



**MEDIUM TERM FINANCIAL
PLAN**

APRIL 2005

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Foreword by the Leader of the Council



I am pleased to introduce our first Medium Term Financial Plan, and am sure it will prove a useful reference document to members of the public interested in the way our finances are organised, as well as to members and officers of the Council.

This document does not, of course, fill a vacuum. The Council already has a well developed community, corporate and service planning framework. Nevertheless, and whether we like it or not, finance is a necessary precursor for almost everything we want to do, and it is important that we define and understand the financial framework within which we operate.

I am sure that users of the Plan will find it sheds some light on the often esoteric world of local government finance, and sets out in financial terms the Council's plans for moving forward on a range of crucial issues.

Shirley Smart

Leader of the Council

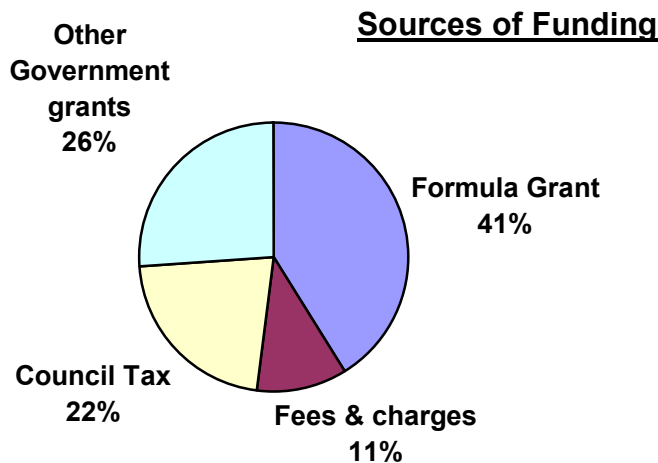
March 2005

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A1 The national context

A1.1 Like all local authorities, the Isle of Wight Council receives the majority of its income from Central Government, in the form of general “Formula Grant”, and specific grants linked to particular service delivery, for example Housing Benefit payments. These two items fund 67% of the Council’s day-to-day spending in 2005-06, with Council Tax making up the bulk of the remainder and a smaller amount coming from charges we make for some services.



- A1.2 Because such a large proportion of funding comes from Central Government the level of that support is a major factor in the Council’s budget making process. Each year the Government sets a guideline at what it thinks the Council needs to provide a standard level of service which it calls the ‘Formula Spending Share’ (FSS). It then decides how much the Council Tax should go up for councils which spend at their guidelines (3.8% in 2005-06), and gives each council enough Formula Grant to make up the difference.
- A1.3 If the guideline is set at a level below what the Council needs to deliver its services, then there is a balance to be struck between reducing services and increasing Council Tax. Because the Council Tax only provides a relatively small part of the total, each 1% increase in spending need translates into a 3% rise in Council Tax, unless offsetting savings can be found.
- A1.4 In deciding what each Council’s FSS guideline is, the Government uses a complex formula which applies financial weightings to a large number of factors such as pupil numbers, road lengths, population, population over pension age, number of visitors etc. The way the formula works is always a matter of dispute between different types of authority in different parts of

the Country, each of which tend to lobby for changes which would benefit themselves at the expense of others.

- A1.5 In an attempt to provide some degree of certainty to assist in financial planning the methodology of the formula has been frozen for the three years up to 2005-06. This has helped, but there are still major variances and uncertainties from year to year as a result of the total amount of money that is put into the system by Government, changes to the formula data, and through the unpredictable effects of switches in the funding of certain services from specific service grants to Formula Grant or vice versa. The next review of formula methodology in 2006-07 will add further to these uncertainties.
- A1.6 Details of grant support are announced in the November preceding the financial year to which they relate. This leaves a relatively short time to amend plans in time to set the Council Tax in February, so it is important that options are identified well in advance. The way this happens is described in section A5.

Capital investment

- A1.7 As well as day to day expenditure, the Council has an investment programme dealing with purchase and improvement of fixed assets such as schools, roads, vehicles and equipment. These are funded largely from borrowing and leasing, and also from the sale of fixed assets no longer required or, in some cases, from specific Government grants.
- A1.8 In calculating the Formula Spending Share mentioned above, the Government includes an element for principle and interest repayments on 'supported borrowing' which means that most capital investment is funded one way or another by the Government. Since 2004-05 however, local authorities have been given the freedom to borrow additional sums, provided the repayments are considered affordable. The Government does not support this extra borrowing.

Impending changes

- A1.9 Some changes underway or in the pipeline include:

- 1.9.1. Business Rate revaluation from April 2005
- 1.9.2. Review of grant methodology from April 2006
- 1.9.3. Council Tax revaluation effective from April 2007
- 1.9.4. The fundamental Lyons Review of the way local government is funded – due to report by the end of 2005.

