

# Narrative Report to the Isle of Wight Council Statement of Accounts 2017-18

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The council is required to publish a [statement of accounts](#) to show how much has been spent on different services each year.

Much of the format, terminology and presentation of the full statement of accounts is prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom, which all local authorities are required to follow. The full statement of accounts is therefore, by nature, very detailed and contains a lot of technical jargon which can make it difficult to understand.

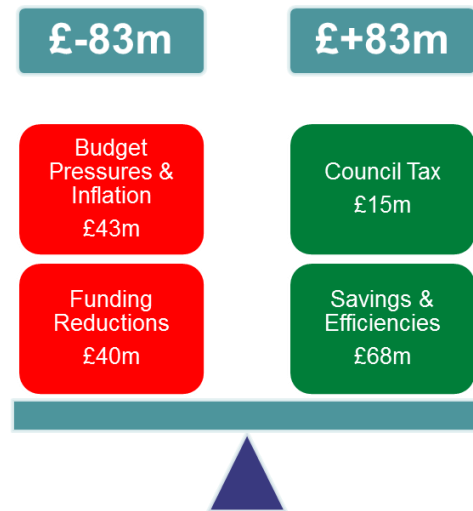
This narrative report attempts to communicate the key facts from the full statement of accounts, and put that financial information into the context of the council's aims and objectives, reporting on how the council has performed over the last year and how the council will deal with the challenges ahead in continuing to deliver services and support the local community. It aims to highlight issues which substantially impact on our ability to deliver our corporate plans and which are material to the authority. It also signposts where more information can be found by providing links to key documents like the full statement of accounts and corporate plan.

We hope that this report presents a fair, balanced and understandable view of the journey so far.

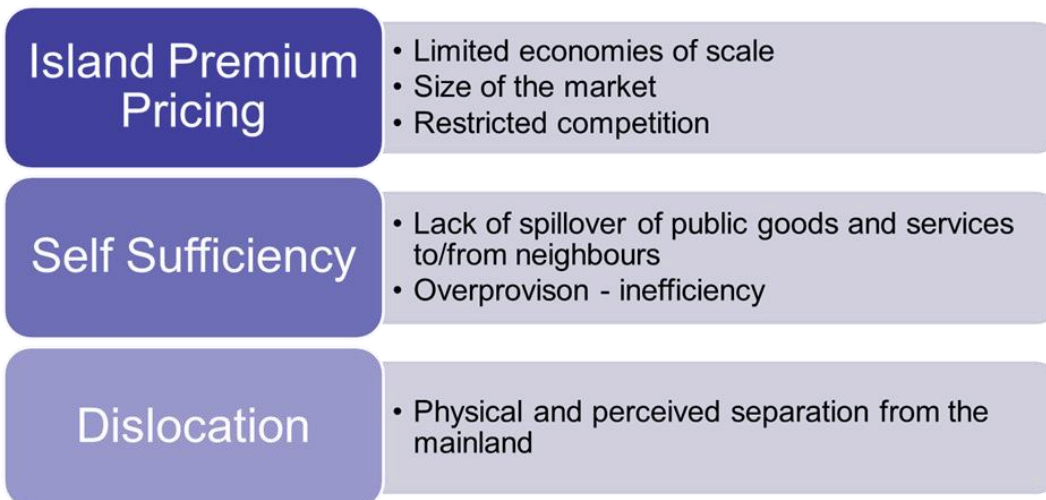


## Where we started from

The financial challenge faced by the council since 2011, has been described as the single biggest risk to sustainable public services on the Island. Since 2011, the council has had to find a way of balancing a savings requirement of approximately £83m as a result of both cuts in Government funding and increasing costs. Whilst the Government has allowed councils to increase council tax by limited amounts, the vast majority of these savings have been found from efficiencies and by changing the way we work and deliver services.



Many of the increasing costs relate to the Islands higher population of people over 65 (27.1% compared to the national average of 17%) which leaves us exposed to pressures from the costs of providing social care. This issue is expected to worsen nationally in future years as changes to NHS funding and services kick in and the knock on impact on councils' budgets becomes clear. However, for the Island specifically, it also relates to the unique 'island factor' which both increases costs and restricts our opportunities for growth. We continue to lobby Government for recognition of this in its future funding settlements.



Dependent on the Government's response to our lobbying, these pressures on budgets are expected to continue in the foreseeable future and we are currently forecasting a further £16.5m of savings will need to be found in the next 3 years. Clearly, attempting to make further savings will not be enough to protect services on the Island in the long term and the council has had to consider how to respond to this. Indeed, councils across the country have had to change their thinking and look at opportunities for further increasing income and generating more funding locally.

## A new direction

In recognition of this long term outlook, the council refocused its plans and in October 2016, adopted a [Regeneration Programme](#) which aims to regenerate the Island's economy and transform the financial position of the council by utilising its assets and working in partnership with the private sector to create jobs and bring in increased council tax, and business rates over 10 years.

