



Committee report

Committee	CABINET
Date	TUESDAY, 8 FEBRUARY 2011
Title	2011/12–2014/15 BUDGET STRATEGY AND COUNCIL TAX SETTING
Report of	LEADER OF THE COUNCIL AND CABINET MEMBER FOR FINANCE, GOVERNANCE AND SCHOOL IMPROVEMENT

PURPOSE

1. This report outlines the Council's revenue and capital budget position covering the next four financial years. In particular, it updates and rolls forward the Medium-Term Financial Strategy (MTFS) and Medium-Term Financial Plan (MTFP) in the light of the provisional Local Government Finance Settlement (LFFS) that was announced on 13 December 2010. It also takes into account the decisions made at Cabinet on 7 December 2010 on the overall budget position and the future shape and direction of the organisation.
2. The Medium-Term Financial Plan for the Council sets out the projected resources from the Revenue Support Grant (RSG), assumed levels of council tax, fees & charges and projected costs at current levels of activity plus inflation and known service changes. This information enables the Council to identify the anticipated budget gap – which in summary is the difference between the likely level of funding to be received next year and the projected level of expenditure (based on the continuation of existing service provision, taking into account demographic factors and future projected need). This budget gap, as accepted by Council on 19 January 2010, has been calculated to be £17.8m.
3. The overall Medium-Term Financial Strategy sets out how the Council will resource the key projects, changes and improvements that flow from the Council's Corporate Plan, along with the redirection of resources over time to meet these priorities, whilst addressing the savings target (the budget gap) as referred to above.
4. Specifically the report makes proposals for :-
 - a) The Medium-Term Financial Strategy for the next three years;
 - b) The level of investment in service improvement and improved efficiency;
 - c) The level of capital investment;
 - d) The level of savings to be achieved;
 - e) The level and timing of use of balances;
 - f) The council tax base for 2011/12;
 - g) The council tax level for 2011/12.
5. At its meeting on 23 February 2011 the Council will need to agree the overall revenue budget, capital programme and council tax level for 2011/12. Cabinet needs to agree the recommendations it wishes to make to Council in this respect.

BACKGROUND

6. The budget strategy (2010/11-2012/13) agreed at Council on 24 February 2010 was set in the context of delivering the seven key priorities within a very constrained and reducing resources base i.e. :-
- A fall in overall income from fees and charges of over £2.5m per annum;
 - A fall in the interest earned on balances and reserves of over £2m per annum;
 - Additional service pressures of over £3.5m;
 - Coping with the continued funding shortfall on the national concessionary fares scheme of some £2m-£4m each year;
 - The continued reduction in grant through damping of around £3.5m per annum;
 - The likely further significant reduction in Revenue Support Grant and other grants from the new settlement from 2011/12 onwards.

STRATEGIC CONTEXT

7. The Council's refreshed Corporate Plan was agreed by Council at its meeting on 25 November 2009. It provided a framework for the delivery of services and a clear statement of the Eco-Island vision, aims and priorities, and outlines the key outcomes and actions which will support the delivery of the Council's priorities.
8. The reports to Cabinet on 7 December 2010 set out the overall likely budget position facing the Council over the next few years and the future shape and direction the organisation needed to take in order to deliver and secure services within the resources likely to be available.
9. It was agreed by Cabinet that the following strategy be adopted in this respect:
- establish a base for the Council's contribution to a sustainable economy for the Island;
 - invest in services that reduce the need to intervene later at higher cost by taking action which will mitigate the impact on the most vulnerable within our community;
 - focus on achieving the outcomes agreed in the Corporate Plan and direct resources to agreed priorities within the resources available;
 - direct resources to those areas that enable us to discharge our statutory duties at an appropriate level;
 - identify those services which we will no longer provide or those that we might enable others to provide with minimal input from the Council;
 - challenge the way we currently do things and give serious consideration to different delivery models to achieve the stated outcomes;
 - reduce the shape and size of the organisation in order to secure effectively the vision and outcomes of the Council within the resources available;
 - reduce our financial commitments over the next four years to meet the resources available by:
 - developing partnerships which reflect a 'place based' approach as opposed to public sector agencies acting in isolation;
 - moving from direct provision to commissioning which will enable other agencies to provide services within a reduced budget;
 - identifying opportunities for staff to take management of services outside the direct control of the Council;
 - optimising income;
 - reducing or even ceasing some services;
 - Managing residents' expectation in terms of what is financially viable.

10. To enable the Council to meet the above requirements the following principles were agreed by Cabinet to enable decisions to be made on what and how the Council will commission and provide services:
- that, wherever possible, local communities and residents will take responsibility for their local area and make an active contribution to their community as the reliance on state and local council funded activity reduces;
 - the Council will actively pursue the opportunities created by partnerships to commission or deliver services, particularly those that engage local communities and use available resources in a more coherent and efficient way;
 - the Council will only directly provide any commercial / trading undertaking or activities which have a robust business case (reflecting the true costs) and have little or no residual cost to the council with the council achieving the 'best return' for its investment;
 - the Council will actively seek to sell or dispose of assets that are surplus to requirements where practicable to maximise receipts, or lease them where it is not (including through community asset transfer);
 - The public will increasingly resolve their issues through the internet without need of personal contact with council staff. When they do need personal contact, we will resolve their issues at the first point of contact i.e. the customer service centre;
 - all areas of statutory duty to be subjected to robust challenge to ensure that the investment in resources is at the appropriate level, following a reasonable needs assessment, to ensure our responsibilities are met adequately;
 - all core services will be subject to review regarding what must be done, what can be stopped or done differently with a view to supporting the creation of social enterprises, community interest companies or joint ventures that will each or all support the achievement of the agreed outcomes but at reduced cost, including the opportunity for 'management buy-out' opportunities;
 - central support services will be reduced on a pro rata basis over time to reflect the changing shape and size of the organisation and, where appropriate, will be subject to market testing and/or joint working with other local authorities;
 - there will be less resources, leading to fewer buildings and fewer staff;
 - The Council will raise income through charging to sustain discretionary services.
11. The final revised Corporate Plan and Medium-Term Budget Strategy, reflecting the policy decisions made by Cabinet on 8 February 2011 and the budget decisions made by Council on 23 February 2011 will be considered by Council on 16 March 2011. This will set out the key priorities and outcomes to be delivered for the remainder of the Council term.

CONSULTATION & PROPOSALS

12. In progressing some of these issues a number of consultation exercises were agreed to be undertaken as follows:-

Consultation	Process	Conclusion/Next steps
A. COUNCIL 22 September 2010		
Adult Social Care		
Review of eligibility criteria.	Public consultation undertaken 15 October 2010 - 14 January 2011. Report on the outcome of the consultation attached as appendix 12.	Cabinet is recommended to consider the consultation responses and adopt the policy changes as outlined in the consultation – see paragraphs 16-22 below.

Review of charging policy.	Public consultation undertaken 15 October 2010 - 14 January 2011. Report on the outcome of the consultation attached as appendix 12.	Cabinet is recommended to consider the consultation responses and adopt the charging policy as outlined in the consultation – see paragraphs 23-34 below.
Westminster House.	Public consultation undertaken 15 October 2010 - 14 January 2011. Report on the outcome of the consultation attached as appendix 12.	Cabinet is recommended to market test the transfer of Westminster House either to a social enterprise based on the current staff team or an alternative third party provider – see paragraphs 35-47 below.
Children and Young People		
Removal of discretionary element of concessionary fares scheme for post-16 transport and faith based transport.	Consultation to be undertaken during spring 2011.	Cabinet decision June 2011.
B. CABINET 7 December 2010		
Chief Executive		
Management restructure (staff).	Consultation with staff and approval by Employment Committee 17 January 2011.	Cabinet member delegated decision to be published shortly.
Economy and Environment		
Invitation for proposals for Waterside Pool.	Cabinet Member delegated decision made on 4 January 2011. Period for expressions of interest commenced with immediate effect.	Closing dates for expressions of interest on 4 February 2011. Confirmation of preferred bidder (if there is one) to Council on 23 February 2011. Transfer / closure 31 March 2011 pending decision of Council.
Future management of public toilets.	Cabinet Member delegated decision made on 4 January 2011. Consultation commenced with immediate effect.	Consultation closes on 31 January 2011. Final decision at Cabinet 1 March 2011.
Community Services		
Future of the Library Service.	Cabinet Member delegated decision made on 4 January 2011. Consultation commenced with immediate effect.	Consultation closes on 7 February 2011. The results and conclusions will be reported to Cabinet on 1 March 2011. The Council in setting its budget on 23 February 2011 will determine the financial envelope for this service and the Cabinet decision will need to take this into account.
Future of Museum and Heritage Services.	Consultation on Heritage Service to take place in spring	Inspection by The National Archive in April 2011.