Comparison with FSS Guideline

A1.10 The following table shows how the Council's spending compares with its guideline Formula Spending Share (FSS) in 2005-06. It can be seen that:

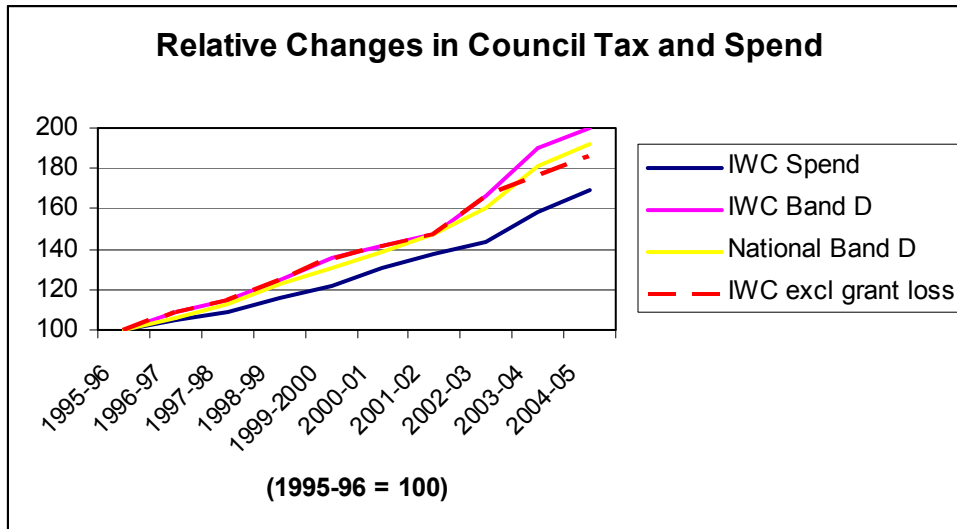
- 1.10.1. The biggest extra cost (£5.0 millions) relates to Social Services pressures
- 1.10.2. Running a small Fire and Rescue Service on an Island costs 30% more than the Government allows
- 1.10.3. Unlike most councils, we spend 21% more on Highways repairs than the guideline, partly because the latter has increased so slowly in recent years, and is set for a cash freeze beyond 2005-06

	2005-06 FSS £000	2005-06 Spend £000	Over £000	%
Education	71,713	72,193	480	0.7
Social Services	36,503	41,520	5,017	13.7
Fire	5,930	7,692	1,762	29.7
Highways	4,122	4,997	875	21.2
EPC	29,746	29,136	-610	-2.1
Capital	13,649	12,397	-1,252	-9.2
Total	161,663	167,935	6,272	3.9

A1.11 The way in which spending changes between 2004-05 and 2005-06 are a further guide to the way in which the Council has moved resources in response to changing local priorities. Funds have moved to Social Services, Fire and Highways when compared to Government guidelines, at the expense of other service areas.

	2005-06 FSS increase £000	2005-06 spend increase £000	Over £000
Education	3,839	3,526	-313
Social Services	3,437	4,332	895
Fire	165	595	430
Highways	22	108	86
EPC	631	-202	-833
Capital	2,558	1,827	-731
Total	10,652	10,186	-466

A1.12 The graph below shows how the Council’s spending and Band D Tax has risen over recent years compared to the average national increase in Council Tax over the same period.



It can be seen that Tax increases have outstripped spending, which represents a switch of the burden of service provision from national to local taxation during the period.

It also shows that by 2001-02 the Isle of Wight Council’s tax had increased by marginally less than the national average. The following two years saw massive increases in the cost of community care for the elderly on the Island, coupled in 2003-04 with a significant shift of resources away from South Eastern shire councils towards the North and West Midlands. Without the 2003-04 grant loss, the Island’s Band D increase would have been 5% below the national average for the period.

A2 The current year (2005-06 budget round)

A2.1 At the Council's 2004-05 budget meeting in February 2004 a three year forecast of expenditure and resources was adopted. This estimated that in order to keep the Council Tax increase in 2005-06 to 5%, expenditure savings of £3.3 millions would be needed compared to the costs of a "standstill budget".

A2.2 These calculations were based on an assumed increase in Government Formula Grant of £4.9 millions, or 4.8%, based on the Government's published expenditure plans at the time. The "standstill budget" comprised the 2004-05 budget, plus:

- Contractual pay increases under national schemes
- Price inflation
- Pension costs, including the impact of the triennial fund revaluation
- Costs of financing Government supported borrowing
- Ring fencing of Education budgets
- Social Services pressures, including reduction in specific Government grant
- Landfill Tax and waste volume increases
- Government grant clawback (see A4.4 below)

A2.3 Directors were asked to identify ways of achieving the necessary savings without major damage to priority services. Each service, other than schools, was set an efficiency target of 3% for front line services and 4% for back office services on all activity not already contracted out to the private sector. With the addition of income generation and service reductions, possible savings of £2.5 millions had been identified by the eve of the Grant announcement.

A2.4 Meanwhile, it had become apparent that Government plans to transfer Preserved Rights Specific Grant into the general Formula Grant could, depending on the methodology chosen, represent a significant loss to councils with high case loads in this area. The Government had also announced that it would be clawing back Grant from previous years to compensate for errors made by the Office for National Statistics in the 2001 census.

A2.5 In addition, key priority bids amounting to £429,000 were considered unavoidable. These relate to Fire & Rescue Service modernisation, creation of a Children's Services Directorate, Highways Bridge Inspection and responsibilities under the Civil Contingencies Act. A range of desirable service bids derived from the Service Planning process, including risk management, have had to be regretfully postponed, unless funded from within existing service budgets.