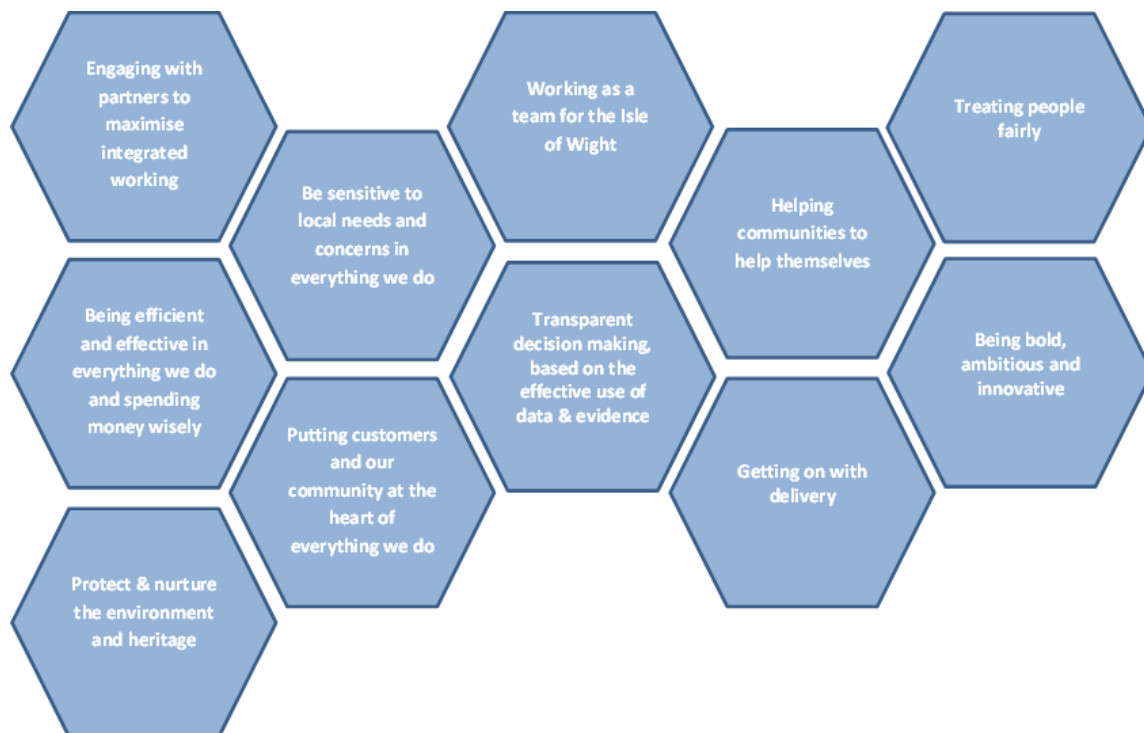
This aim was reflected in a new [Medium Term Financial Plan](#) which responded to the financial challenge by:

- Smoothing out savings requirements to avoid 'front loading' and buy time
- Rebuilding reserves and balances to improve our resilience
- Providing funding to pump prime 'invest to save' initiatives
- Maximising capital resources that can stimulate economic regeneration, jobs and housing
- Targeting other resources to regeneration and transformational change
- Embedding a financial framework that promotes longer term planning, encourages more responsible spending, improves decision making and aligns financial accountability and discipline

Reflecting on this shift to a longer term view focusing on opportunities and growth, and in conjunction with the manifesto commitments of the [new administration](#) elected in May 2017, the council adopted a new [Corporate Plan](#) in October 2017 including a vision

### **'for the Isle of Wight to be an inspiring place in which to grow up, work, live and visit.'**

The new Corporate Plan also sets out the outcomes the council aims to achieve, where our resources will be prioritised and the values as below that will underpin everything we do:



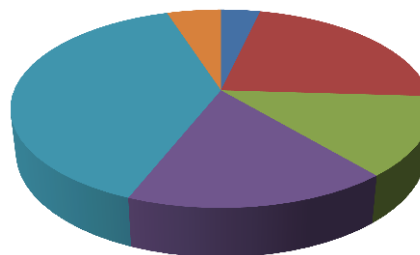
## What resources do we have?

### Revenue funding

Where the council has costs related to the day to day provision of services e.g. salaries, supplies and services, utilities, etc., these costs are called revenue expenditure. The amount of revenue we can spend depends on the revenue income we receive from various sources.

Notes 8, 13 and 39 of the Statement of Accounts shows the principal revenue income sources and this is summarised in the adjacent diagram.

Some grants, such as Schools' Grants can only be spent for a certain purpose, in this case schools. These are shown as specific in the chart. Other sources of revenue funding including general Government grants, council tax and business rates can be prioritised locally.

