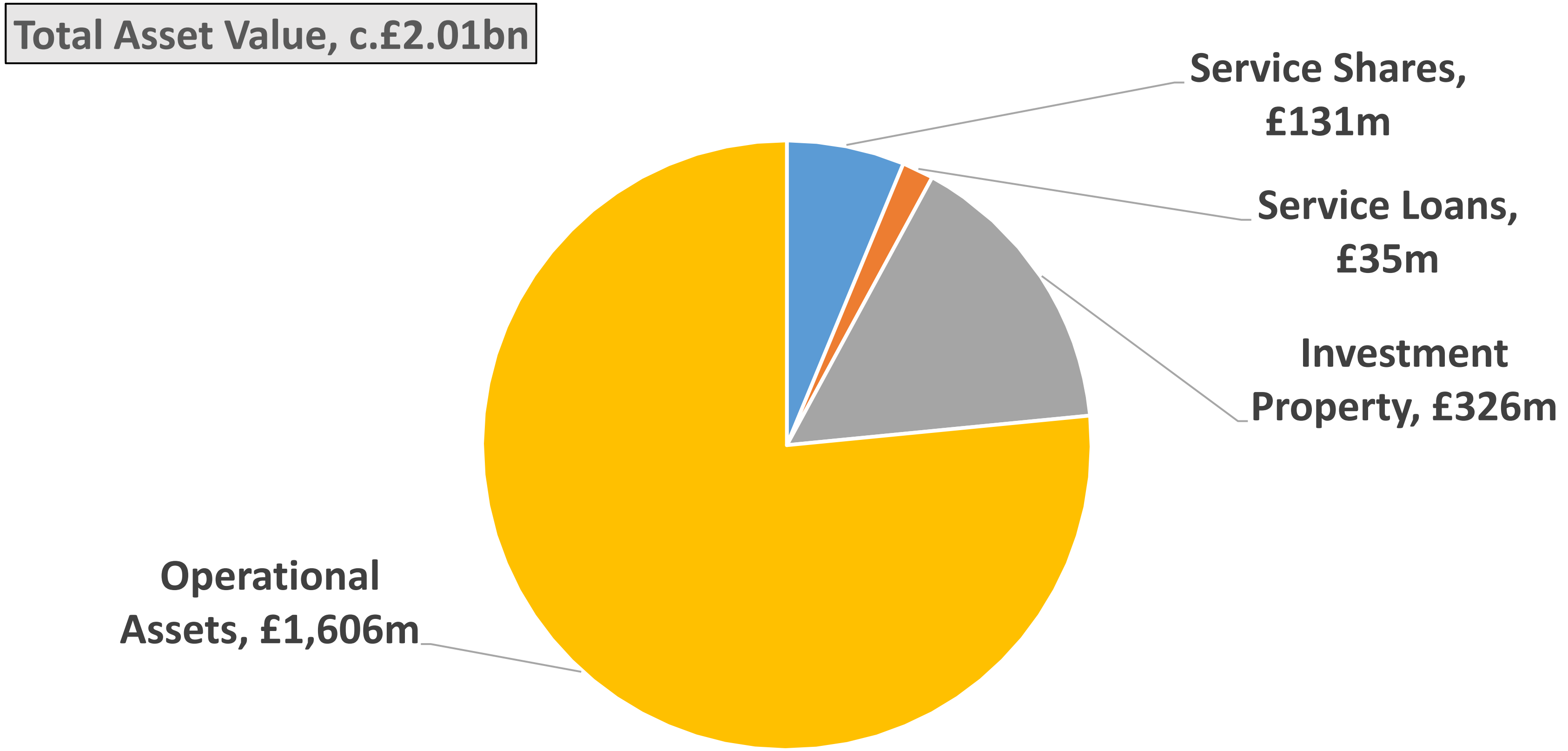
Background

- 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.
- Capital position – finite resources, flexibility through prudential borrowing for business case-based investment.