A2.6 On the eve of the Grant settlement, the Council therefore faced the prospect of finding significant further service reductions. During October and November Directors obtained guidance from the Executive on which areas would represent low service priorities, and which could therefore be put forward as service reductions if required. The Council's Citizens Panel was also consulted on service priorities during this period. Further consultation took place with various stakeholders through December and January.

A2.7 The Grant Settlement announced on 2nd December and confirmed on 27th January was significantly better than expected, with £358 millions of additional Formula Grant nationally. For the Isle of Wight Council this has reduced the Council Tax increase for a given level of spending by about 1.8%. In addition, £278 millions more of service specific grant was made available nationally, and the Council's Formula Spending share increased by more than the national average despite the unwinding of temporary protection against the heavy Grant losses of 2003-04.

A2.8 The budget now stands at £168.4 millions, which differs from the 2004-05 budget of £157.7 millions by £10.7 millions:

Item	£000	Comment
2004-05 Budget	157,749	
Schools budget increase	3,845	Full Government requirement
Contractual pay increases and price Inflation	3,412	Includes nationally negotiated pay awards
Pension contributions	662	Includes triennial actuarial review
Capital investment financing	1,827	Government supported borrowing
Priority improvements	429	Mainly Fire & Rescue modernisation
Landfill Tax and waste volumes	88	£3 per ton tax increase
Funding changes (Social Services, Magistrates Courts and Civil Defence grants)	1,368	Changes in the way certain service costs are funded by Government
Other Social Services pressures	1,306	Mainly cost pressures
Efficiency savings	-879	4% back office, 3% front line – in house activity only
Other budget reductions	-1614	Service cuts, income generation
Grant clawback	514	Census errors
Other changes	-258	Net reductions elsewhere
2005-06 Budget	168,449	

A2.9 This level of expenditure required a Council Tax increase of 4.3%. Without the clawback of previous years' grant this could have been 3.4%

A3 Prioritisation**The Planning Process**

- A3.1 Like all local authorities this Council has to strike a difficult balance between its statutory responsibilities, the needs and aspirations of service users, and an acceptable level of Council Tax. This inevitably means that decisions have to be made about priorities, and equally importantly about what isn't a priority.
- A3.2 The Council's planning framework starts with the Island-wide Community Plan, which drives the following:
- The Corporate Plan and Annual Action Statement, defining the role which the Council will play in delivering the Community Plan
 - Service Plans and Team Plans showing how each service and section will contribute to the delivery of the Corporate Plan priorities
 - The Development Review Process which clarifies the expected contribution of individual members of staff to the delivery of the above, and the development needs required to achieve that.
- A3.3 Service Plans identify investment proposals to further the Council's priority aims, and these are fed into the resource allocation process. Other bids for resources arise from risks identified by the service planning process or by the Council's Risk Management Group.
- A3.4 Inevitably there will be many more bids than resources available, so a judgement on priorities has to be arrived at by a process involving consultation with Select Committees and a wide range of stakeholders, Directors' Group and Executive recommendations and ultimately a decision of the Full Council when it sets the Council Tax each February.

Budget Reductions

- A3.5 In order to finance present service levels, let alone priority bids, it is necessary to generate budget savings. Section D1 deals with the approach to efficiency savings, which in an ideal world would allow the Council to meet its obligations without any reductions in service delivery. In reality, however, it is sometimes necessary to recognise that present service levels cannot all be afforded.
- A3.6 Each year the Executive, advised by the Directors' Board and Service Heads, examines the contribution made by each service to the Council's core priorities and objectives, and identifies where service reductions

could be made. Again after consultation these are determined when the Council sets its budget in February.

2005-06 Budget Round

A3.7 Appendix X1 shows bids arising from the service planning process for 2005-06, with the successful items in bold. In the current financial climate only the very highest priorities were successful. It also shows the savings made from efficiency savings and reductions in the level of services outside of core priority services.

A3.8 As well as formal bids, the Council is also investing other resources in priority areas:

- Schools – real terms increase £1,155,000
- Community care of the elderly (including bid) £1,306,000
- Children’s Trust £75,000
- Fire & Rescue modernisation (bid) £329,000
- Bridge inspection (bid) £80,000
- Highways, over and above Government funding £880,000
- Civil Contingencies Act responsibilities £20,000

Typical annual cycle

A3.9 Whilst it is not possible to be too prescriptive about a process which is heavily influenced by external events, the timetable below sets out the typical framework for the annual cycle of planning and budgeting.

	A	M	J	J	A	S	O	N	D	J	F	M
	p	a	u	u	u	e	c	o	e	a	e	a
	r	y	n	l	g	p	t	v	c	n	b	r
Current service plans finalised	■											
Efficiency & savings targets issued	■											
New service plans drafted		■	■	■								
- draft service plans published					■							
- bids to select committees						■						
- risks considered by Risk Group						■						
Directors identify options							■	■				
Budget consultation								■	■	■		
Executive prioritises options									■	■		
Executive recommends budget											■	
Council Tax set by Council											■	
Updated MTFP published												■