<p>Alternative providers for Ventnor Botanical gardens, Dinosaur Isle and Newport Roman Villa.</p>	<p>/ summer 2011 (to include futures of Dinosaur Isle and Newport Roman Villa).</p> <p>Clear public feedback and engagement already in place from review of Ventnor Botanic Garden in Summer 2010.</p> <p>Cabinet Member delegated decisions required to confirm changes to services and to confirm outsourcing of services.</p>	<p>Consultation with Museums, Libraries and Archives Council re Heritage Services review.</p> <p>Advisory Group established for Ventnor Botanic Garden, to advise Cabinet Member on the best way forward for Garden.</p> <p>Dinosaur Isle looking to move outside local authority control within 2011/12.</p>
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Adult Social Care

13. For adult social care services, Cabinet will need to consider the outcomes of consultation processes and the Equality Impact Assessments. It will then need to make any policy decisions required on how the eligibility criteria should be applied in the future and what the charging policy should be. For services currently provided at Westminster House, Cabinet will need to determine its policy in relation to future use of the existing premises, and possible relocation of provision.
14. The following paragraphs relate to the proposals to: raise the threshold at which the eligibility criteria is applied for adult social care services; revise the council's charging policy for adult social care services; and consider the future of the Westminster House (learning disability residential respite care service). Cabinet is asked to make the policy decisions that will inform the budget decisions that will be made by Council on 23 February 2011.
15. These three areas have all been subject to three months public consultation in the period from 15 October 2010 to 14 January 2011 and a report on that consultation and its outcomes, along with an Equality Impact Assessment, is attached as appendix 12 to this report.

Review of eligibility criteria

16. The Council's proposal on which it consulted was to raise the eligibility threshold for the provision of adult social care services to clients re-assessed as "critical" while for those people assessed as "substantial" it would only meet those areas of need that placed people at greatest risk of not being able to remain at home and be safe. It was calculated that this proposal would save the Council a projected £1.6m in a full year and a projected £1m in 2011/12.
17. The main concern expressed by the 273 respondents to the consultation (which represented the views of 500 people), was that the Council ensured that there was sufficient investment remaining to support the areas of risk for people in the substantial category and that this approach did not represent a false economy as the Council withdrew support for people who as a consequence then slipped into the critical band.
18. It is the view of the Director for Community Wellbeing and Social Care that the tools that have been devised for assessing risk and the training that has been given to staff should ensure that the concern expressed above is not realised. In addition the proposal does not withdraw all of the current funding for people in the substantial band where £7.5 million will

be spent in the current year. The projected reduction of £1 million in 2011-12 would still leave £6.3 million for investment for people in that band.

19. The Cabinet essentially has three options available to it, which can be summarised as follows:
 1. Proceed with the proposal as consulted upon;
 2. Reduce further the level of investment in preventative services for people within the substantial band;
 3. Leave the eligibility threshold as it is currently so that the full care and support needs of people within the substantial band are met.
20. The Director of Community Wellbeing and Social Care's advice to Cabinet is that option 2 described above would probably result in the concerns that were voiced about there being insufficient investment to prevent people slipping into the critical band being realised. The consequences of implementing the policy as proposed will need to be carefully monitored and a more cautious approach as encompassed in option 1 is recommended at this time.
21. With regards to option 3, while on the face of it would be a potentially more desirable option, this would mean that an alternative source for the £1m savings identified in 2011/12, rising to £1.6m in 2012/13, would have to be found. With the financial pressures that adult social care in particular (and the Council in general) is already facing this would be a significant challenge. Therefore on balance the recommendation is that Cabinet agrees to option 1 which is the proposal that was consulted upon as set out in the paragraph below.
22. As from 1 April 2011 the Council will continue to meet fully the needs of all people who have been assessed as having critical needs while for those people who are assessed as having needs defined as substantial it will only meet those areas of need that place them at greatest risk of not being able to remain at home and be safe.

Review of charging policy

23. The consultation on charging for community based adult social care services addresses those areas where there is discretion for councils to set their charges within the context of the "Fairer Charging" Guidance originally issued by the Department of Health in 2001 and subsequently updated. This guidance addresses homecare and other non residential care services.
24. The proposals that the Council consulted upon were :
 1. Ceasing to provide free homecare for people over the age 80 and requiring them to be financially assessed for a contribution in the same way as people aged under 80;
 2. Removing the upper limit for charges;
 3. Charging all people on the same basis regardless of their specific disability;
 4. Charging all people against the value of their "personal budget" or the true cost of the services that they are receiving if they are not yet on a personal budget.
25. These proposals would raise an estimated additional income for the Council of £1.5m in 2011/12 and £2m in 2012/13.
26. The result of the consultation was an overwhelming support with 88% in favour of ceasing to provide free homecare to people aged over 80, with 12% comments against it.
27. Similarly 78% of people who expressed a view on removing the maximum charge were in support of the proposal with only 22% of people opposing it.

28. There was also support for the view that it would be more fair and equal if the cause of an individual's disability was not given any specific advantage or disadvantage i.e. a learning disabled 30 year old should be assessed on the same basis as a frail 85 year old.
29. Finally, there was also support for the idea that the Council should make clear the full cost of providing services without providing a subsidy. (See Appendix 12iv attached which clarifies the indicative charges based on full cost.)
30. The main area of concern for respondents was that the assessed financial contribution should be fair and affordable by individuals. There was no suggestion that the Council's fairer charging policy by which individuals' contributions were calculated within was in need of revision
31. The Cabinet essentially has three options available to it which can be summarised as follows:
 1. Proceed with changes to the charging policy as set out in the consultation document, with effect from 1 April 2011;
 2. Proceed with the proposals as set out and to introduce a revised means of calculating individuals' contributions;
 3. Reject either one more or all of the proposals.
32. Option 2 has not been the subject of consultation as the proposal was to retain the current policy in these regards. Should the Cabinet be minded to pursue this a further period of consultation would be required. If the Cabinet's objective was to use this approach to increase income further then it needs to be aware that there may be little room for manoeuvre as the Council must comply with the Fair Access Guidance and ensure that individuals are left with a reasonable sum of money to meet their day-to-day needs. If however the Cabinet's intention would be to make more generous allowances then it needs to be aware that this would reduce income and the shortfall would need to be found from elsewhere.
33. The last comment would also apply to option 3 and such a move would also in effect reject the outcome of the consultation which has been generally supportive of the whole package. It would also undermine the overall sense of fairness, consistency and transparency that the new policy would deliver.
34. The Cabinet is therefore recommended to agree to the original proposal that was consulted upon namely to:
 1. Cease to provide free homecare for people over the age 80 and require them to be financially assessed for a contribution in the same way as people aged under 80;
 2. Remove the upper limit for charges;
 3. Charge all people on the same basis regardless of their specific disability;
 4. Charge all people against the value of their "personal budget" or the true cost of the services that they are receiving if they are not yet on a personal budget and that these changes should be introduced with effect from 1 April 2011.

Westminster House

35. The consultation on Westminster House, a 10 bedded residential respite care facility for learning disabled adults in Newport, focussed on the proposal to re-locate the provision to the Gouldings Resource Centre in Freshwater and the Adelaide Resource Centre in Ryde with the majority of the provision (8 beds) going to the Gouldings. The proposal was constructed for two main reasons: firstly the take up of the service in Newport, along with its running costs, meant that the weekly cost per resident was very high (around £1200 per week per person) and significantly higher than similar provision may cost in an independent

sector facility. With the move to personal budgets and individuals paying for their respite care from their personal budget the Cabinet wished to offer a more affordable choice for learning disabled adults and their carers. In addition, for a relatively small level of expenditure (around £50,000) the Gouldings could be upgraded to provide a significantly enhanced environment compared to Westminster House. To achieve the same level of enhancement at Westminster House would have cost significantly more.