CCC Investment Portfolio

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

CCC Total Assets at 31 March 2026



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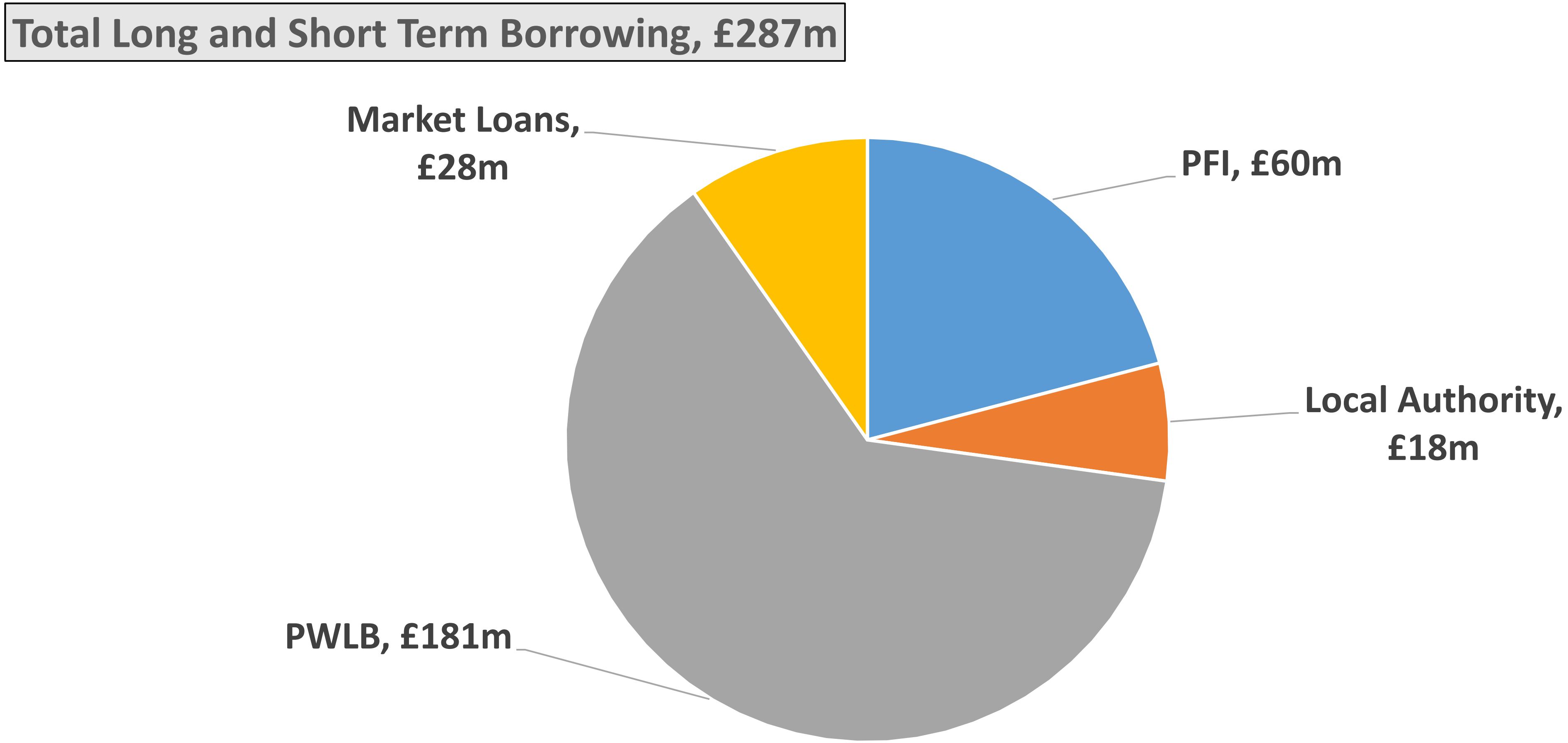
CCC Borrowing at 31 March 2026



CCC Liabilities at 31 March 2026

- Actual borrowing is significantly lower than underlying ‘need’ to borrow (Capital Financing Requirement (CFR) = £535m)
- CFR per capita sits at £1,433 vs a national average of £2,385
- Strong cash balances enable us to use these instead of external loans.
- There is likely a medium-term borrowing need.
- Published Local Authority debt figures show Coventry below the England average £623 pre capita vs a national average of £1,711 per capita.
- Compared to similar Met/Unitary’s Coventry are 8th lowest (92$_{nd}$ of 99), significantly lower than the average (£623 vs £1,738 per capita).
- For comparison, high profile LA’s are in some cases over 10 times these levels.