A4 Resource/expenditure projections**Revenue Support Grant Forecasts**

- A4.1 Forecasting resources into 2006-07 and beyond is difficult because there will be a review of Revenue Support Grant methodology in that year which will have unpredictable results. In the absence of more precise information, the forecast Formula Spending Shares (FSS) for 2006-07 and 2007-08 are based on the Council retaining its existing share of the national totals set out in the Government's 'Spending Review 2004'.
- A4.2 As well as the methodology changes, there is a degree of uncertainty about further transfers of specific grant into FSS and about the extent to which the last minute additional resources provided in the settlement for 2005-06 are one-off. Furthermore, the Formula Spending Share is calculated in an unusual way in 2005-06, to the benefit of this Council, but that is unlikely to be repeated in 2006-07.
- A4.3 In addition to furnishing a rough guide to FSS increases, the Spending Review 2004 also provides the means to guess the underlying Council Tax rise for an authority spending precisely at its FSS guideline, although assumptions have to be made about national tax base growth and the impact of floors and ceilings.
- A4.4 This produces the following predictions for the Council's major source of income:

IWC Formula Spending Share:	2005-06	Increase	2006-07	Increase	2007-08
	£000	%	£000	%	£000
Education	71,714	7.1	76,805	6.0	81,413
Social Services	36,503	5.0	38,328	4.5	40,053
Fire	5,930	3.3	6,126	3.8	6,359
Highway Maintenance	4,122	0.0	4,122	0.0	4,122
Environmental, Protective & Cultural	29,746	1.9	30,311	3.7	31,433
Capital Financing	13,649	*	12,534	*	13,605
Projected IWC FSS	161,664	4.1	168,226	5.2	176,985
Standard Band D Tax	£1,006.83	3.9	£1,046.15	4.3	£1,091.15
Tax Base (Band D equivalent)	51,514	0.9	51,978	0.9	52,446
Formula Grant	109,538	3.7	113,589	5.2	119,499

Expenditure Needs

A4.5 A more informed estimate can be made of the Council's expenditure needs over the same period, although major uncertainties still exist in the form of, for example, pay and price inflation and interest rate changes, as well as legislative and demographic pressures. A useful starting point is the cost of maintaining a present level of service, which includes the following expenditure changes:

	2005-06	2006-07	2007-08
	£000	£000	£000
Budget 2005-06	168,449	168,449	168,449
Pay and price inflation		5,456	11,523
Pension contributions		913	1,754
Capital financing costs		1,515	3,197
Education pressures/passporting		2,297	4,022
Social Services pressures		76	76
Waste management/Landfill Tax		150	300
Children's services bids		75	75
Funding changes		1,454	1,454
Other items		66	76
Net savings, full year effect		-131	-131
Amending order		-514	-514
Net expenditure	168,449	179,806	190,281

Council Tax Forecasts

A4.6 Bringing together the grant projections and expenditure pressures, plus the national target for cashable ("Gershon") efficiency savings per annum produces the following forecast Council Tax increases and/or savings requirements:

	2005-06	2006-07	2007-08
	£000	£000	£000
Standstill budget	168,449	179,806	190,281
Cashable efficiency savings		-1,450	-2,000
	168,449	178,356	188,281
Formula Grant	109,537	113,589	119,499
Withdrawal from General Reserve	0	0	0
Council Tax yield requirement	58,912	64,767	68,782
Council Tax Base (band D equivalents)	52,393.4	52,762	53,146
Council Tax at Band D (£.pp)	£1,120.36	£1,227.53	£1,302.69

	2005-06 £000	2006-07 £000	2007-08 £000
Tax Increase with no further changes (%)	4.3	9.6	6.1
Target increase (%) (maximum)		5.0	5.0
Further savings needed to achieve target (before priority improvements and in addition to "Gershon" efficiency savings)		2,699	2,135

A4.7 If target Council Tax increases are to be achieved, the Council will have to balance priority improvements against further expenditure reductions and income generation so as to achieve the further savings required. Plans are currently being drawn up to achieve this.

A4.8 If forecast social services and homelessness pressures set out in section O1 cannot be contained within those service areas, then the total savings requirement (including "Gershon" savings but before priority bids) could rise by a further £3,036,000 in 2006-07 and £4,868,000 in 2007-08, making a total of:

- £7.1 millions in 2006-07
- An additional £1.9 millions in 2007-08 on top of the 2005-06 requirement.

A5 Investment plans and prudential borrowing

- A5.1 Until 2004-05 local government borrowing has been limited to the amount approved by Government in the form of annual borrowing approvals. A feature of the Revenue Support Grant system is that practically all of the repayment costs of this approved borrowing is met by the Government through the Formula Funding Share (FSS) calculations. By obtaining higher than average borrowing approvals under various initiatives, the Council has both acquired assets for the future and brought construction work to local suppliers, largely without cost to the local Council Tax payer.
- A5.2 Approved borrowing has been largely directed at Education, Highways and Housing, with investment in other services having to be made from the proceeds of asset sales, or in the case of some vehicles and equipment from operating leases.
- A5.3 From 1st April 2004 Councils have been allowed to set their own borrowing levels, having regard only to prudence and affordability (The Prudential Code). Government support through the Formula Grant system is still available as before, but repayments of any borrowing above that level will fall on the Council Tax.
- A5.4 The Council has resolved that it will make use of the new flexibility for two purposes
- To provide temporary cash flow cover where planned asset sales are delayed
 - To provide 'up front' finance for self-financing initiatives, provided robust business cases exists