36. The consultation process on these proposals recognised that clients with learning disabilities may not find traditional written formats and meeting structures accessible and therefore officers drafted “easy read” versions of the consultation documents and secured the services of the Isle of Wight Advocacy Trust to undertake individual consultation interviews with learning disabled people to facilitate them expressing their views. As a consequence of this 102 responses were generated from learning disabled people who use Westminster House.
37. A major challenge in undertaking this consultation was that regrettably many people were led to believe that the Council was planning to discontinue the service rather than re-locate it, and this caused a degree of anxiety that was not necessary.
38. The responses to the consultation suggests that many people (46%) would welcome the opportunity to receive their respite break in somewhere other than a traditional residential care setting and this clearly gives support for the work that officers in adult social care are undertaking to develop alternative options through the use of personal assistants or adult placement schemes. However, of those that would still look to make use of a residential care facility, 56% indicated that they would look to use Westminster House and there was an overwhelming majority in favour of retaining the facility in Newport.
39. The case for retaining the service in Newport centred on two main issues. Firstly Newport was seen as being a central, accessible and affordable location for the service. The travel time, cost and challenges of accessing Freshwater by public transport was a significant factor for many disabled people and family carers. In addition, Newport was seen as a more vibrant setting with its opportunities to walk to the town centre and access shops, coffee shops, the cinema and other leisure facilities.
40. The challenge of providing a more affordable option was recognised by several respondents and specific reference was made to exploring the option for Westminster House to leave management by the Council and for the facility to become a social enterprise. In addition to this there was some early interest from three organisations, both private and voluntary sector that suggests that there may be value in exploring what could be offered through the transfer of the facility to an independent sector organisation.
41. Finally, a submission by the manager of Westminster House, on behalf of the staff team, suggested a number of ways in which the cost of the current service delivery could be reduced and productivity increased thereby generating increased income and reducing the cost of the services provided to individuals.
42. In essence there are three options available to Cabinet:
 1. Proceed with the relocation to the Gouldings and the Adelaide as originally proposed;
 2. Retain Westminster House within Newport as a Council operated facility;
 3. Explore the transfer of Westminster House either to a social enterprise model or to a private or voluntary sector provider.
43. Whilst option 1 probably reflects the swiftest and, in the short term, most effective route, to reducing the unit cost of Westminster House’s services whilst having a similar effect on those

of the Gouldings and the Adelaide, it is clearly not one that learning disabled people and their carers favour both in terms of the facilities available and the logistics of travelling there.

44. Retaining Westminster House as a Council operated facility in Newport will limit the potential to reduce unit costs as local government terms and conditions will still apply along with the corporate overheads that go with being part of local government. In addition as the only directly provided learning disability service operated by the Council the opportunities for using staff more flexibly between units is not available.
45. The third option of exploring transfer to either a social enterprise or an independent sector provider would seem to offer the best opportunity to secure a financially viable service that meets the aspirations of learning disabled people by being based in Newport.
46. The Cabinet is therefore recommended to agree that the Director for Community Wellbeing and Social Care explores the suggestions of the Westminster House staff team to reduce unit costs and increase income while at the same time putting in place a market testing programme that will explore both the feasibility of transferring the facility to a social enterprise model and of transferring it to a private or voluntary sector provider.
47. In addition the Director will explore opportunities to reduce costs and generate more income at the Gouldings and the Adelaide (including the consideration to cease being a direct provider of services) to achieve the anticipated savings of £200,000 in 2011/12 and a report will be submitted to Cabinet in July 2011 on report on progress being made.

BUDGET PROPOSALS

48. The Council's proposed overall Medium-Term Financial Strategy is based on the direction and principles as outlined further above and covers the same period as the Government's Comprehensive Spending Review i.e. the next four financial years 2011/12 – 2014/15.
49. Having set out a proposed overall direction the Council will need to determine the actual level of its element of council tax for 2011/12; its revenue and capital budget for 2011/12 and 2012/13; and the level of reserves and balances it needs to maintain.
50. In making recommendations on these issues there are seven key elements to be considered:-
 - (a) The Council's key priorities and the level of resourcing to be directed to them;
 - (b) The overall resource position as set out in the Comprehensive Spending Review 2010, the provisional and final Local Government Finance Settlement 2011/12-2012/13, and the assumed Isle of Wight Council tax increases;
 - (c) The overall projected costs of the Council's current activities over the next four financial years;
 - (d) The capital programme and capital financing costs;
 - (e) The results of the budget consultation and other consultation exercises undertaken;
 - (f) The level of budget reductions that will be achieved from the proposed savings set out in the report of the Chief Executive to Cabinet on 7th December on the future shape and direction of Council services;
 - (g) The Equality Impact Assessments of the proposed savings;
 - (h) The current budget monitoring position for 2010/11, the overall position on reserves and balances, and further savings to be considered to deliver a legally and financially sound budget for 2011/12 and 2012/13.

(a) The Council's key priorities and the level of resourcing to be directed to them.

51. The current Corporate Plan and Medium-Term Financial Strategy sets out seven key priorities. There has been significant progress on these and the current position and proposed future investment is summarised below:-

Schools Reorganisation

The school re-organisation project to move to a primary / secondary model of education is almost complete. All Year 5 pupils remained in their primary schools in September 2010 with sufficient and appropriate human and physical resources. Plans are well developed to ensure that this is repeated for the same pupils to remain in their schools as Year 6 pupils in September 2011, and that subsequent relocations to middle school sites take place. The contract for the Cowes One School Pathfinder has been signed and initial preparatory site works are underway. Initial consultation has taken place on the new Haylands Primary School and other refurbishment projects are on time and budget. Many teaching staff, where their school is closing, has been appointed to new positions in the primary or secondary sector. AET (the academy provider for Ryde and Sandown) have had their funding agreement signed by the Minister of State. The size of the project team will reduce in September 2011, reducing project costs to a minimum and returning the staffing complement to less than before the project began.

Roads/Highways PFI

The Government have approved this scheme, albeit at a reduced level of funding. This will still secure significant additional resource to the Island that we otherwise would not have benefited from. The revenue budget includes £3.1m of one-off costs over the next two financial years to bring the scheme through procurement to implementation.

Transforming Social Care

The main focus over the last year has been in progressing the transition to "personal budgets" whereby individuals are advised of how much the Council will invest in supporting their identified needs. A variety of different options are able to determine how they want to be supported. We are projecting that at least 30% of people supported by Adult Social Care to live in their own homes will be doing so through a personal budget by 31 March 2011 and that this will rise towards 100% over the next year.

Aligned to this approach is the development of information and independent advice and brokerage services to help people make their choices, along with work with service providers to help them think about how they re-shape their services to reflect what individuals want as opposed to what the Council tells them they will provide.

Economic Development

Work has continued on the strategic promotion of tourism on the Island and in attracting jobs and industries such as renewable technologies. The Council has been successful in helping to secure a Solent LEP (Local Enterprise Partnership) with its partner authorities and an additional investment of £100,000 per annum is proposed to progress this further. This work will be informed by the recently completed Local Economic Assessment for the Isle of Wight.

Fire Service Modernisation

The project has secured an appropriate rebalancing of the mix of retained and whole time fire fighters, thus improving the overall resilience and sustainability of the service. The completion of this was not dependent on the provision of new fire stations and the capital spend has therefore been deferred on these. Provision has been made in the capital programme for replacement appliances. The proposal to relocate the Fire Control centre is

being progressed. From July 2011 Fire Modernisation will move from a distinct corporate priority to a service business-as-usual priority.

Local Housing

This year has seen the start of building on the Pan Meadows development that will provide 820 houses over the next 12-15 years of which at least 240 will be to provide affordable housing. The first properties are scheduled for completion in March 2011 and should be occupied by mid May 2011.

Additionally there has been considerable focus on managing increased demand from people at risk of homelessness. This includes both providing advice on how people can manage their situation themselves as well as providing accommodation for people who are actually homeless. During this financial year 120 new affordable homes will have been delivered and advertised through Island Home finder and Pan Meadows will help see this figure rise to 155 next year. This has enabled the Council to keep the level of homelessness as low as possible across the Island despite the inherent pressures in the housing market caused by the ongoing difficult economic situation. So far this year the Council has prevented 141 families from becoming homeless and helped secure housing for a further 65 who would otherwise have been homeless.