CCC Return on Investments

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

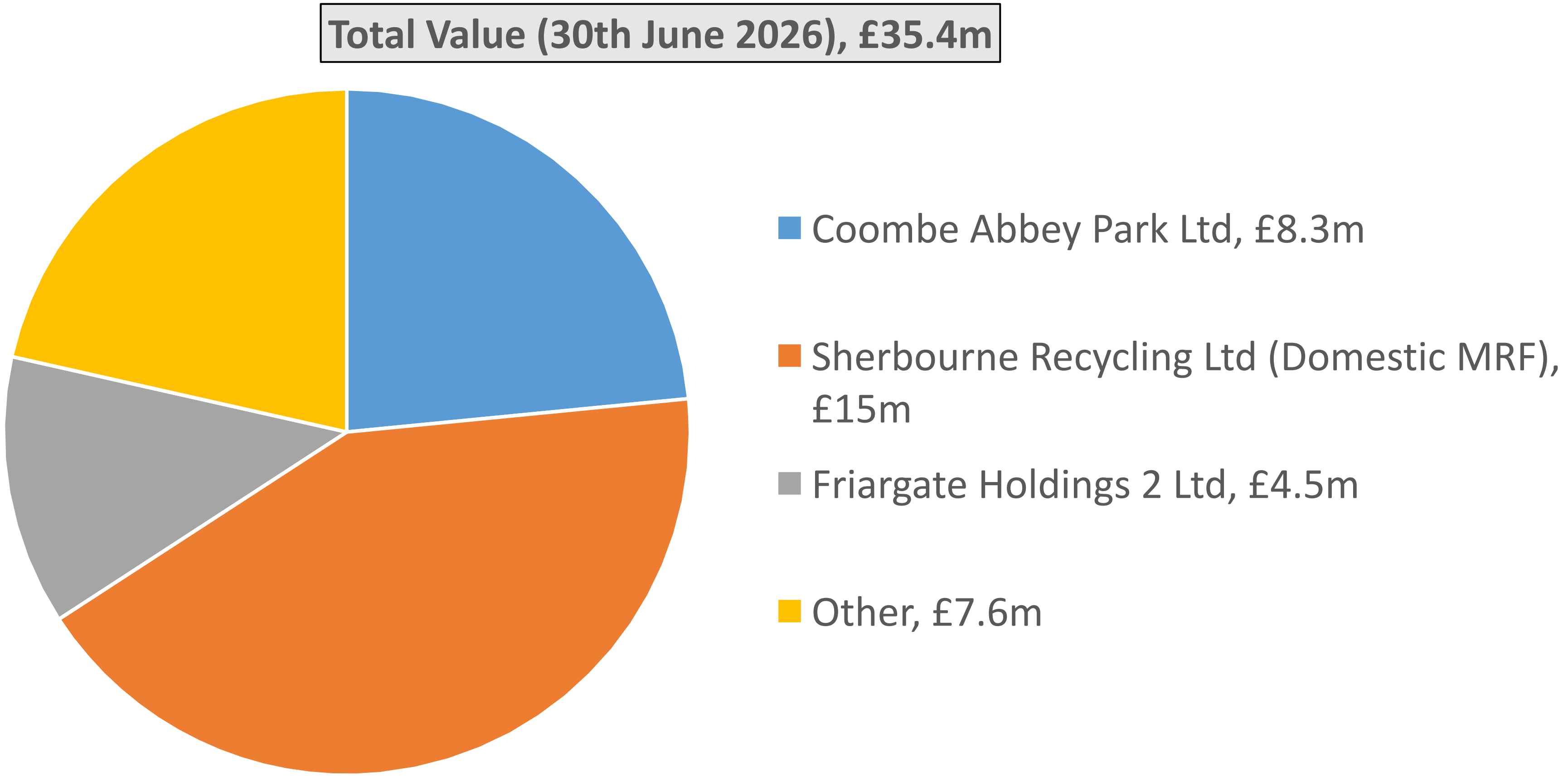
Investment Category	2023/24 Return on Investment	2024/25 Return on Investment	2025/26 Return on Investment
Service Loans (i)	5.8%	6.1%	5.5%
Service Shares (ii)	10.6%	14.9%	9.2%
Investment Property (iii)	4.2%	3.9%	4.3%
Total Commercial Assets	**6.0%**	**6.6%**	**5.7%**

