



# ISLE OF WIGHT COUNCIL BUDGET

TOWN COUNCIL MEETING

REPORT 104/14

8 DECEMBER 2014

The purpose of this paper is to ask Members if they want the Town Council to enter a response to the Isle of Wight Council's current consultation on its Budget for 2015/16 and, if so, to determine the nature of it.

## NO. DETAIL

### 1) BACKGROUND

- a) The Consultation is set by the Isle of Wight Council (IoWC) with the statement:  
*For the next financial year 2015/16, the council faces further Government grant cuts and increased costs. This means we will have to make projected savings of around £13.5M. To achieve savings of this magnitude, we have to consider delivering some services differently, going into partnership with other councils/organisations and stop or cut some services to a statutory minimum.*
- b) A copy of the Managing Director's presentation to the Isle of Wight Association of Local Councils (IWLC) setting out the Budget issues is attached to this Report for Members' information.
- c) The Consultation closes on 17 December 2014.
- d) In addition to summarising those issues and responses to them to date, this Report also asks to the Town Council to consider formally raising the profile of what some consider to the related political issues with significant consequences for the Island's future.

### 2) REQUIRED COST REDUCTIONS

- a) The IoWC has been required to reduce its overall costs of around £250M a year by almost a quarter in the six financial years between 2011/12 and 2016/17 as the grants it receives from central government have reduced by £36.5M and costs have increased by £33.2M.
- b) Taken together, these create a gap of £69.7M that is offset by £9.7M of adjustments leaving £60M to be dealt with by savings.
- c) £4.6M from Reserves was used to reduce the necessary savings to £38.0M in the four financial years leading up to next year, leaving savings required of £13.5M in 2015/16 and a further £8.5M in 2016/17.

FINANCIAL YEARS	GOVERNMENT GRANT LOSS	INCREASED COSTS	BUDGET GAP	ADJUSTMENTS	SAVINGS REQUIRED
2011/12 – 2014/15	£27.1M	£22.2M	£49.3M	£11.3M	£38.0M
2015/16	£6.2M	+£6.5M	£12.7M	£0.8M	£13.5M
2016/7	£3.2M	£4.5M	£7.7M	£0.8M	£8.5M
TOTAL	£36.5M	£33.2M	£69.7M	£9.7M	£60M

### 3) DISCRETIONARY SERVICES

- a) The scope for savings is limited by the fact that 85% of its expenditure is already fixed: £84M is already committed to ongoing activity as is the £19M for Capital Borrowing Costs. The Statutory elements of Children's Services (£27M) and Adult Social Care (£61M) make up 35% of the total.
- b) The savings are expected to come from what the Managing Director's presentation lists under the heading of *Other Services*. These total £35.8M but also have an income from them of £17.6M leaving a net amount of £18.2M.
- c) Included among this £35.8M spend on other services, is £12M for what are listed as *Discretionary Type Services*; the income resulting from these services is £5.3M, leaving the net cost of £6.7M

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#### 4) CAPACITY

- a) Achieving revenue budget savings that represent 200% of the current net cost of Discretionary Type Services and 74% of the current net cost of Other Services will prove challenging bordering on impossible, as will the further £8.5M cuts in 2016/17.
- b) It is therefore likely that some combination of cuts to the statutory services and commitment of Reserves will be necessary to achieve the balanced budget required by Section 32 of the Local Government Finance Act 1988.
- c) The recent announcement of a further 152 redundancies among the current 2,129 IoWC posts is clearly driven by the required level of savings.
- d) However, on top of the 521 posts already made redundant since 2010, the total of 673 represents a reduction of over 25% in its staff structure and raises serious questions about the capacity to deliver adequately even the reduced services that will follow from the further budget cuts.
- e) The issue of capacity was highlighted in the Local Government Association's Peer Review of the IoWC that reported in April this year. The team's verdict was that the reduction in staffing: *has led to most staff assuming additional responsibilities and functions leading to stretched capacity and capability at all levels. Added to this is an over reliance on the goodwill of staff, illustrated by a long hours culture.*
- f) The Review's Report draws attention to one particular aspect of reduced capacity in commenting on the apparent inadequacy of provision for: *planning ahead, with strategic planning and thinking time largely absent from the current CMT (Corporate Management Team) working arrangements.*
- g) The urgency of this is reflected in the clear statement: *The council will need to establish succession planning arrangements. The interim Managing Director is working to a contract which ends in April 2015. It will be essential that advance preparation is undertaken to profile the skills and experience required from a future Chief Executive/Managing Director and to allow time for recruitment.*
- h) Recruitment itself is recognised as problematic: *Potential recruitment difficulties lie ahead with the loss of key personnel and skills. One effect of the recent restructuring is that some senior officers have had their salaries reduced. The council may experience difficulty in the future to recruit the calibre of person required, to some posts, based on current salary levels.*