This remains a corporate priority and preventative funding will continue to be invested.

Delivering Better Services

The delivering better services transformation programme has successfully completed the first phase of its work in the implementation of new business systems, establishment of the transactional shared support service, improved telephony and IT technologies. Significant savings have been made and will continue to be made in the next phase with the redesign of County Hall and consequent accommodation reduction, flexible working, reduction in staffing, procurement costs and further service redesign.

52. The clear priority for the Council over the next four financial years will be implementing the necessary programme of change in order to deliver the shape and size of the organisation needed to commission, enable and deliver agreed services within the resources available or likely to be available. This will be reflected in the revised Corporate Plan, to come before Council on 16 March 2011.
53. It is proposed that there will continue to be additional investment, over normal budget provisions, in key priority areas – as well as maintaining current investment:-

	2011/12	2012/13	2013/14
INVESTMENT FROM REVENUE, RESERVES AND CAPITAL PROGRAMME	£'000	£,000	£'000
1. Key Service improvements			
• Highways PFI preliminary costs	1,800	1,400	400
• School Re-organisation	500	200	-
• Fire Service Modernisation	300	300	300
• Economy	100	100	100
2. Meeting increased need			
• Adult Social care	2,200	4,700	7,200
• Looked After Children	500	600	700
• Safeguarding	500	500	500
3. Capital investment in Services			
• Schools	45,000	17,000	10,000

• Leisure Facilities	2,050	1,250	2,350
• Housing Disability facility grants	860	860	860
• Local Transport and Highways	3,900	3,600	3,400
• Crematorium and other services	8,960	3,160	10,860
• Waste management			5,000
4. Maintaining existing services and spend			
• Bus Subsidies	260	260	260
• Concessionary fares	3,000	3,000	3,000
• Supporting People	3,470	3,470	3,470
• Strategic Tourism	600	600	600
TOTAL	74,000	41,000	49,000

(b) The overall Resource position as set out in the Comprehensive Spending Review 2010, The Provisional and Final Revenue Grant Settlement 2011/12-2012/13, the assumed Isle of Wight Council Tax increases.

Comprehensive Spending Review 2010

54. The Comprehensive Spending Review was announced on 20 October 2010 and it set out the Government's proposals for public finances over the next four financial years. It included significant devolution of financial control to local authorities. Ring fencing of all local government revenue grants will end from 2011-12, except simplified schools grants and a new public health grant. The number of separate core grants will be radically reduced from over 90 to fewer than 10, excluding schools, police and fire. More than £4 billion of revenue grants, including the Area Based Grant, will be rolled into the Revenue Support "formula" Grant (RSG). Outside of the Revenue Support Grant there will be only nine other national core grants including the Dedicated Schools Grant (DSG), Early Intervention Grant, new homes grant, benefit administration, PFI and council tax freeze grant.
55. In overall terms the Comprehensive Spending Review sets out a significant reduction in Revenue Support Grant and other grants that local authorities currently receive. In cash terms there will be an average reduction of some 19% over the four years and after allowing for government assumptions for inflation and increased need the real terms reduction is calculated to be 26%.
56. A significant factor, however, is that the reductions are not spread evenly over the four years and are frontloaded to the first two years. Whereas a degree of frontloading was anticipated, the severity of it being nearly 50% in year one and some 75% by year two has made the challenge even greater. Representations have been made to the Government, through the Council's membership of the Local Government Association, objecting to the frontloading nature of the reductions. Whilst the Government has announced a Transition Grant that seeks to mitigate the frontloading nature, it is a minimal fund and does not benefit the Isle of Wight.
57. These reductions are also net of the extra £1bn for adult social care and the council tax freeze grant (set out later in the report) giving an effective real terms reduction in the rest of Revenue Support Grant of 35%. It is noted that the council tax freeze grant does not amount to additional funds, but is top-sliced from the RSG and is withheld if government requirements are not met.

Provisional Revenue Support Grant Settlement 2011/12- 2012/13

58. Following the Comprehensive Spending Review the provisional individual local authority grant figures were announced on 13 December 2010. These cover the next two financial years. The Government has signalled that there will be a review of the way local authorities are funded. It is likely that changes will be introduced from 2013/14 but would not provide more resources; only distribute them in a different way.
59. The Revenue Support Grant(RSG) is currently distributed on a formula basis with four elements; a fixed basic amount to provide a standard level of service times population; a relative needs element that funds assessed need based on a range of factors above this basic need such as deprivation, sparsity, age ranges; a resource element that takes into account the average council tax base compared to population; and a damping element that gives extra grant to those authorities who would otherwise suffer too big a grant loss each year and takes resources from authorities who have a higher grant gain or lesser grant loss to pay for it.
60. The major change from 2011/12 is the rolling in of some £4bn of grants like Area Based Grant and previously direct ring-fenced grants.
61. For the Isle of Wight the overall position for 2011/12 and 2012/13 is as follows:-

GRANTS	2010/11 £'000	2011/12 £'000	change £'000	2012/13 £'000	Further change £'000	Total Change £'000
A. tailored distribution						
Local transport	490	236	-254	215	-21	
Supporting People	5,544	3,470	-2,074	3459	-11	
Housing Older People	70	66	-4	58	-8	
LSC staff transfer	215	196	-19	178	-18	
HIV/Aids support	14	16	+2	17	+1	
Preserved Rights	1,353	1,206	-147	1169	-37	
Animal Health	<u>32</u>	<u>32</u>	<u>0</u>	<u>20</u>	-12	
	7,718	5,222	-2,496	5,116	-106	-2,602
B. rolled into formula						
Concessionary fares	1,782					
Area based grant etc.	3,560					
RSG	61,397					
Transfer of functions	-455			-366	+366	
	66,284	58,368	-7,916	53,292	-4,710	-12,626
Total RSG	74,002	63,590	-10,412	58,408	-4,816	-15,228
C. Core Grants						
Early intervention	5,964	5,266	-698	5,461	+195	
L D transfer	1,462	1,492	+30	1,527	+35	
Benefit Admin	1,476	1,454	-22	**1,309	-145	
Homelessness	101	141	+40	101	-40	
Safer Communities	<u>301</u>	<u>0</u>	<u>-301</u>	<u>0</u>	<u>0</u>	
	9,304	8,353	-951	8,398	+45	-906
Total Grants (excluding schools grant)	83,306	71,943	-11,363	66,806	- 4,771	-16,134
Health Transfer			+2,130		-80	+2,050
Net			-9,233		-4,851	-14,084

Real Terms reduction

62. The above figures show a total cash grant reduction over the two years of £16.134m equivalent to some 19%. When allowing for inflation, increased service costs and identified need, the real terms grant loss is much higher.

	2011/12 £'000	2012/13£'000
Additional costs / service need	7,400	11,900
Current grant base	<u>83,300</u>	<u>83,300</u>
	90,700	95,200
Grant per settlement	<u>71,900</u>	<u>67,000</u>
Real terms grant loss	18,800 -20%	28,200 - 30%
Council Tax grant and base	2,200	4,350
Health Transfer	<u>2,130</u>	<u>2,050</u>
Net impact on budget	14,470 - 16%	21,800 - 23%

63. In addition to the £1bn nationally going directly to councils (£530m 2011/12), an additional £1bn will be going to health (£648m 2011/12) in order for them to support adult social care services and prevention activities where this has health outcomes. The £2.130m is the specific allocation for the Isle of Wight. This decreases to £2.050m in 2012/13. It is assumed that all of this will be available to meet existing and increased need in adult social care services – much of which benefits health – and does not represent funding for additional provision.
64. It should be highlighted that in previous years, the Council received an increase in funding from government, to help meet its increased costs in inflation, landfill tax, national insurance and demographic pressures, etc. It is proposed that in 2011/12 the Council does not receive any such increase. Therefore our savings target for next year takes into account not just the headline reduction in government funding, but also the lack of any increase to meet our required need, as set out above.