So far the flexibility has been used only to substitute low cost Public Works Loans Board borrowing for considerably more expensive private sector funding in respect of the Beaulieu Respite Care Home. Other planned uses include:

- Replacement of operating leases where outright acquisition of vehicles and equipment is advantageous
- Purchasing property as an alternative to renting, where a sound business case exists

A5.5 The detailed capital budget is set out in appendix X4. It is based on the following financing assumptions:

	2005/06 £000	2006-07 £000	2007-08 £000
SUPPORTED BORROWING			
Highways	9,030	11,611	6,402
Education	3,385	10,426	10,825
Housing	1,769	1,769	1,769
Coast Protection	266	737	380
Other Services	510	235	235
Total supported borrowing	14,960	24,778	19,611
UNSUPPORTED BORROWING (under Prudential Code)	2,000	2,000	2,000
CAPITAL RECEIPTS	2,000	2,000	2,000
CAPITAL GRANTS			
Highways	3,089	5,670	461
Education	3,472	4,427	4,621
Coast Protection	265	738	381
Disabled facilities	348	348	348
Total capital grants	7174	11,183	5811
TOTAL CAPITAL RESOURCES	26,134	39,961	29,422

A5.6 As well as conventional forms of investment finance the Council is working towards a Public Finance Initiative (PFI) scheme for highways maintenance (see 'Priority Issues' section E2)

A5.7 Other developments with major investment implications are also covered in more detail under 'Priority Issues'. These include:

5.7.1. Pan Development (B9)

5.7.2. Accommodation Review (B13)

5.7.3. Schools structure (B3)

5.7.4. South East Plan and Isle of Wight Special Policy Area (B2)

A6 Reserves and provisions

A6.1 Reserves and provisions are held to meet future liabilities or spending commitments, as well as facilitating sound financial management by allowing budget holders some flexibility between financial years. Details of the various reserves and provisions are set out below:

General reserve	31/03/05 £000	31/03/06 £000
Expected balance at	2,030	2,030
The General Reserve is the Council's working balance, providing cover for short term cash flow fluctuations. It also provides a buffer against unforeseen spending needs, for example from unexpected demographic or inflationary pressures. At roughly 1.1% of gross expenditure excluding schools the balance is at the lowest acceptable level.		

Insurance Funds	31/03/05 £000	31/03/06 £000
Expected balance at	8,671	8,671
The Council self-insures where it is financially advantageous to do so, or where commercial insurance is unavailable. In addition, most policies require the Council to fund a significant excess on each individual claim, in some cases (but not all) limited to an overall 'stop loss' limit within each financial year. The main liability policies – employers, public and pupil, are currently funded to the level recommended by a recent external actuarial valuation. Other policies such as property and motor provide for a reasonable claims expectation over the medium term.		

Uninsurable Risks	31/03/05 £000	31/03/06 £000
Expected balance at	2,863	2,863
The Council faces a number of risks which fall outside of the scope of normal insurance cover, including litigation, contract disputes and natural disasters. Rather than provide for these individually, with consequent volatility within the revenue budget, an aggregate reserve has been set up which provides for just over 73% of total potential liabilities. Given uncertainties as to outcome, timing and size of each potential loss this is considered reasonable, but should not be allowed to fall much below this level in the medium term.		

Repairs & Renewals Funds	31/03/05 £000	31/03/06 £000
Expected balance at	3,335	2,171
<p>Heads of Service are encouraged, but not required, to make provision for asset replacement. This reduces the pressure on an oversubscribed capital programme and provides managers with a degree of control over service critical investment. It also represents a small step towards 'depreciation accounting' which the Government would like to introduce if resources were ever to permit. Depreciation accounting ensures that the true cost of asset usage in each year is both recognised and set aside.</p>		

Earmarked Reserves – Revenue and Capital	31/03/05 £000	31/03/06 £000
Expected balance at	2,995	0
<p>These two reserves provide for the finance for slipped expenditure to be carried forward into the next financial year to meet delayed commitments.</p>		

Earmarked Reserves – Education	31/03/05 £000	31/03/06 £000
Expected balance at	1,413	1,349
<p>This is made up of the likely level of the Special Educational Needs mainland placement contingency, Standards Fund monies and the pupil numbers contingency.</p>		

Earmarked Reserves – Other Services	31/03/05 £000	31/03/06 £000
Expected balance at	5,044	3,428
<p>These reserves represent specific sums set aside to meet future requirements. They include the Fire fighters Pension Reserve, the Redundancy Fund, the Spend to Save Reserve as well as various individual service project funds.</p>		

Schools Balances	31/03/05 £000	31/03/06 £000
Expected balance at	3,042	3,092
<p>Balances are held by individual schools under local management legislation. Although relatively high in total. the level of balances fluctuates significantly from school to school.</p>		

A6.2 To a great extent the level of reserves and provisions is a matter of financial prudence. The following policies apply:

A6.2.1. The Council's General Reserve of around £2 millions is low as a percentage of gross expenditure. This level can be justified in terms of financial management performance over previous years coupled with relatively low current uncertainties in relation to inflation and interest rates. However, this is the minimum acceptable level and in the event of any withdrawal plans should be made to replenish the balance in future years.