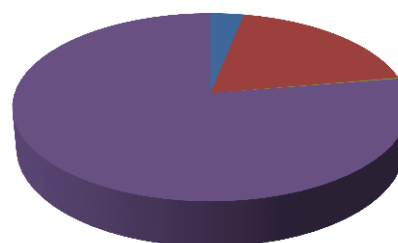


- Interest and Investment Income - £12.908m
- Council tax - £80.089m
- Fees, charges & other contributions - £46.231m
- General Government Grants and contributions - £61.650m
- Specific Government grants and contributions - £139.741m
- Business rates - £17.843m

### Capital Funding

In addition to spend on day to day services, the council can also spend on one off capital projects. Capital projects are one off items of spend, time limited and create or improve assets that have a life of more than one year, such as buildings, land and equipment. Once again the amount we can spend on capital projects depends on the capital funding we receive from various sources.

Note 42 of the Statement of Accounts shows the capital funding used in 2017/18 and this is summarised in the adjacent diagram.

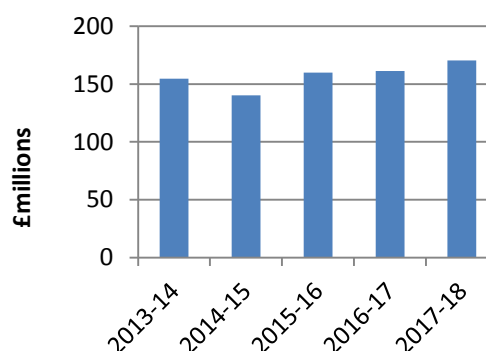


- Capital receipts - £1.598m
- Capital grants & other contributions- £9.774
- Revenue contributions to capital - £0.087m
- Borrowing - £39.714m

Of the capital funding available in 2017/18, £32m of borrowing related to the waste contract and the build of new facilities on the Forest Road.

## Borrowing and Investments

Councils are allowed in some circumstances to borrow, either to fund capital projects or to ensure that money is available at key points in the month or year, when large payments are due. The council tries to minimise borrowing where possible and when necessary take short term borrowing at low interest rates. Note 18 of the statement of accounts summarises the councils borrowing in 2017-18 and is summarised in the adjacent chart.



Councils can also invest funds where income is received in advance of spend, or where they hold reserves and balances. Our objective when investing money is to balance the risk of incurring losses from defaults with the level of return achieved. Note 18 of the statement of accounts details the council's investments in 2017-18 which is summarised in the adjacent table.

	Balance at 31.3.2017	Balance at 31.3.2018
	£000	£000
<b>Short term fixed</b>	<b>16,563</b>	<b>7,242</b>
<b>Cash and cash equivalents</b>	<b>16,003</b>	<b>11,003</b>
<b>Total</b>	<b>32,566</b>	<b>18,245</b>

Further information on the council's borrowing and investments can be found in the [Treasury Management Strategy](#).

## Partners and Community

In line with the values from the corporate plan of 'helping people to help themselves' and 'engaging with partners to maximise integrated working', the council continues to work with partners, service users and the community to protect and deliver services in new ways:

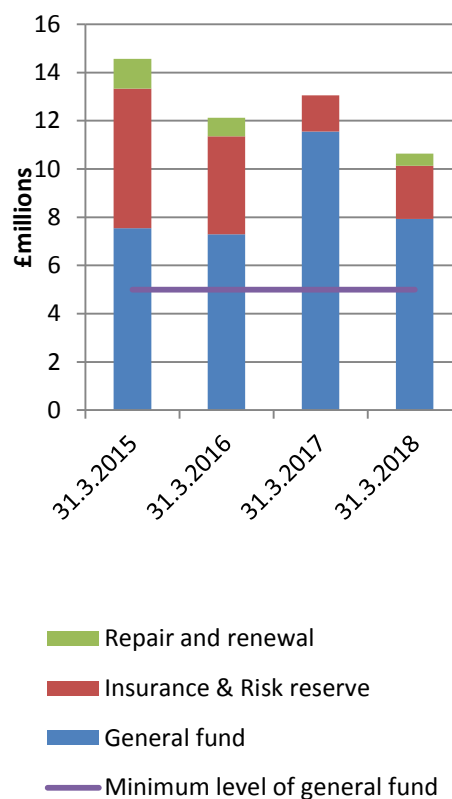
- Parish and Town Councils, who are able to raise their own funds through a precept, have been proactive in identifying services important to their local community and taking on those activities and this enthusiasm will continue to be vital to protect local priorities.
- The voluntary sector on the island has also been keen to deliver services with organisations such as Revive, Breakout, Wootton Bridge CIC and Brading Community now delivering youth services, and Barnados providing Children's Centres.
- We have partnerships with private sector organisations both in property development and sustainable energy initiatives with an expectation that we will need to continue to work closely with the private sector in delivering the regeneration agenda.
- We have an established Local Care Board with the Isle of Wight CCG and NHS Trust to drive the health and care integration agenda and this will also be an important resource in responding to the implications of the NHS Sustainability and Transformation Plans.
- We are also working closely with Government agencies to pursue integration and co-location plans which could see significant accommodation efficiencies and development opportunities across the whole public sector on the island.

