

Cabinet – Thursday, 11 June 2020

Written question from Cllr Michael Lilley to the Deputy Leader and Cabinet Member for Resources, Isle of Wight Council

“In the light of the recent Government’s rise in interest on local authority borrowing by 1% and the change in the economic outlook caused by Covid-19, is the IW Council going to change its policy of investing £100M in commercial property as its current Corporate Plan?”

In addition, how much of the £100M has been invested? And is IWC putting an embargo on using the remainder in the current climate? What is the current position of any of the investments made out of the £100M?”

Response

“Our income from property investment has not suffered as a result of the Covid 19 emergency as our policy has been to invest in a low risk well diversified portfolio of properties with companies of strong financial standing in good growth sectors and with good strategic transport links. The Council is not proposing to change its policy on investment, but it may be unable to invest in any event as government has indicated that no further borrowing for LA investments will be sanctioned. Interest rates were raised to a level to deter further investment, which was prompted the high risk investment strategy employed by some smaller LA’s borrowing far more than the amount of their revenue budget. We have never been, nor would want to be in that position. However the revenue return was a welcome addition to our revenue budget and we would otherwise have had to trim another £700k per year from services. Had we been able to continue investment we would have expected it to add a further £1.5M net to our revenue income. We also have capital assets from these investments, so our debt is asset backed and we could sell them if necessary. As with other property I would expect over several years to see an increase in capital value over and above the amount we would need to repay to government. The net increase would help our capital funding in future years”.