A6.2.2. By aggregating uninsurable risks into one reserve, the Council is able to minimise the amount needed to be set aside as it is unlikely that all the potential losses would occur together.

A6.2.3. Schools balances have continued to grow in aggregate despite predictions of significant withdrawals as a result of the 2003-04 Grant Settlement. There is a considerable variation in the level of balances between sectors and between individual schools, and at present the Council has no expressed policy of encouraging a reduction in balances.

A6.2.4. Under the Local Government Act 2003 the Council's Chief Financial Officer is required to comment to the Council on the adequacy of its reserves.

B1 Policy Framework

B1.1 The Local Strategic Partnership (LSP) has been established for over three years, and there is now a shared vision and a series of cross cutting objectives which inform the Council's own priorities.

B1.2 The shared 2020 Vision for the Island, looking at what want to see for the long term future, can be expressed as

“To Build an Island with a Future”

which ties in with the thrust of our submissions to the South East planning process, and in particular the pursuit of **“economically driven regeneration”**.

B1.3 The LSP Executive has agreed 5 cross cutting objectives to be pursued through its seven theme groups. These are:

- economic regeneration
- branding
- healthy Island
- educated Island
- accessible Island

B1.4 Linking this strategic vision with our own policy priorities suggests the following draft priority areas:

- economic regeneration
- educational attainment
- public sector integration
- sustainable transport infrastructure
- sustainable Island services
- protecting and enhancing the Island's physical environment

pursued through:

- community leadership and partnership development
- customer focussed organisation
- valuing staff and diversity
- focussing on service improvement and best use of resources

B1.5 The remainder of this section looks at ways in which this agenda is being moved forward.

B2 South East Plan and Isle of Wight Special Policy Area

Background

- B2.1 The South East England Regional Assembly (SEERA) is preparing the spatial strategy for the South East which will replace the existing regional planning guidance contained in RPG9.
- B2.2 SEERA has agreed that a special policy area should be drawn up for the Isle of Wight to reflect the Island's unique character and specific economic and social issues.
- B2.3 The brief issued by SEERA commissions the Isle of Wight Council to produce policies for an Isle of Wight special policy area.
- B2.4 These policies, together with the general policies of the South East Plan, will provide the regional framework for the Isle of Wight and subsequently influence the Local Development Framework.

Planned Development

- B2.5 Policy 1 – Priority Area for Economic Regeneration
Tailored solutions will be required to tackle the problems of unemployment and deprivation experienced on the Island. Targeted areas include the Medina Valley, Ryde, Sandown Bay, Ventnor, and the West Wight. Centres of vocational excellence in the composites, marine and aeronautical skills and construction related industries will be supported.
- B2.6 Policy 2 – Strategic Transport Corridor
Strategic Cross Solent links will be maintained and improved. A new transport Interchange at Ryde will be developed.
- B2.7 Policy 3 – Rural Priority Area
A substantial area of the Island is designated as Area of Outstanding Natural Beauty. Much of the coastline is designated Heritage Coast. Rural areas are seen as less accessible with fewer job opportunities and suffering problems of isolation and lower incomes. The local authority will work with regional and local partners to develop programmes which encourage enterprise in the local economy as well as initiatives to sustain diverse rural communities.
- B2.8 Housing Numbers
Provision will be made so as to achieve a minimum annual average level of provision of at least 520 dwellings.

Timetable

- B2.9 The time period for the RPG will extend from 2016 to 2026.

Budget Implications

- B2.10 Whilst there are no direct budget implications that can be identified at this stage, other than the use of existing funding streams and staff resources in drawing up the policies, the eventual characteristics of the Special Policy Area will have a major influence on Community and Corporate Planning, and hence of the shape of the Council's budget.

B3 Schools Structure

Background

B3.1 Since April 2004 the Council has been consulting on the future of the Education system, in response to concerns about underachievement at Key Stages 2, 3 and 4 and post-16, as well as the range and quality of provision for 14-19 year old students.

B3.2 Other concerns included:

- the financial and professional viability of some small schools
- recruitment and retention of good quality staff
- falling rolls in the Primary sector
- the role of schools in the wider remit of Children's Services
- national expectations in the form of the Primary Strategy, the Government's 5 Year Strategy and the Tomlinson Report.

B3.3 Wide ranging formative consultation took place from May to August 2004 following which external consultants were appointed to recommend a way forward. Their report was then the subject of 7 open public meetings in February 2005.

Planned development

B3.4 The key consultants recommendations are:

- Schools should be re-organised into the national pattern of 4-11 primary and 11-18 secondary
- A new, possibly voluntary-aided denominational school, with age range 11-16 plus a sixth form based at the Isle of Wight College
- An Island-wide formal framework of learner entitlement for post-16 students with collaboration between all providers and two formal partnerships based in Newport and the East Wight.

Timetable

B3.5 Key dates might be:

- | | |
|----------------|--|
| • Jun 2005 | Council confirms start of area consultations |
| • Jun-Oct 2005 | Area consultations |
| • Jan 2006 | Publication of statutory notices |
| • Mar 2006 | End of representation period |
| • Jun 2006 | Decision by school organisation committee |
| • Sep 2008 | Earliest date for start of implementation |

Budget implications

B3.6 Implementation of the restructuring proposals will require significant capital investment and one-off and on-going revenue implications. The following costings are the result of a 'desktop' exercise by the consultant, so are highly provisional. Two options for primary school changes were considered, a high cost option and a lower cost variant which retained more existing schools.