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#### 5) NATIONAL CONTEXT

- a) The National Audit Office (NAO) published a Report three weeks ago - 19 November - on the *Financial sustainability of local authorities.*
- b) It summarised the judgement of auditors as being: *now less confident over local authorities' financial plans than before. Auditors:*
  - *raised concerns over 15.9% of single tier and county councils' capacity to deliver their budgets in 2014-15;*
  - *had concerns about the capacity of 52.3% of these local authorities to deliver their medium-term financial plans, an increase from 41.1% in the 2013-14 survey; and*
  - *were particularly concerned about metropolitan district councils and unitary councils, suggesting that 55.6% and 56.4% respectively are not well placed to deliver their medium-term financial strategies.*
- c) The Report doesn't identify the authorities about which the NAO has concerns, but it would be very surprising if the Isle of Wight Council wasn't among them.

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## 6) CONSULTATION RESPONSE

- a) The IoWC has made significant efforts to consult widely on the need for cuts to services and to give residents the opportunity to respond by asking four questions:
  - What does the Council need to do differently to meet the financial challenge it faces?
  - What can the Community do to make outcomes for the Island better?
  - What areas of savings do you think the Council should concentrate on?
  - What should its absolute priorities be?
- b) But there are other questions being asked by some Town and Parish Councillors and their Clerks which are not yet included in this discussion, including:
  - Is the Isle of Wight Council financially sustainable?
  - Can it possibly deliver even those services that remain, given the cuts to capacity?
  - Is it justifiable to expect the remaining staff to take on still more responsibilities?
  - Is there a succession plan to replace the interim Managing Director at the end of his current contract?
  - Can new senior staff be funded and recruited to develop a strategy that includes a future for the Isle of Wight Council and a basis for meeting its aspiration to make the Island a *great place to live and work*?
- c) The answer to the first of these is, for now, the responsibility of the interim Managing Director who, as the senior finance officer, has the legal responsibility under Section 25 of the Local Government Act 2003 to report to the full Council on *the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves*.
- d) Section 114 of the Local Government Finance Act 1988 requires the senior finance officer to report to all the Council's Members, in consultation with the Monitoring Officer if there is, or is likely to be an unbalanced budget. This would have serious consequences and unlikely to arise in respect of the 2015/16 Budget.

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## 7) TOWN AND PARISH COUNCILS

- a) The issues explored in this Report have helped to embed the current Administration's welcome commitment to localism and partnership working with the Island's Town and Parish Councils.
  - b) As the total Precept income of all 33 Town and Parish Councils is £1.8M and all of that is for specifically budgeted activities, there is clearly a limit to the financial contribution its possible for this tier of local government to make by taking responsibility for services directly.
  - c) Some – including Ventnor Town Council – have engaged very constructively with this developing devolution and will continue to do so.
  - d) There is surely a case for those who have entered this partnership constructively to also have a voice in the discussions of the questions in 6(b) above as it is the answers to these that will be more significant for the Island's future than the detail of next year's Budget.
  - e) The motivation for this involvement would be a determination that the Island's own governance structures should not simply be degraded to the point where there is no other option than a takeover by others.
  - f) Even if that cannot be avoided, the author of this Report hopes it should surely be with a bang and not a whimper!
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**IWALC 20 NOVEMBER 2014**

## OUR CHALLENGE 2014/15 TO 2016/17

Cllr Ian Stephens Leader of the Council  
Dave Burbage – Managing Director



## OUR ASPIRATION FOR THE ISLAND

**A GREAT PLACE TO LIVE, WORK AND VISIT**



## OUR PRIORITIES IN DELIVERING THIS VISION

**Working in partnership** with health, police, agencies, business, voluntary sector, town and parish councils and the community in delivering the Island Vision by:

1. Making the Island a better place and keeping it safe
2. Keeping Children safe and improving their education
3. Protecting the most vulnerable with Health and Social Care investing in support ,prevention and continuing care
4. Supporting growth in the economy and tourism
5. Ensuring the most effective use of resources in achieving the Island's priorities.