Spending Power

65. There has been a good deal of confusion and frustration over the Government announcement related to a new comparison of “Spending Power”. In particular, this new assessment it does not include either inflation or increased taxation or increased service need, which clearly affects spending power. As the table below shows the real reduction in spending power is much higher than announced:-

	Government	Figures		Real spending Power		
	2010/11 baseline £'000	2011/12 proposed £,000		2010/11 actual £'000	2011/12 £'000	
Total grants	81,856	71,943		83,306	71,943	
council Tax	<u>72,568</u>	<u>72,568</u>		<u>71,067</u>	<u>71,067</u>	
	154,424	144,511	-9,913	154,373	143,010	-11,363
Additional costs					- 7,400	

CT grant	0	1,788			2,200	
Health	0	2,130			2,130	
	154,424	148,429	-5,995 -3.9%	154,373	139,940	-14,433 -9.35%

66. Despite the very significant grant loss the Council is still subject to reduced grant through damping. For 2011/12 this amounts to £1.717m and for 2012/13 £2.854m. The calculations are set out in Appendix 9.

Concessionary Fares and Impact on Level of Damping Applied

67. For concessionary fares there has been a transfer of responsibilities in two-tier areas from districts / boroughs (lower-tier authorities) to shire counties (upper-tier authorities). For unitary authorities like the Isle of Wight there is no change in function. To reflect the change and make 2010/11 and 2011/12 comparable the Government has used a formula to restate the grant actually received in 2010/11 for counties and districts. Despite the fact that unitary authorities have the same functions in both years they have also restated the grant for this single-tier.
68. In 2010/11 we get actual specific grant for concessionary fares of £1.782m. The restated figure is £487k – a reduction of £1.295m. This restated figure has been put in the adjusted notional base for 2010/11 and is used in the comparison of grant loss. As a result the Council's grant loss has been understated by the Government to the tune of £1.295m, due to this issue. In addition a further restatement of transport revenue grants actually received gives a further understatement of grant loss of £155k, leading to a total loss of £1.450m.
69. The importance of this is that the grant loss is used in the calculation of damping. As a result, the Council's damping has been overstated to the tune of £898k in 2011/12 and a further £584k in 2012/13. Detailed representations have been made to the Government by the Council, and a meeting was secured with the Parliamentary Under Secretary of State, Bob Neill MP, on 21 December 2010. The Minister agreed to look at our case, and a follow up letter was sent, along with a formal response to the consultation. The Council considers it has a strong case and awaits the outcome of their deliberations. We are also working in conjunction with other local authorities who have had their grant loss inaccurately calculated in this regard.
70. The formula used to restate the base for 2010/11 for concessionary fares has also been used in the formula grant for 2011/12. Taking into account other impacts of the way the formula interacts with other elements of formula grant means that instead of getting some £1.782m in direct grant we will receive less than £400k in 2011/12. On a broad calculation of what will be left in formula grant in respect of concessionary fares, including previous funding put through the formula, then the total resource from Government will be around £1m compared to some £2.7m.
71. This compares with the projected costs of the national scheme of £4m giving a local shortfall of some £3m. This effectively means for 2011/12 that the extra resource put in for Adult Social Care of £530m nationally of which our share would be some £1.5m has been completely offset by the reduction in concessionary fares funding.
72. The final Local Government Finance Settlement is still to be announced, however it is now likely to be made public on 9 February 2011, the day after the Cabinet meeting.

Council Tax

73. Within the Revenue Support Grant funding, £650m nationally per annum for four years has been top-sliced to enable a council tax freeze to be funded in 2011/12 only. If a local authority sets its council tax at the same basic level as 2010/11 then they will receive a grant equivalent to the 2.5% increase. The grant for the Isle of Wight would be £1.788m. If the Council set a council tax increase above zero it would lose the grant. So if it set a zero increase its income from council tax (from grant) would be £1.788m but a 5% increase would only achieve a further £1.788m but with the full £3.576m impact falling on local council taxpayers.
74. Unfortunately, because the council tax freeze grant is top-sliced, the £1.788m grant is paid for by reducing the Revenue Support Grant we would have otherwise received by a similar amount.
75. The Secretary of State for Communities and Local Government has also announced that he will be setting council tax capping levels for 2011/12.
76. It is proposed that the budget for 2011/12 is based on a 2.5% increase and that grant income of £1.788m is assumed giving an effective zero council tax increase. For 2012/13 and beyond an actual council tax increases of 2.5% have been assumed.
77. It is understood that the council tax freeze grant will also apply to police precepts but not parish and town council precepts. The formal Council Tax resolution will be reported to Council along with the final precept figures.
78. The latest formal statutory date for notification of the agreed level of parish and police precepts is 1 March 2011. It is likely that not all parish precepts will be received by the time of the Council on 23 February 2010. In this event the Council can still agree its budget and council tax element for all those parish and town council areas that have been notified but not the others. The Council would have to either meet as soon as practical after the deadline has passed to formally set the total position for the remaining areas or delegate to a committee of the authority to undertake this role. As the Council has no discretion over the parish and town council precepts and the meeting would be a formality to comply with the legislation, it is proposed that Council agree that a committee be set up with the delegated authority to do this. At this stage it appears to be likely that a number of parishes will not have notified the Council of their agreed levels by 23 February 2010, and it is therefore proposed that Council be asked to set up such a Committee and that it meets on 1 March 2011, or soon afterwards, to agree the necessary resolutions.
79. The council tax base for 2011/12 has been calculated at 55,443 based on the number of band D equivalents and an assumed collection rate of 99%. The Council Tax base multiplied by the Band D Council tax charge gives the total Council Tax income. For 2011/12 this would be $55,443 \times £1,289.80 = £71.510m$.

Other Resource Issues

80. In addition to the Revenue Support Grant and the grants already mentioned there are proposals around a new homes bonus grant. This will be funded from £200m nationally in 2011/12 and £250m annually in 2012/13-14/15 to provide local authorities with an incentive for enabling new homes. It is likely that claims above this level will be met by top-slicing thus reducing other grants paid and demolitions and empty homes will also form part of the calculation. A grant would be payable for six years equivalent to an average band D council tax approximately £1,439 per year and £8,634 for the six years. In addition a £350 bonus will

be available for each affordable home. Currently this is out to consultation and more detail is needed to assess the likely impact but potentially an additional resource will be available. This effectively replaces the previous Housing and Planning Delivery Grant.

81. There are potential resources that can be bid for under the Regional Growth Fund predominately through the Solent Local Enterprise Partnership, but these relate to an area and not directly to the Council and any resource would relate to specific projects. The Sustainable Transport Fund has also been announced but any resources attracted would be used to fund new or additional activity rather than be available for meeting existing budget pressures. There is still some uncertainty around a few minor grants but these are not material to the overall budget position.

Schools funding

82. Funding for schools will continue through the Dedicated Schools Grant (DSG). This grant remains ring-fenced for educational purposes and allocation to local authorities is based on a Guaranteed Unit of Funding (GUF) which varies from authority to authority. The Isle of Wight GUF for 2011-12 is £5,001.40 per pupil reported on the annual pupil census which is carried out in January. In addition, the cash floor arrangement at local authority level will continue for 2011-12 and has been set at minus 2%. The Isle of Wight will therefore receive a minimum of £86.348m for the next financial year.

83. In 2011-12 a number of previously separate school grants have been mainstreamed into the DSG. These grants are the Schools Standards Grants and the Standards Funds and they will be included in the calculation of the Minimum Funding Guarantee (MFG) for individual schools. The MFG has for the first time since its introduction been set at a negative figure of minus 1.5%. This means that each school is guaranteed to receive at least 98.5% of last years per pupil funding.

84. The Pupil Premium funding will be introduced from April 2011 and will be allocated to the Authority on the basis of £430 for each pupil registered as being eligible for free school meals. The authority is required to passport this funding to schools and while this funding is not ring-fenced at school level, it is intended to raise the attainment of pupils from poorer backgrounds. In addition, each child who has been in care continuously for more than 6 months will attract the pupil premium at the same rate of £430. Children whose parents are in the armed forces (service children) will attract a pupil premium of £200. A new measure is to be introduced in the performance tables which will monitor the performance of pupils who have attracted the local pupil premium and schools will also be required to publish on-line how the premium has been spent, and its impact.

85. Schools with sixth forms are funded by the Young People's Learning Agency. The funding per learner is currently considerably higher than for post-16 students attending FE Colleges, and the YPLA plans to reduce sixth form funding to the same level as for FE Colleges, over the next three years. Transitional arrangements will be in place but sixth form funding will reduce by a maximum of 3% per learner in each of the next three financial years.