## Reserves and Balances

Councils and other organisations need financial reserves to respond to unforeseen circumstances or cuts by using them to support the budget, or to take advantage of any opportunities that arise such as providing council funding in order to lever in external grants. Whilst many reserves are general reserves and can be used to support our overall financial position, others are known as earmarked reserves which cannot be used for general purposes.

Note 10 of the statement of accounts detail the council's reserves and balances but the reserves available for general purposes are summarised in the adjacent chart.

Over the last 5 years, general reserves have been used to support the council's position and have therefore reduced. The Medium Term Financial Plan has identified the need to rebuild the general fund following a further reduction of £3.622m in 2017/18. In accordance with this plan, a top up of £3.231m is built into the 2018/19 budget.



## Staff

Whilst the council has reduced its staff numbers since 2011 from the full time equivalent (FTE) of 4,416 to 2,939 (including FTE posts in schools) in 2018, it has recognised that the shift in focus requires the capacity and skills to deliver. A number of key new posts have been created in a Regeneration Team, and permanent appointments have been made to posts in Adult Social Care. To give staff the support they need to deliver the priorities, the Chief Executive has introduced the BIG agenda encouraging staff to be:

- **Bold and ambitious;**
- **Innovative and creative; and to**
- **Go for it!**

Some key posts are shared with mainland authorities giving us the ability to exploit the skills and experience of far larger authorities whilst ensuring that our autonomy is maintained:

- The council's Director of Children's Services is provided under a strategic partnership arrangement with Hampshire County Council for the provision of Children's Services.
- The council's Chief Fire Officer is provided by Hampshire Fire and Rescue Service as part of a partnership agreement
- and the Finance Director/S151 Officer and the Chief Internal Auditor are provided by Portsmouth City Council.

Details of senior officers' remuneration are shown in Note 35 of the statement of accounts.

## How do we decide where to use our resources?

The Isle of Wight Council was created in 1995 as a unitary authority, responsible for virtually all statutory local government activities on the Island as well as many discretionary services considered to be important to the local community. The council is composed of [40 councillors](#) who meet to decide the council's overall policies and set the revenue budget and capital programme each year. The Full Council meeting is also the main setting for holding the Cabinet to account, providing an opportunity for Cabinet members to be questioned by councillors or, indeed, members of the public. This accountability is part of the council's wider governance framework which is reported on annually in an [Annual Governance Statement](#).

The Cabinet is made up of the leader and up to 9 other councillors each with a portfolio of responsibilities and is responsible for most day-to-day decisions. The Cabinet has to make decisions which are in line with the council's overall policies and budget because whilst the budget and many plans and strategies will be proposed by the Cabinet, Full Council decides whether to accept or amend these proposals, or indeed replace them completely.

Information from various sources is considered when making those proposals including results from [consultations](#) with service users, stakeholders and the general public, [needs assessments](#) undertaken on the island, national priorities and initiatives and the outcomes identified in the corporate plan. These outcomes underpin the allocation of resources and the activity undertaken by the council. The outcomes for the new corporate plan are shown below:





## So how are we doing?

The council reports its performance quarterly throughout the year against the corporate plan outcomes and agreed performance indicators in the [Cabinet Committee](#) papers. It also looks at the costs of delivering those outcomes and the risks which could prevent them from being achieved. This is reported by each portfolio area and that categorisation is also used in the Statement of Accounts in the Comprehensive Income and Expenditure Account on page 7.

This section of the narrative report pulls together performance outcomes, revenue spend and capital spend to give an overview of activity in each portfolio area, as well as considering the risks and future plans for service delivery.

### Leader and Strategic Partnership

This is largely a strategic portfolio with responsibility for corporate planning, partnerships including the Solent Local Enterprise Partnership and the Partnership for Urban South Hampshire, and on going work with town and parish councils and other stakeholders. Although it has limited front facing service delivery, it is vital to the future direction of the council and our ability to deliver services in different ways.

The council completed its 'Wight you want' survey in 2017-18 with the results helping to inform our planning and commissioning of the right services, at the right location, to the right people. Workshops also took place in November and December 2017 with over 250 people attending.

Consultation is also scheduled to inform the renewal of the Island Plan which will include area based policies for key regeneration areas. Collaboration with our partners including town and parish councils will be key to making sure the new Island Plan reflects local needs in relation to transport, infrastructure, and housing.

Although the council is involved in an increasing number of partnership arrangements, at present none of them are undertaking material levels of activity and the council is therefore not required to produce group accounts. Further information on group accounts is provided in Note 41 in the Statement of Accounts.

The revenue spend for this portfolio is relatively small and doesn't experience significant pressures or unforeseen issues through the year.



	Gross Expenditure	Gross Income	Net Expenditure
	£000's	£000's	£000's
Leader and Strategic Partnership	817	-101	716



## Adult Social Care and Public Health

This portfolio has one of the larger budgets in the council (around 37% of the council's total costs) and is historically one of the most volatile in terms of the ability to predict and manage pressures and peaks in service demand.