## HOW WE ARE WORKING TO MAKE A DIFFERENCE

Being:

- an Administration that cares
- open, transparent and accountable
- innovative and open for different solutions
- able to work with others in partnership
- realistic about the financial challenge we face
- clear that we value staff and work with them
- Committed to make the Island better



## THE FINANCIAL CHALLENGE 2014/15 – 2016/17

- £28m ongoing savings To Find
- Of this £13.5m next year 2015/16

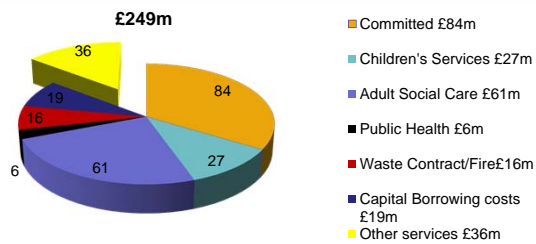


## GOVERNMENT AUSTERITY PROGRAMME

	Government Grant Loss	Increase d costs	Budget Gap	Council Tax/ Health transfer	Reserve s	Savings
Four financial years 2011/12- 2014/15	- £27.1m	+ £22.2m	£49.3m	(£6.7m)	(£4.6m)	£38.0m
2015/16	-£6.2m	+£6.5m	£12.7m	(£1.5m)	+£4.6m (£2.3m)	£13.5m
<b>2016/17</b>	<b>-£3.2m</b>	<b>+£4.5m</b>	<b>£7.7m</b>	<b>(£1.5m)</b>	<b>£2.3m</b>	<b>£8.5m</b>
	<b>-£36.5m</b>	<b>+£33.2m</b>	<b>£69.7m</b>	<b>(£9.7m)</b>	<b>0</b>	<b>£60m</b>



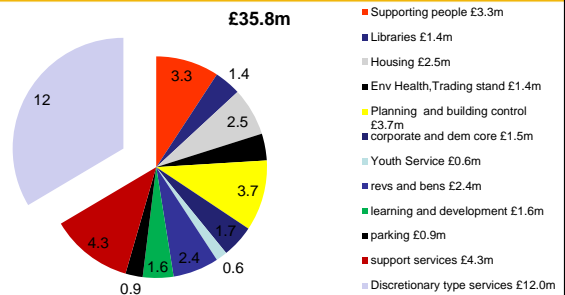
### £28m FROM A SMALL BASE



Excludes Schools and PFI



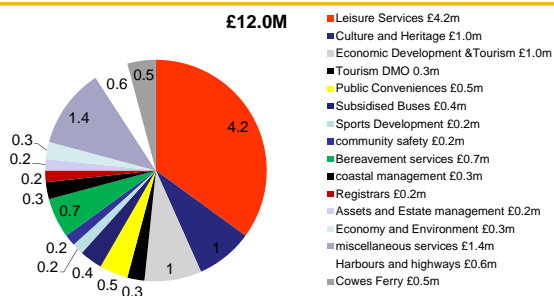
### OTHER SERVICES



Income on these services £17.6m Net £18.2m



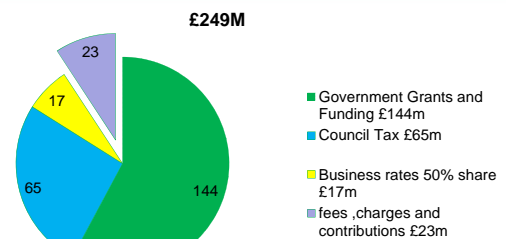
### DISCRETIONARY TYPE SERVICES



Income on these services £5.3m net £6.7m



### MOST INCOME CONTROLLED BY GOVERNMENT



### COUNCIL TAX INCREASES

2014/15 increased BY 1.99%

IOWC CAPPED AT BELOW 2% any increase above this needs a referendum 1.99 % is about £1.3m