(c) The overall projected costs of the Council's current activities over the next four financial years.

86. The detailed figures setting out the projected increased costs from pay and price inflation, demographic factors etc. are set out in Appendix 3. These are based on a number of key assumptions which are detailed in Appendix 4. namely:-
- Pay Freeze in 2011/12 and 2012/13, 1% p.a. thereafter
 - Cash limiting supplies budgets;

- ❖ Specific inflation factors for contracts;
- ❖ Volume increases in service in adult social care and children's placements in line with population projections and modelling, along with carried forward existing pressures.

87. In overall terms the contingency provision for pay and prices is very limited and inevitably there will be additional costs that arise over and above those currently projected. Such cost will have to be met from additional savings at the time.

(d) The capital programme and capital financing costs

88. The level of capital investment is dependent upon the resources available. These are essentially direct grant and support for specific schemes from government and other parties, capital receipts from disposal of assets, prudential borrowing and revenue contributions.

89. The ability to undertake prudential borrowing is dependent on the affordability of the revenue cost of the repayment and interest costs.

90. Whatever the resources available, however, the overall programme needs to directly reflect and support the priorities of the Council.

91. In the Comprehensive Spending Review 2010 the resources for capital expenditure has been significantly reduced. No supported borrowing allocations, excluding schools, will be given in 2011/12.

92. For schools the general capital allocation for 2011/12 is £5.1m and £480k for devolved capital. This represents a significant reduction on previous years. However sufficient resource remains in place, including local funding, to ensure the full delivery of the school reorganisation programme and the Cowes One School Pathfinder.

93. Council has already agreed to reduce the investment in the leisure management improvement programme to secure revenue savings of £250k per annum and the Cabinet decided that the rebuild of the fire stations at Newport and Ventnor be put on hold.

94. Therefore the ongoing capital programme consists of:-
- a) Schools and local transport projects to be contained within specific funding allocations and for schools plus any capital receipts from school site disposals;
 - b) Essential and committed schemes;
 - c) Projects such as County Hall works where borrowing costs can be met from savings or additional income and enable the wider change agenda to be achieved.

95. The overall position on Capital resources and investment is then :-

Capital Programme Summary	2011/12 £'000	2012/13 £'000	2013/14 £'000
Schools Financed by Supported Borrowing and Capital receipts	35,610	11,936	6,740
Local Transport Programme Financed by Capital Grant	3,965	3,660	3,440
Invest to save accommodation rationalisation etc. financed from capital receipts/savings	4,935	1,750	0
Total Funded Programme	44,510	17,346	10,180

Other Service Areas			
Leisure Facility Improvement	2,050	1,257	2,340
Housing	2,940	1,023	1,011
Cowes floating bridge	0	0	3,000
Waste contract/landfill expansion	0	0	5,000
Other schemes	6,680	3,204	2,889
Total Other schemes to be funded	11,670	5,484	14,240
Financed from :- Prudential borrowing	-8,033	-3,586	-12,390
Capital Receipts	-1,900	-1,000	-9,000
Leasing and revenue contributions	-127	-155	-165
Capital grants	-1,612	-743	-685
Total financing	-11,670	-5,484	-14,240
Total Gross Programme	56,180	22,830	24,420

96. The recommended revised programme is set out in Appendix 8.
97. For prudential borrowing we need to demonstrate that the level of prudential borrowing is affordable and in line with prudential indicators set out in the statutory guidance. These are set out in Appendix 14 together with the overall treasury management strategy.
98. Capital receipts from disposals have been based on a normal programme of identified sites and their potential proceeds as reported previously. These do not include at this stage disposals of surplus school sites or any redundant sites as a result of service cessations. It also does not include the potential disposal of the St Georges road site which is subject to planning permission and in any event would be unlikely to be received in 2011/12. The ability to generate additional capital receipts will continue to be reviewed as part of the overall property rationalisation and Strategic Asset Management strategy and considered in the context of the revenue budget pressures as well. Consideration will need to be given to potential repayment of debt to reduce revenue costs as well as the investments in new capital spend, and any additional capital receipts should ideally be prioritised for this process.
- (e) The results of the budget consultation exercises undertaken.**
99. The Council undertook two separate general exercises, as it does each year, to explore residents' views about how the council could meet its financial challenges and focus its budget spending in the forthcoming year. It should be noted that the two methods of consultation used are very different and the results achieved should therefore be noted separately.
100. A summary of the results are summarised in Appendix 13.
- (f) The level of budget reductions that will be achieved from the proposed savings set out in the report of the Chief Executive to Cabinet on 7th December on the future shape and direction of Council services.**
101. The report to Cabinet on 7th December highlighted potential savings of £22.439m in a full year with £18.370m in 2011/12.
102. These proposals have been worked up and subject to the outcomes of the Consultation exercises are now projected to deliver **£zm** savings in 2011/12 and **£zm** in a full year as detailed in Appendix 5.

(g) The Equality Impact Assessments of the proposed savings.

103. The overall Equality Impact Assessment of the Budget as a whole is set out in Appendix 6. Individual Equality Impact Assessments have been undertaken for the specific proposals where public consultation has taken place and for other proposed reductions where these are appropriate.
104. The individual Equality Impact Assessments will be reported to Council for consideration as part of final decisions on the budget.

(h) The current budget monitoring position for 2010/11, the overall position on reserves and balances, and further savings to be considered to ensure the delivery a legally and financially sound budget for 2011/12 and 2012/13.

105. The budget review reports to Cabinet and Council in July and September and to Cabinet in December highlighted the budget pressures that are being experienced in the current financial year indicating a gross potential overspend of some £6.0-£6.5m.
106. To offset this range of budget management actions were implemented to control spend, reduce costs and make savings. The report to Cabinet on 7 December 2010 indicated a potential net overspend in overall terms of £1m.
107. The latest budget monitoring position is set out in Appendix 7. This indicates that we should not overspend in overall terms in the current financial year.
108. Although the net position, as in previous years, shows that we have successfully managed the position with no overall overspend anticipated this has been achieved by using certain one-off measures and there are a number of issues that will re-emerge in 2011/12
109. These relate primarily to :-

Adult Social Care

This area overspent in 2009/10 by £4.763m. In 2009/10 no allowance was given for increased need. Because of this a further £3.5m was added to the budget for 2010/11 before savings. The projected overspend in 2010/11 is now £3.5m. It is clear that the budget needs to reflect a proper assessment of need and be put on a stable base before savings strategies are counted to reduce it. The proposed budget therefore allows for a base budget adjustment of £3.4m and assessed further demographic factors of £2.2m. To offset this there are savings proposals that if agreed would save £4m in 2011/12 still leaving a net increase of £1.6m over the current year's budget. This is before the health transfer of £2.130m, which would be used to support existing provision which benefits health.

Parking Income

The shortfall in parking income compared to budget in 2010/11 is projected at £1.2m. For 2011/12 this is projected to continue at £ 1m., and the base budget needs to be adjusted accordingly.

Children and Young People

The projection for 2010/11 included a number of budget pressures that would have meant a potential overspend. A number of measures were introduced and it is anticipated that the budget will now overspend in overall terms by some £227k. To get to this position a number of one off reserves and one-off measures were used .In 2011/12 unless these measures are replaced by permanent solutions then the overspend will re-emerge. The budget for

2011/12 will reflect the withdrawal of permanent costs through charging the full-cost of services provided to schools and reducing activity levels in terms of school improvement and school support activities through a reduction in permanent staff. There is no planned reduction in the children's social care costs but there will be efficiencies generated through a new organisational and cultural approach. The additional £500k to support children's social workers has been placed into the base budget as a recurring cost.

Capital financing costs

The level of capital spend has been constrained due to the overall financial position and together with slippage in the programme from previous years is delivering significant savings in capital financing costs compared to budget. In addition through the treasury management strategy we have avoided taking external borrowing and used internal reserves and balances. Currently this means foregoing interest earned on those reserves and balances of some 0.25 – 0.5 of a percent but avoiding paying some 5.5% on long-term borrowing costs.

In 2010/11 savings will accrue of some £1.75m which will help offset overspends in adult social care in particular. This will continue into 2011/12 and 2012/13 but ultimately it will be necessary to externally borrow to fund long-term investments at which point the savings will reduce significantly.