(i) Interest received and accrued

(ii) Dividends

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

CCC Service Loans & Commitments



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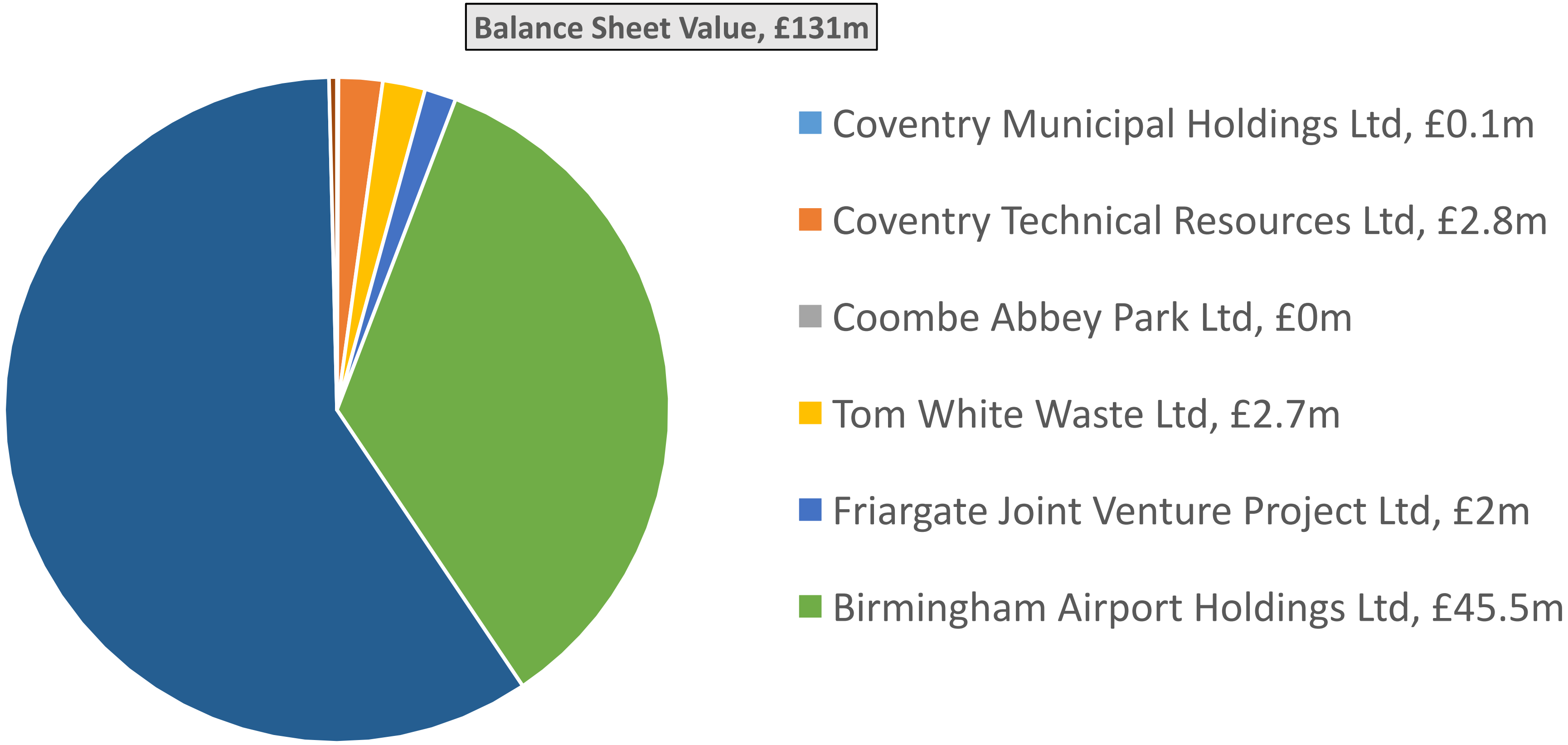
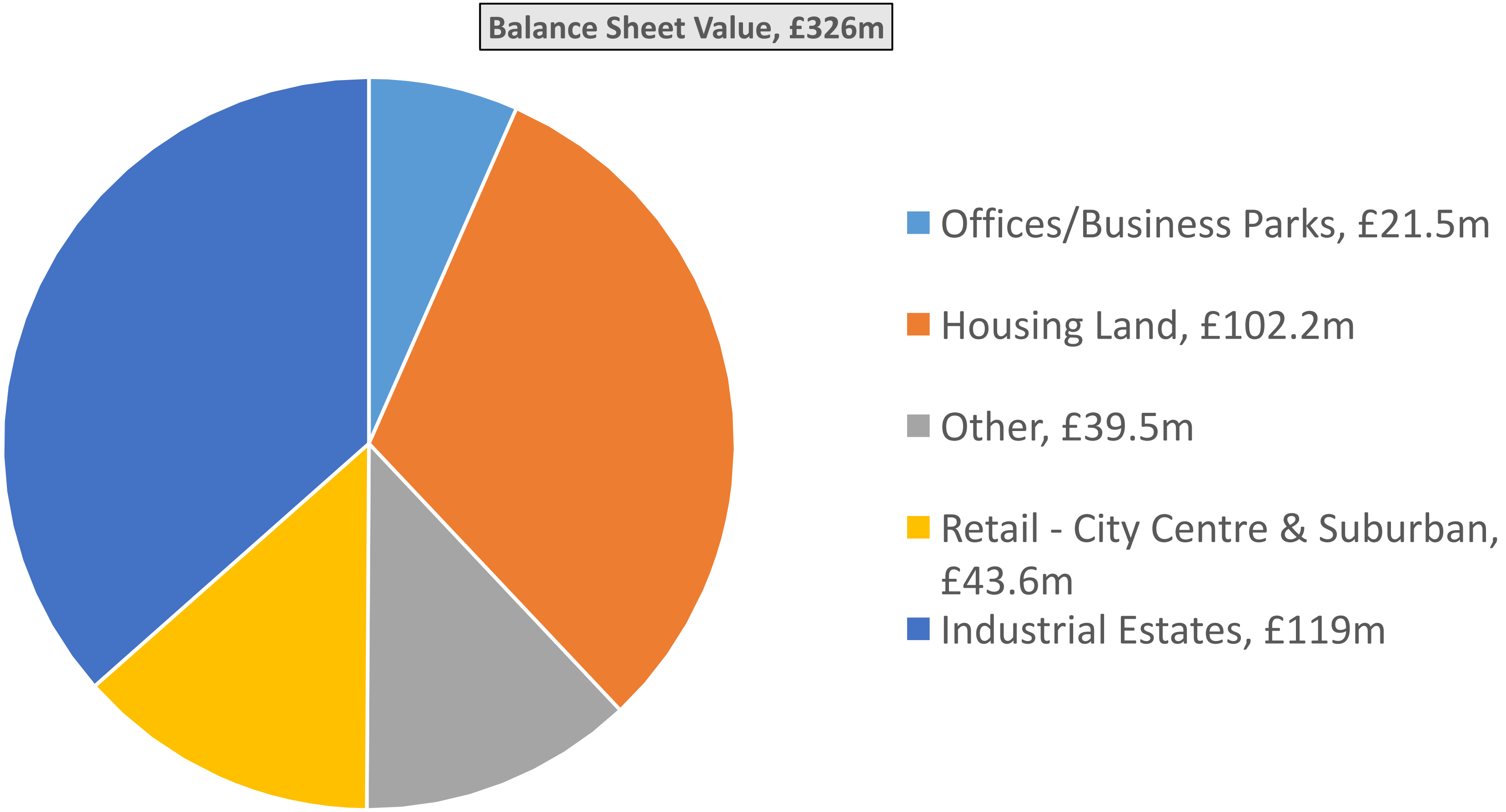
CCC Service Shares



* Coombe Abbey Park Ltd is currently at nil value. While the enterprise value is positive (£2.2m), this is outweighed by debt obligations (£8.4m).

CCC Investment Property



Regulatory Framework

- Wider framework – existing guidance with strong risk focus including Prudential Code; Investment Guidance; Minimum Revenue Provision; Public Works Loan Board (PWLB); Treasury Management; Capital strategies
- In recent history, Government & Chartered institute of Public Finance and Accounting (CIPFA) had concerns regarding investment risk and Debt funding (Coventry well below National average per capita); Losses and capitalisation
- Response:
  - 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 Local Authorities <u>can</u> 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 Income Risk of c£28m
- Diversification – some concentration in waste area through shares, loans, potential guarantees