Government urging Councils to freeze

Town and Parish Councils not currently capped



### LOCAL COUNCIL TAX SUPPORT SCHEME

- Pensioners and working age vulnerable up to 100% some 9,600 claimants
- Working age non-vulnerable some 4,500 claimants maximum entitlement 80% of council tax bill
- Government Grant further reduced in 2015/16 by 12.5%
- T&PC'S Grant passed on in 2014/15 £235,088 in 2015/16 will be £205,702
- Council Tax base 2013/14 47,060 2014/15 48,712 2015/16 49,535
- Overall grant 2015/16 - £29,386 CT base + £35,464 will vary individually



## WHAT DOES THE FUTURE HOLD?

- The Council cannot afford to continue to provide the Services it does now
- The council will need a radically different operating model
- Some services will be lost unless undertaken by local groups, Town and Parish Councils, partnerships, voluntary sector, residents
- Local communities and residents can play their part in supporting initiatives in their local areas that reduce the dependency on the Council e.g. directly accessing information and services through the internet
- 2015/16 is a major challenge. Long-term are we viable?



## IMPORTANCE OF TOWN AND PARISH COUNCILS

- Local knowledge and commitment
- Can influence and make IOWC decisions better informed
- Better understanding of what local residents want
- Local contacts and promoting voluntary sector efforts
- Understanding of what does not work and we can stop
- Tax raising ability to meet local needs
- Part of new relationship with the public over expectations
- We are engaging with you about how we should work differently to deliver the vision for the Island with much less money



## BUDGET TIMETABLE

DATE	MEETING	OUTPUT
June- October 2014	Executive member led Budget Target Groups Overarching Budget Group	Vision and updated outcomes for the corporate and budget option choices considering cross-cutting issues, developing the future operating model and overseeing organisational change-
7 November 2014 10 December 2014	Executive/Corporate Management Team	Facilitated Workshops
November /December 2014	consultation, focus groups, survey, cross Island events ,IWALC	Feed into budget Choices
3 December 2014	Autumn Statement	Government plans for Public Finances
18 December 2014	Provisional Finance Settlement	Government Grant 2015/16
13 January 2015	Executive	Near Final Budget Report to
30 January 2015	Final budget report published	plus any alternative budgets
10 February 25 February	Executive Full Council	Budget Decisions

## SOME TOUGH CHOICES

Service	choice	Impact /alternative
Public Realm , Environment	Do differently and /or get others to fill the gap	cut as discretionary; Island not a better place ;link to tourism
Fire and Rescue Service	Led and managed by Hampshire Fire Service	Alternative means a less resilient service and cuts
Planning Service	Reduce more to statutory duties	Poorer slower service less enforcement ;alternative cuts elsewhere
Library Service	Reduce down to minimum statutory duty	Definition of statutory, potential closures and challenge, link to children's and adult priorities
Adult Social Care	Manage demand down. Deliver services jointly with health better outcomes for people reduce most expensive placements	Alternative is cut services reduce preventative services such as supporting people which are likely to increase adult social care costs

## TOUGH CHOICES

Service	choice	Impact /alternative
Cowes Chain Ferry	Charge for pedestrians	Potential £400k cuts somewhere else
Public Toilets	Develop community toilet scheme	More toilets available and protected ;alternative straight closures
School Crossing patrols	Council stop funding and schools pick up	Less money for educational improvement
Concessionary fares/ transport	Remove any discretionary elements reduce funding for community bus scheme and subsidised bus routes	Impact on residents alternative is cuts elsewhere
Capital spend on buildings – Record Office, Frank James hospital ,other local concerns	Very limited capital resources Need to meet statutory duties only	Impacts directly on revenue budget and increases savings to be made elsewhere



## QUESTIONS AND VIEWS

1. What does the Council need to do differently to meet the financial challenge it faces?
2. What can the Community do to make outcomes for the Island better?
3. What areas of savings do you think the Council should concentrate on?
4. What should its absolute priorities be?