Fees and Charges

110. Income from fees and charges for Council services was included in the report to Cabinet on 7th December and it was agreed to increase certain charges on 4th January 2011 and these have been implemented.
111. Charges for adult social care services are the subject of separate consultation and policy decisions as part of this report and decision at full Council as part of the budget considerations.
112. It was agreed by Cabinet that charges for passengers be introduced on the Cowes Chain Ferry and the revenue used to fund the costs of the revenue impact of replacing the ferry in 2014.
113. It is proposed to generate an additional £200,000 in income on the chain ferry through the following mechanisms:
 - Increase all charges by 10% including the VAT increase
 - Introduce a 50p per journey charge for foot and vehicle passengers
 - Reduce the discount for purchasing books of tickets to 10% from the current level of approximately 20%
 - Scrap the mobility card holder discount
 - Those entitled to free home to school travel would receive term time tickets for free travel on the chain ferry.
114. Taken as a package the above changes would increase income by approximately £200,000. This figure includes a resistance factor resulting from both the increase in charges and the reintroduction of charges for foot passengers.
115. The Chain Ferry is nearing the end of its useful life and will have to be replaced in the near future. Introducing these charges will assist in meeting the cost of funding a replacement ferry which is estimated to be in the region of £2.5-£3m.

116. For parking charges it was agreed that possible changes to permit arrangements, the level of parking charges applied and locations in which charges are payable will be considered as part of the budget setting process in February. Following further analysis of alternative options it is not currently proposed to make any changes, although this may be subject to further consideration.

117. Bringing all the elements together gives the overall revenue budget position as follows:-

	2010/11	2011/12	2012/13	2013/14	2014/15
RESOURCES	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant	61,397				
Area Based Grants/other Grants	12,605				
Change in functions			(366)		
	74,002	(10,412)	(5,182)	0*	(4,300)*
Core Grants	9,304	(951)	+45		
	83,306	(11,363)	(5,137)	0	(4,300)
Council Tax (+2.5% +increased base	71,067	+2,200	+2,150	+2,100	+2,100
Health transfer re. adult social care		+2,130	(80)		
Additional costs		(10,800)	(4,500)	(4,000)	(4,000)
Change in functions			366		
Revenue Budget net of other income	154,373	(17,833)	(7,201)	(1,900)	(6,200)
Savings set out in Appendix 5		17,833	3,606		
*estimated from CSR					

118. In overall terms if the budget proposals are agreed then this will deliver a balanced budget for 2011/12. The actual structure of the service changes will depend on the results of the consultation exercises and Council will need to consider their actual decisions bearing these in mind as well as the equality impact assessments.

119. Any decision to remove or reduce the saving will need to be replaced with alternative deliverable savings proposals in order to deliver a balanced budget. All alternative proposals will need to be assessed for their deliverability within a full financial year and to ensure they do not amount to double counting alongside existing proposed savings.

120. In considering savings and reductions it should be recognised that a significant proportion of the Council's gross spend is not directly controllable and / or able to be easily reduced in the short-term.

Use of balances and reserves

121. The total level of balances, reserves and provisions was £24.848m at 31 March 2010. A breakdown is shown at Appendix 10, together with a projection to 31 March 2011.

122. Within these figures the General Fund balances, assuming no overall overspend in the current financial year, would be £7.3m at 1st April 2011.

123. In addition to this a non-insured risk reserve is maintained to meet a range of risks and contingent liabilities. A summary of these together with a risk assessment is set out in Appendix 11.

124. Within the budget savings proposals there are consequent staffing reductions. The number of staff affected as set out in the formal consultation notification is 535. This will not necessarily mean that all these staff will be redundant. This will depend on final decisions on service changes and structures and some staff will be the subject of transfer to external providers and some will be redeployed into vacant posts.
125. It is projected that by the end of this financial year some 60 staff would have been granted voluntary redundancy or been the subject of compulsory redundancy. The cost of redundancy and capitalised pension cost is estimated at some £500,000. This will be met in this financial year from the savings generated and from the redundancy reserve.
126. At this stage it is projected that for 2011/12 the potential redundancy and capitalised pension costs could amount to a one-off cost of £1.5m- £2m. This has been provided for by netting off £500k from the savings total with the balance being met from general fund balances.
127. The costs are revenue costs but the Council can apply to the Secretary of State for Communities and Local Government for a direction to capitalise the costs which enable them to be spread over a longer period and/or be met from capital receipts. Once the conditions of application are known a decision will be made on the financial merits of this approach. This does not provide any additional resource and the costs still have to be met and on the basis of the current year applications will not be approved for the full amount and the outcome not known until about December 2011.

Conclusion

128. The Council is facing a very challenging financial position with an unprecedented cut in grant made significantly worse by frontloading and further grant loss through “damping”, and changes to the funding of the national Concessionary Fares Scheme.
129. On top of the grant loss in 2011/12 there is a further loss of £4.771m in 2012/13. After taking into account unavoidable costs, inflation and increased need this gives a total budget gap before savings of over £25m for the two years with further resource constraints in the following two years.
130. It is therefore essential the Council adopts a strategy that not only achieves a legally and financially balanced budget for 2011/12 but deals with the medium-term position as well.
131. The proposed strategy strikes a balance between, the need to invest in capital infrastructure to improve services and direct resources to the vision and priorities, the level of council tax increase, levels of fees and charges, level of savings and service reductions and use of any available balances.
132. The summary of the overall cash limits for 2010/11 incorporating all the proposals in the report is set out in Appendix 2. In addition an analysis of the existing 2010/11 revenue budget is attached at Appendix 12.

CONSULTATION

133. Public budget consultation is undertaken each year and for the 2011/12 budget a stakeholder workshop was held in November and a budget simulator online model was made available to gain more detailed feedback on priorities. In addition public question time has been available at Cabinet, Council and Scrutiny meetings.

134. The results of all these measures have been analysed and fed into the budget process to influence decisions on resource allocation.
135. As part of the Council's improvement agenda, regular financial management reports are also taken to the Scrutiny Committee to provide up to date information and to allow an element of independent challenge and feedback to the Cabinet.
136. Budget review reports have been considered by Council at its meetings in July and September and a report went to Cabinet on 7 December on the medium- term budget strategy. A presentation to the Overview and Scrutiny Committee was also made at its meeting on Thursday, 16 December 2010.
137. This report is also going for consideration to the Scrutiny panels and to Overview and Scrutiny at meetings in early February. Any comments and/or recommendations from those meetings will be circulated for consideration by Cabinet.
138. Officers have maintained a regular dialogue with professional associations during this time and on 7 February 2011 the Leader and the Cabinet Member for the Corporate Services will meet with such representatives to discuss the Cabinet proposals.

FINANCIAL / BUDGET IMPLICATIONS

139. This report sets out the overall financial and budgetary position of the Council and sets out the financial and budget considerations in developing a proposed Medium-Term Financial Strategy for the Council and consequent implications for council tax, investment and savings. It proposes specific savings and certain policy decisions in relation to adult social care services in order to deliver a balanced budget for 2011/12. Any reduction or removal of the savings proposals will need to be replaced with alternative deliverable savings proposals.

LEGAL IMPLICATIONS

Budget Considerations

140. The Council needs to set a balanced budget and council tax levels for 2011/12. In doing this it needs to ensure that it meets its statutory duties in relation to the provision of services and in any change it introduces. The Government has indicated that council tax rises will be capped, at a level to be announced. Members should have regard to the statutory duties placed upon the Strategic Director of Resources as Chief Financial Officer. The Council may take decisions which are at variance with his advice, providing there are reasonable grounds to do so. However, Members may expose themselves to risk if they disregard clearly expressed advice, for example as to the level of provision required for contingencies, bad debts and future liabilities.
141. The Council has a legal duty to set its budget requirement and consequent council Tax level by 11 March 2011. This has to include all precepts from parish and town councils and the police for which the statutory deadline for notification is by the 1 March 2011. Consequently if any precepts have not been declared by the 23 February 2011 the Council can still agree its own budget but cannot agree the overall council tax for those areas for which a precept notification has not been received.
142. The Council can under section 67 of the Local Government Finance Act 1992 delegate to a committee of the Council the setting of the overall council tax for those areas. Such a committee cannot be the Cabinet, must be politically proportionate, and the number of members and its remit must be appointed by the Council.