B3.7 Capital costs:

	High cost option (£m)	Lower cost option (£m)
Primary extensions and adaptations	15 - 20	9 - 11
Secondary extensions	15 - 20	15 - 20
New secondary school	30	30
Total	60 - 70	54 - 61

The cost to the Council could be reduced if separate post-16 funding was available from the Learning Skills Council, or if the new secondary school was an academy, wholly funded by the Department for Education and Skills.

B3.8 Capital resources:

Potential sources of capital funding are:

- Formula allocations already notified £20m
- Formula allocations beyond 2008 £?m
- Delegated formula capital for schools (3 years) £7m
- Building schools for the future (advance allocation) £?m
- Targeted capital building for community schools (up to £12m) £?m
- Targeted capital for aided schools £?m
- LSC capital allocations £?m
- Prudential borrowing for cash flow purposes or financed from revenue savings £?m
- Sale of assets £?m
- Academy school funding if national criteria met £30m

Success in accessing extra funding would depend on high quality bids.

B3.9 There are a number of revenue implications, both costs and savings, which are dependant on the detailed proposals finally adopted. Different

considerations will apply to Schools Budget items on the one hand and Local Education Authority responsibilities on the other.

B3.10 Schools Budget costs may include:

- Loss of Standards Funding due to reclassification of two middle school years as primary could cost £708,000 under present distribution rules, but these are likely to change in 2006
- Changes to per pupil funding, increased floor area etc. within the overall budget
- Transitional protection for growing and closing schools
- Curriculum and equipment requirements of expanding and new schools
- Staff training

B3.11 Schools budget savings would include:

- Removal of need for small schools subsidy
- Fixed costs of closing schools
- Reduction in surplus places

A very broad brush estimate of these savings might be £1 million per annum

B3.12 LEA costs would include:

- Redundancy
- Salary protection for re-deployed staff
- Transport of pupils (on-going)
- Project management and implementation

A broad brush assessment of the one-off or short term elements of the above amounts to £3 millions

B3.13 There are a number of major financial unknowns surrounding this project which will not be resolved until more detailed plans are available. A number of ways in which the financing requirements might be dealt with are under development, but the crucial issue will be the availability of supported borrowing approvals/capital finance.

B4 Links with Health Bodies

Background

- B4.1 The Council is looking at ways in which health and social care services can be provided in an integrated way, with resultant benefits to front line service users as well as improved efficiency through economies of scale.
- B4.2 A joint Transitional Steering Group has been set up, with representatives of the Local Authority, the Primary Care trust and the Healthcare NHS. At this stage Governance options are under consideration. In addition, an officer project team has been created, using staff and other resources provided by the three participants and the Strategic Health Authority.

Planned development

- B4.3 The options for the new arrangements include a completely new organisation, either within existing legislation or via a non-statutory partnership as a stepping stone to one requiring new legislation, or one based on an existing Primary Care trust model. The precise nature will depend on the outcome of the public consultation exercise during June, July and August. The intention is that the shape of the new organisation will be driven by what is best for the Island.

Timetable

- B4.4 The plan is to have the new organisation in place by April 2006. A high level project plan with key milestones is in place and a more detailed version is being developed.

Budget implications

- B4.5 Again, detailed budget implications are impossible to predict at this early stage of the project. Issues identified so far include:
- B4.5.1. The need to ensure that the Council is in a position to continue to deliver social care, which will remain its statutory responsibility, through whatever new arrangements are in place.
- B4.5.2. The potential impact on the Council's remaining services, and in particular on the Pension Fund, of a large transfer of staff to another organisation.

B5 Pooled Budgets

Background

- B5.1 The Health Act 1999 allows for flexibilities which include a Local Authority pooling funds with a Primary Care Trust (PCT) or NHS Trust to provide services. These agreements have come to be known as S.31 or pooled budget arrangements.
- B5.2 As at the end of 2004/5 we have three such arrangements in place as follows:
- Free Nursing Care Pooled Budget – to provide nursing care to all client groups. This arrangement is between the IW Council and the IW PCT. The total pooled fund in 2004/5 is £5,769,075 of which the council's contribution is £4,358,075 (76%). The IW Council host this arrangement.
 - Integrated Community Equipment – This arrangement is between the IW Council and the IW PCT. The total pooled fund in 2004/5 is £434,010 of which the Council's contribution is £284,800 (66%). The PCT host this budget in 2004/5 but the IW Council will take over as host in 2005/6
 - Substance Misuse (From 1 Feb 05) – This arrangement is between the IW Council and the IW PCT. The annual value of the pooled fund in 2004/5 is £1,755,798 of which the Council's contribution is £812,046 (46%) The IW Council host this arrangement.

All of these agreements run to 31 March 2007.