However, our new emerging adult social care strategy '[care close to home](#)' is already having a big influence on the way we deliver these services. We are also increasing both the amount and the effectiveness of our collaboration with colleagues in the CCG and NHS, and agreeing plans for the allocation of available funding. A new Local Care Board has also been set up to drive the integration agenda. As a result, the number of permanent admissions into residential or nursing care continues to drop (952.4 per 100,000 in 2016/17 to 610.8 in 2017/18).

These and other changes in service delivery have translated into a much improved end of year position in this area, reflecting the successful work done to control costs. Revenue spend for this portfolio is summarised below.



	Gross Expenditure	Gross Income	Net Expenditure
	£000's	£000's	£000's
Adult Social Care and Public Health	81,937	-32,715	49,222

The capital programme in this area has included investment in essential equipment and buildings at council run care and learning disability homes, as well as the purchase of properties for clients with learning disabilities. These new properties have been funded by a successful bid to both the NHS and the Government and it is hoped that they will enable clients to move out of residential care and live independently with suitable support, whilst avoiding on going placement costs. There is future investment planned to improve social care mobile working and to switch Wightcare over to digital as well as the ongoing replacement of equipment and improvement of council run facilities.

Capital Projects	17/18 Spend £000's
Adults social care and public health	1,988

The work of all involved parties on the island will need to respond to the changing environment as our population continues to age, as care needs become more complex and more expensive, and as changes to NHS services on the island are implemented.

## Children's

Again, this is historically one of the more volatile areas for the council (around 21% of all costs) covering a wide range of services including children's social care and safeguarding as well as education services, home to school transport and youth services.

We have agreed a new plan, "[Delivering Educational Excellence](#)", to continue the recent much needed improvements in educational attainment. Working with our strategic partners, Hampshire County Council, we are making good progress, but there is still much to do to reach our goals of all our schools being graded good or better by Ofsted (currently 32 out of 39).

Ofsted have also inspected children's safeguarding and identified significant improvements in this service, but there are still areas for improvement, and there continues to be highly focused action to address this.

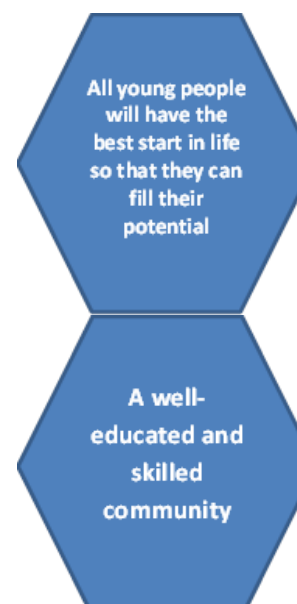
The council continues to experience budget pressures in this area mainly around high cost residential and foster care placements for children. However, improvements delivered this year have kept these cost pressures to a minimum, and as a result the year-end budget position across the whole portfolio is relatively stable. Revenue spend for this portfolio is summarised below.

	Gross Expenditure	Gross Income	Net Expenditure
	£000's	£000's	£000's
Children's	117,189	-83,868	33,321

Children's capital spend in 2017/18 relates mainly to works to schools to improve building conditions, provide free school meals and to provide the additional places in the appropriate parts of the Island that reflect the growing population. Further investment in schools will continue in future years and we have been successful in bidding for Priority Schools Building Programme funding from the Government to support this. We are also funding the replacement of the children's social care case management system and exploring opportunities for mobile working.

Capital Projects	17/18 Spend £000's
Children's	3,349

Continuing changes to funding arrangements for schools, the ability to attract and retain social care staff, and the intended improvements to the children's social care case management system, mobile working solution and developing multi-agency teams to support families will be significant challenges over the next 3 years. The extension to the strategic partnership arrangements with Hampshire County Council should ensure a continuity of the improvements secured so far and support our plans for the future.



## Regeneration and Business Development

The councils October 2016 medium term financial plan, made an investment in regeneration and business development intended to generate sufficient growth in the economy to support the council's financial position by increasing council tax and business rate income.

We have launched a regeneration strategy to a wide audience including potential new investors and we are currently working on business plans for the development sites identified in the strategy. During 2017/18, a new team has been appointed to provide the capacity and skills to progress this agenda.

Working in partnership with the private sector we have already secured a new contact centre for the Isle of Wight with the prospect of up to 600 new jobs being created. We have also experienced nearly double the number of enquiries (30 in December 2017) seeking advice and guidance about growing or developing their business on the island. Early progress towards regeneration has therefore been positive but will need to continue to develop and attract external investments in order to deliver.



Revenue spend for this portfolio is summarised below.

	Gross Expenditure	Gross Income	Net Expenditure
	£000's	£000's	£000's
Regeneration and Business Development	3,220	-507	2,713

Capital spend in this area has provided support for the contact centre set up in Cowes, as well as the purchase of land for commercial development. Further allocations have been made in future years to invest in 'stalled sites' which, with a public sector kick start, have the potential to attract private sector investment. There is also a fund available for investment in commercial property which will generate revenue income which the council can use to provide island services.