143. It is envisaged that, if Council agrees, this Committee will meet at 5.45 pm on 1 March 2011. Legislation permits the convening of a Committee with less than the normal 5 working days notice where it is a matter of urgency. Assuming Council does establish this Committee, the agenda will be sent the following day (24 February 2011) with the details on the calculations for the council tax for the areas to be set to be circulated as soon as they are ready – this may not be until the day of the meeting. Provided certain provisions are followed in terms of the agenda and minutes as this matter is urgent, this will meet all statutory requirements.

Policy considerations on Adult Social Care issues

144. Part III of the National Assistance Act 1948 gave Local Authorities *power* to provide a range of services to persons who are disabled. The Health Services and Public Health Act 1968 (s45) empowers Local Authorities to provide services for promoting the welfare of older people, and the Chronically Sick and Disabled Persons Act (1970 section 2) confers a *duty* on the Local Authority to assist disabled persons.
145. The Health Services and Social Security Adjudications Act 1983, section 17, gives Local Authorities the right to charge for domiciliary services provided under s29 of the National Assistance Act. This includes the right to charge for services such as meals on wheels and welfare services for the elderly and disabled.
146. Government guidance published in 2010 – Putting People First – in conjunction with the earlier guidance ‘Cutting the Cake Fairly’ acknowledges that authorities can review their eligibility criteria if there are major or unexpected changes including those with significant resource implications. It advises authorities to be cautious when raising the threshold for eligibility criteria without a parallel investment in preventative services as this may lead to increasing demand for services in the long term.
147. Article 2 of the European Convention on Human Rights places an obligation on public authorities to protect the right to life. Article 3 protects against inhuman or degrading treatment or punishment – public bodies are under a positive obligation to take reasonable measures to prevent the violation of individuals’ rights under Article 3.
148. The Race Relations (Amendment) Act 2000, Disability Discrimination Act 2005 and Equality Act (Gender Equality Duty) 2006 all give local authorities ‘general’ and ‘specific’ duties to promote equality. In addition the Disability Discrimination Act specifies that ‘Where a provider of services has a practice, policy or procedure which makes it impossible or unreasonably difficult for disabled persons to make use of a service which he provides, or is prepared to provide, to other members of the public, it is his duty to take such steps as it is reasonable, in all the circumstances of the case, for him to have to take in order to change that practice, policy or procedure so that it no longer has that effect.’
149. From 1st April 2011 the Equalities Act 2010 will be in force. From 1st April 2011 public authorities will have legal duties to pay ‘due regard’ to the need to eliminate discrimination and promote equality with regard to age, race, disability and gender, including gender reassignment, as well as to promote good race relations.
150. The law requires that this duty to pay ‘due regard’ be demonstrated in the decision making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show ‘due regard’.
151. To comply with the new Act, where the assessment indicates a potential negative impact, consideration should be given to means of reducing or mitigating the negative effects on protected groups. This will involve a consideration of what action could be taken to avoid any

negative impact on a particular group in order to reduce the likelihood that decisions that are taken in the near future do not create or perpetuate inequality.

152. Legal cases have established that the consultation must:-
- Be at a time when the proposals are still at a formative stage;
 - Give sufficient reasons to enable intelligent consideration and response;
 - Provide adequate time for consideration and response;
 - Have its outcome 'conscientiously taken into account' when the proposals are finalised.

EQUALITY AND DIVERSITY

153. The overall strategy seeks to balance the needs of service users, residents, council taxpayers, business, voluntary sector against the resources available and the outcomes it is trying to achieve through the corporate plan.
154. The investment in services and savings proposals will directly affect different groups of people. Some impact will be felt universally but other proposals will impact differently on older people, young people and vulnerable adults. As part of the budget process an overall equalities impact assessment has been undertaken and a summary is attached at Appendix 6. For specific consultations and major service change specific Equality Impact Assessments have been undertaken.

OPTIONS

155. There are a number of options open to the Council in relation to the strategic choices it has particularly in the level of investment, the level of capital investment, council tax increase, savings etc. The report highlights these choices and proposes an overall strategy to balance them.

RISK MANAGEMENT

156. The key risks of this strategy relate to budget pressures being even higher than anticipated; savings and efficiencies not being achieved; proposed income levels not being achieved, inflation being higher than expected. These risks are contained in the strategic risk register. The risk assessment set out in Appendix 11 matches the potential financial risks to reserves available to meet them.

General Fund balances of at least £5m will be maintained on top of earmarked reserves. Savings implementation plans will be adopted and rigorously monitored and budgetary control and reporting will be further strengthened and will need to be made.

157. RECOMMENDATIONS

THAT Cabinet:

1. Consider the results of the consultation exercise for adult social care services set out in Appendix 12 and the related Equality Impact Assessment and agree the Council's policy on:
 - a) The eligibility criteria for access to adult care services be changed from 1 April 2011 so that the council will continue to meet fully the needs of all people who have been assessed as critical while for those people who are assessed as having needs defined as substantial it will only meet those areas of need that place them at greatest risk of not being able to remain at home and be safe.
 - b) Charging for adult social care services be based on:
 - Ceasing to provide free homecare for people over the age 80 and require them to be financially assessed for a contribution in the same way as people aged under 80;
 - Removing the upper limit for charges;
 - Charging all people on the same basis regardless of their specific disability;
 - Charging all people against the value of their "personal budget" or the true cost of the services that they are receiving if they are not yet on a personal budget and that these changes should be introduced with effect from 1 April 2011.
 - c) The direct provision of care services at Westminster House be reviewed and the Director for Community Wellbeing and Social Care explores the suggestions of the Westminster House staff team to reduce unit costs and increase income while at the same time putting in place a market testing programme that will explore both the feasibility of transferring the facility to a social enterprise model and of transferring it to a private or voluntary sector provider.
 - d) In addition the Director for Community Wellbeing and Social Care will explore opportunities to reduce costs and generate more income at the Gouldings and the Adelaide to achieve the anticipated savings of £200,000 in 2011/12 and provide a report to Cabinet in July 2011 on progress being made. This will include consideration being given to ceasing being a direct provider of services.
2. Consider the results of the overall budget consultation exercise set out in Appendix 13 and the Equality Impact Assessment in Appendix 6 and make recommendations to Council on the overall budget and Council Tax strategy and in particular:-
 - (a) The Medium-Term Financial Plan as set out in Appendix 1;
 - (b) The schedule of savings set out in Appendix 5;
 - (c) An increase in the Isle of Wight Council budget requirement by 2.5% and consequent actual council tax level as for 2010/11 after applying the council tax freeze grant;
 - (d) The overall capital programme set out in Appendix 8.
3. To recommend to Council that they agree to set up a Council Tax Setting Committee with the delegated authority to consider and approve the level of Council Tax for the areas of the Island where the precepts from parish and town councils have not been received before the 23 February 2011 and included in the resolution at the Council meeting.

158. APENDICES ATTACHED

- [Appendix 1](#) - Medium-Term Financial Plan 2011/12- 2014/15
- [Appendix 2](#) - 2011/12 Budget – Cash Limits - Summary
- [Appendix 3](#) - Additional costs summary
- [Appendix 4](#) - MTFP 2011/12 to 2014/15 Inflation Assumptions
- [Appendix 5](#) - Schedule of savings 2011/12
- [Appendix 6](#) - Equalities Impact Assessment
- [Appendix 7](#) - Budget Monitoring position 2010/11
- [Appendix 8](#) - Capital Programme Summary
- [Appendix 9](#) - RSG Damping calculations
- [Appendix 10](#) - Reserves and Balances Analysis
- [Appendix 11](#) - Risk Assessment
- [Appendix 12](#) - Adult Social Care consultation
- [Appendix 13](#) - Budget Consultation results
- [Appendix 14](#) - Prudential Borrowing Indicators and Treasury Management Strategy

159. BACKGROUND PAPERS

- Local Government Finance Settlement 2008/09–2011/12;
- Presentation to Overview and Scrutiny Committee on 16 December 2010;
- Budget Review reports to Council on 21 July 2010 and 22 September 2010 and to Cabinet on 7 December 2010;
- Letter from Cllr David Pugh to Bob Neill MP – 16 December 2010.
- Letter from Dave Burbage to Bob Neill MP – 22 December 2010.
- Response to LGFS Consultation – January 2011.

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