Capital Project	17/18 spend £000's
Regeneration and Business Development	2,553

The risk that the island economy falls further behind its mainland comparators and is unable to generate sufficient wealth to sustain the island and its community would have a significant impact on our ability to deliver our corporate plan and medium term financial plan. It is therefore vital that the vision to manage our finances through growth and regeneration rather than savings and economies is successful.

## Infrastructure and Transport

2017 saw the publication of findings from the infrastructure task force which was established with stakeholders from over 40 organisations to give their views and agreed recommendations on Cross Solent links, island gateways, congestion, sustainable transport and the use of technology.

Outstanding  
digital and  
transport  
connectivity

A parking strategy will be developed over the next 2 years and the council continues to consider other transport related recommendations in its discussions with Island Roads, whilst monitoring delivery of the agreed PFI contract milestones.

A digital transformation strategy has been developed and the council held its first digital conference in November 2017 with more than 200 delegates. A website [www.techisland.co.uk](http://www.techisland.co.uk) has been launched to showcase the success of exiting digital entrepreneurs on the Island. A bid to become a test bed for 5G mobile communications was submitted in December 2017 and a bid for the UK government Local Full Fibre programme was submitted in January 2018.

The new floating bridge was brought into service in May 2017, but operational issues resulted in additional costs to maintain the link between Cowes and East Cowes whilst the vessel was out of service. A review by the Leader of the Council made a number of recommendations aimed at improving delivery of future capital projects as well as addressing findings regarding the current vessel.

Revenue spend for this portfolio is summarised below and includes the PFI contract.

	Gross Expenditure	Gross Income	Net Expenditure
	£000's	£000's	£000's
Infrastructure and Transport	28,854	-5,617	23,237

Capital spend includes the final year costs associated with the new floating bridge, improvement works to folly moorings and the highways works for the new Asda site. Some spend relates to the start of the works to Newport junctions to be delivered over the next 5 years which has attracted a capital grant of £9.6m.

Capital projects	17/18 spend £000's
Infrastructure and Transport	2,638

The council has recognised that failure to manage and deliver existing contracts such as PFI, as well as one off projects such as Newport junctions puts our achievement of the vision at risk. Improving our procurement and management of these contracts, and learning from past experience is therefore essential in future.

## Planning and Housing

The number of people on the housing register, as well as numbers in temporary accommodation is above the 3 year targets set in the corporate plan and our ability to meet those targets will depend on access to sufficient, affordable housing. Work has commenced on a housing delivery plan which is scheduled to be completed in 2018 and the council is also considering how the island planning strategy can support our aim to have sufficient levels of affordable housing on the island. We are also continuing to improve our planning applications process, with 93% of minor applications processed within 8 weeks compared to the national average of 80%.



The council has also recognised that the provision of housing which is adapted or purpose built for people with extra care needs can support our aims around care closer to home. The council has therefore completed an extra care strategy and market position statement for the Island, and proposals from developers/ providers are being considered. Adult Social Care and Housing teams are also liaising on individual projects or wider commissioning strategies as necessary aiming to bid for external grants where possible, and make best use of any funding available.

Revenue spend for this portfolio is summarised below.

	Gross Expenditure	Gross Income	Net Expenditure
	£000's	£000's	£000's
Planning and Housing	10,025	-5,455	4,570

Capital funding for disabled facilities grants has supported 167 households in 2017/18 to afford adaptations that enable them to stay in their homes for longer and this work will continue in 18/19. This helps to avoid the costs associated with residential care and ensure that delayed transfers out of hospital are avoided wherever possible. In future years, additional funding will be provided to develop community housing and more extra care housing on the island.

Capital Projects	17/18 spend £000's
Planning and Housing	1,291

Market conditions are still impacting on economic and development activity with major planning applications at a lower level than in the previous year and there is a risk that funding from Government or developers is not sufficient to support the delivery of affordable or extra care housing. In these instances, the council will have to consider carefully if and when it provides financial support in the context of affordability and value for money. Co-ordination of projects across the councils various directorates and teams is therefore essential to ensure that developers receive appropriate advice, planning applications are of the right mix, and best use is made of any successful funding bids.

## Environment and Heritage

Many of the services in this portfolio are to some extent discretionary, meaning that councils are not required to provide them, but if they are considered local priorities, they can. Previous budget consultations have shown that the community feels that those who choose to use these services should pay for them directly rather than have them subsidised by council tax so many of these services charge users.



The council has made some up front investment in services such as leisure centres and beach huts in response to local demand, and these investments also provide an opportunity to generate additional income. We have also taken a partnership approach with town and parish councils and community groups for services such as public conveniences, parks and libraries, so that they can take over the running of those services if they are important to their local communities.

As a result of additional income generation and our partnership work, the financial position for this portfolio remains positive and the revenue spend is summarised below.

	Gross Expenditure	Gross Income	Net Expenditure
	£000's	£000's	£000's
Environment and Heritage	11,052	-4,955	6,097

Capital spend in 2017/18 includes final payments for the works to Shanklin Cliff lift, the first phase of new beach huts at Colwell Bay and investment in leisure facilities. The council has made a contribution to a flood alleviation project at Monktonmead which is mainly funded by the Environment Agency, and took the lead on works to preserve the Hammerhead Crane at Cowes which were fully funded by Heritage England. Works to improve seafronts, rights of way, parks and playgrounds were also completed. Further investment in beach huts, rights of way, and the public realm are planned for 18/19 along with building related works to the Heights Leisure Centre, Dinosaur Isle and Newport Harbour. There is also a programme of coastal defence works planned.

Capital Project	17/18 spend £000's
Environment and Heritage	2,734

The council is committed to working with partners and stakeholders to deliver a long term protection and improvement plan for the local environment, and to securing sustainable access to the islands heritage. However, we recognise that alongside our own revenue and capital funding restrictions, the availability of external grant funding has also become more limited.

There is a risk that prioritisation of a limited amount of funding will be directed to providing statutory services unless investment in discretionary services has a clear long term financial or social benefit. We will need to work closely with communities and partners to target those discretionary services considered the highest priority.

## Resources

This portfolio includes the majority of 'back office' functions of the council but also has a focus, along with the Leader of the Council, on financial planning and use of resources.

The shared service function receives over forty thousand calls a month to its contact centre, with an average 64 second answer time. Annual exercises such as the council tax billing sees a significant increase in call numbers so information about support schemes and making payments is also available on line.

In line with our digital agenda, an increasing number of transactions can now be completed on line – this exceeded sixty thousand in December 2017, and new services such as the green waste collection which can be ordered on [www.iwight.com](http://www.iwight.com) will see this rise further.

The revenue spend for this portfolio is summarised below. It should be noted that these figures include other operating expenditure and financing and investment income and expenditure before the accounting adjustments required by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. These are explained in the Expenditure Funding and Analysis Statement on page 6 of the Statement of Accounts.

	Gross Expenditure	Gross Income	Net Expenditure
	£000's	£000's	£000's
Resources	86,147	-62,630	23,517

Similar to most businesses, the council has to keep its buildings and equipment in good condition in order to provide good quality services and ensure the safety of its staff and customers. Capital spend in 2017/18 for this portfolio has therefore included investment to improve ICT infrastructure, the council's property portfolio and its vehicle fleet. Future years capital programmes will continue to invest in these assets but we have also provided funding for a project to develop a one stop shop in Newport which will co-locate partners in county hall so that residents have only one place to go to get advice on a range of issues such as housing, social care or benefits.

Capital Projects	17/18 spend £000's
ICT infrastructure investment	1,655

The councils financial position is recognised as its biggest risk and work will continue each year to ensure that we set a balanced budget, achieve our savings targets and review options to further reduce costs and increase income as part of our overall budget management process.





## Procurement, contract management, special projects and forward planning

Many of the services that the council is responsible for are provided via contract with other organisations and our procurement processes ensure not only our compliance with legislation but also that we achieve best value for money where we do not provide services directly.

Procurement of contracts is one area where the 'island factor' needs to be carefully monitored, and we know that we suffer from limitations in terms of the range of contractors wishing to tender for our works, and the prices that are affected by operating away from the mainland. We are continuing to work with partners and the Government to identify these and other instances of the island factor and lobbying to make sure our funding settlement reflects this.

Revenue spend for this portfolio is summarised below.

	Gross Expenditure	Gross Income	Net Expenditure
	£000's	£000's	£000's
Procurement, contract management, special projects and forward planning	8,667	-189	8,478

A financially balanced and sustainable council

Community needs are met by the best public services possible

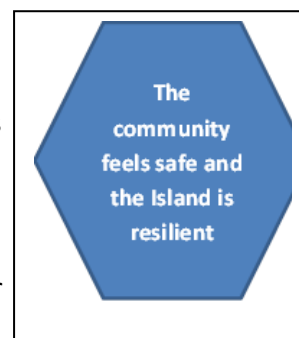
This portfolio includes long term contracts such as that for waste collection and recycling which is delivered by Amey. This contract will deliver the operation of the new waste to energy facility on Forest Road where significant capital investment in building works has taken place during 2017/18 in addition to the annual costs of the on going waste collection and recycling contract. The council will continue to own the site and the new facilities which will be operated by Amey, and we aim to divert 90 per cent of waste away from landfill and recycle 55 per cent of household waste once the plant is fully operational in 2019.

Capital Projects	17/18 spend £000's
Procurement, contract management, special projects and forward planning	35,323

One of the things that contracts enable us to do is plan financially for the continued provision of that service in the knowledge of how much prices will increase over the contract life, avoiding where possible sudden cost increases. However, in many cases, the council has a statutory duty to provide certain services and even where contractors fail, the council still has that responsibility. Forward planning, a robust procurement process and strong contract management aims to minimise these risks and ensure uninterrupted and affordable services.

## Community Safety and Public Protection

The Isle of Wight Council is also the statutory fire authority for the island in a strategic partnership with Hampshire Fire and Rescue Authority which was created in 2015. The Police and Crime Act 2017 placed a duty on all authorities to collaborate and engage with other 'blue light' partners where it is in the interests of effectiveness, efficiency and public safety and a blue light collaboration programme has been established between fire, ambulance and police services across the region. Work also commenced on a business case for a combined fire authority for the island and Hampshire which would further share expertise, innovation, knowledge and create safer communities.



The councils' emergency plans were once again activated in March 2018 to support vulnerable people during the period of snow and cold weather. The council working as part of the Local Resilience Forum, co-ordinated with Southern Water when pipe bursts required bottled water to be supplied for a limited time whilst they worked on restoring supplies.

Regulatory services includes trading standards, licencing, environmental and business regulation, public protection and community safety. Rogue trader warnings have been issued and a number of successful prosecutions in 2017/18 have resulted in fines for businesses with the council awarded costs.

Revenue spend for this portfolio is summarised below.

	Gross Expenditure	Gross Income	Net Expenditure
	£000's	£000's	£000's
Community Safety and Public Protection	10,554	-2,843	7,711

Capital investment has been made in the island crematorium grounds and buildings as well as in fire station buildings and equipment. Funding has been set aside to replace further items of fire fleet and personal protection equipment for fire fighters in 2018/19.

Capital Projects	17/18 spend £000's
Community Safety and Public Protection	267

The island is vulnerable to events including adverse weather conditions, coastal flooding and geological movement that require a co-ordinated and well planned response not just from the council but from partners and the wider community. But these events can be costly and central government funding is often not sufficient to cover these 'financial shocks' so the reserves and balances that the council holds enable us to respond to these events and ensure the island remains safe and the public is protected.

## What's next?

In setting the budget for 2018/19 and future years, a number of significant factors have been considered including:

- the successful application to become a 100% business rate retention pilot in an arrangement with Portsmouth and Southampton City Councils. Risks under this arrangement must be shared across all parties but it ensures that the council can be no worse off than under the current 50% retention scheme. This is guaranteed for 1 year although it is possible that it could continue if all 3 councils are willing to continue and the Government agrees.
- An increase in council tax in 2018/19 of 2.99% for general purposes and 3% in the adult social care precept (on the previous years total council tax excluding police and parish amounts) which is aimed at meeting the immediate pressures on adult social care and the wider care system.
- Due to the uncertain nature of future years Government funding, the council has chosen to improve our financial resilience by building reserves over the next 3 years to guard against "financial shocks" or avoidable "spikes" in savings requirement in any one year and also provide the flexibility to respond to financial opportunities which can bring in additional funding
- This enables the council to smooth out savings requirements at a more even level, over a longer period of time as shown below. This ensures that if our position improves, we have not made savings and service reductions that could have been avoided, but if it deteriorates, we have made good progress with savings and have reserves available

## £16.5m Deficit - Next 3 Years

2019/20	2020/21	2021/22
£5.5m	£5.5m	£5.5m

- There are planned capital investments in regeneration and improvement projects which aim to provide infrastructure stimulating growth, extra care housing to support the adult social care agenda, and essential activities such as ICT infrastructure. This is in addition to the annual capital programme for education facilities, roads, waste, and other council responsibilities
- There is also opportunity for transformation with a reserve available for bids which will
  - spend to save/invest
  - spend to avoid cost or to generate income
  - feasibility studies where they result in proposals for the above
  - one off redundancy costs arising for proposed savings where other redundancy provisions are not available or exhausted
- There is a Fair Funding Review planned for 2020/21 which could have an estimated positive/negative effect in the range of +/- £3m depending on the extent to which the island factor and other factors such as the growing demand for social care are recognised.

In the current economic climate, there continue to be uncertainties in both the current and future years i.e. beyond 2018/19. Particular uncertainties exist regarding

- the extent of successful appeals and mandatory reliefs which affect Retained Business Rates,
- Government Funding levels (including the outcome of the Fair funding Review),
- the ability of the Council to continue to make the necessary savings at the required scale and pace,
- the likely demographic cost pressures arising in demand driven services such as Adults and Children's Social Care
- and the extent to which new policy changes will be funded (most notably those arising from the Care Act).

The financial challenge is therefore the single biggest risk to sustainable public services on the Island. The Budget and Council Tax proposals set out in the councils MTFP are part of a cohesive strategy. The strategy provides both structure and direction to achieve the financial challenge in a way that is aligned with the Council's corporate objectives and minimises cuts to essential services.

Our performance in 2017/18 places us in a strong position to respond to these continuing challenges and take advantage of any opportunities. We remain committed to ensuring that we resolutely maximise the deployment of resources that we have towards driving additional income/funding and cost savings to secure council services for the future.

Chris Ward

Chief Financial Officer and S151 Officer