Planned development

- B5.3 Further pooled budget arrangements are being developed/likely to be developed to cover the following service provision:
- Occupational Therapy
 - Intermediate Care
 - Learning Disability
 - Mental Health

Budget implications

- B5.4 The pooled funds created under S.31 Health Act provide ring-fenced funds to provide specified services. This therefore, reduces the flexibility that the Adult & Community Services Directorate has to vire budgets

between services to assist with pressures as they arise. Adult & Community Services is largely a demand led service and it is possible that as the number of pooled budgets increases this lack of flexibility may cause concern.

- B5.5 There are provisions within the agreements to recover under-spends with the agreement of all partners but this is not likely to be practical until close to the end of a financial year and therefore involves a degree of uncertainty as to funding availability for pressures.
- B5.6 The standard clauses in the agreements provide for overspends to be apportioned to partners pro-rata to the contributions made. For the two of the three S.31 agreements currently in place the Council are the largest contributor and therefore bear the largest share of the risk.
- B5.7 Future contributions to each pool are negotiated each financial year which poses a potential financial risk if due to other pressures (e.g. Health's recovery plan) contributions cannot be maintained or increased in line with inflation or cannot take account of increases in capacity e.g. it is expected that nursing home capacity will increase in the next two years.

B6 Green Transport Initiatives

Background

- B6.1 As part of its LTP 1 submission covering the period 2001 – 2006, the Council introduced the concept of Green Travel Plans into its Transport Strategy for the Island.
- B6.2 Discussions about progressing the plans were held with larger employers on the Island, with the Council taking the lead on implementing measures. The four aims of the Green Travel Plan Strategy were as follows:
- Introduce an Isle of Wight Council Green Travel Plan
 - Liaise closely with employers to encourage adoption of Green Travel Plans
 - Ensure that where possible new developments are required to produce Green Travel Plans
 - Liaise closely with transport operators to ensure that benefits can be provided to employers engaging in Green Travel Plans
- B6.3 LTP 2 (covering the period 2006 – 2011) will place more emphasis on identifying solutions to congestion. The guidance seeks a balance between demand side solutions (e.g. congestion charging, parking pricing, travel planning) and supply side solutions (e.g. traffic management measures, public transport support, walking and cycling options), and acknowledges that these solutions will be different from area to area. LTP's should provide evidence that authorities have considered and assessed the potential of all parts of the toolkit, not just capital projects, and give an assessment of what the likely impact of the measures will be.
- B6.4 A major change from LTP 1 to LTP 2 is the need for a stronger evidence base on the impact on traffic of soft interventions such as school and workplace travel planning. Both DfT and DfES are undertaking a major programme of work to reduce car dependence in the school run, including providing dedicated funding for the development of school travel plans, and both Departments will expect the impact of these initiatives to be reflected in LTP programmes and targets.
- B6.5 On 20 July 2004, the DfT published 'Smarter Choices – Changing the Way we Travel', a major new research report which outlines the potential for behavioural interventions such as school and workplace travel plans to tackle congestion problems on a local basis.
- B6.6 In addition to the above, improving accessibility is the main outcome of the transport element of the shared priorities initiative agreed between the Government and the Local Government Association. As such it must be a

priority within the Council and form the central theme around which LTP 2 will be delivered.

Planned development

B6.7 There are three strands necessary to ensure focus is placed on the objectives of reducing congestion, improving public transport and road safety, and improving accessibility throughout the period of LTP 2. A workplace travel plan co-ordinator is required to work in partnership with other employers and help co-ordinate the development and implementation of Workplace Travel Plans on the Island. Additionally, the Government has set a target that all schools should have a travel plan by the end of 2010. A school travel plan co-ordinator is already in place, but funding ceases in 2006. This funding should be extended to ensure current developments can be continued with a view to meeting the 2010 target. Finally, funding is required to improve accessibility by providing support to those people seeking to access health services, jobs, education and training opportunities, both on and off the island. This money could be used to augment the £50,000 already made available by the NHS Trust which is used to fund patients who have to travel to the mainland for renal and cancer care.

Timetable

B6.8 The LTP 2 submission has to be submitted to the DfT by 31 July 2005. In assessing the Plan, the Department will look for evidence that a focus on shared priorities has been at the heart of Plan development. The results of the assessment are likely to be available in December 2005, and will give details of the LTP Settlement for 2006-07 and indicative settlements for future years.

Budget implications

B6.9 Initial indications are that the Council is already facing a reduction in LTP resources from 2006-07. LTP funding will still be provided for Maintenance programmes and Integrated Transport programmes. However, whilst the Maintenance programmes will still be based on a formulaic approach, and should produce a similar outcome in terms of availability of resources, there is a change of emphasis in the Integrated Transport programmes towards the issue of 'Planning Guidelines' and a more formulaic approach to the allocation of resources which is likely to lead to a 50% reduction in the allocation for the Isle of Wight.

B6.10 The LTP 2 Plan must include a programme which fits with the funding. The planning guidelines suggest that authorities with excellent Annual Progress Reports (APR) will receive 125% of their formula allocation, whereas those with a poor APR are likely to receive 75%. Since the APR assessment is based on achievement of stated objectives and outcomes

against targets there is a link between making an investment in the right area to ensure targets can be achieved, thereby avoiding a detrimental impact on future year's LTP settlements. Suggested expenditure requirements to achieve the shared priorities are set out in the Table below:

Year	Workplace Travel Plan Co- ordinator	School Travel Plan Co- ordinator	Improving Accessibility	Implementing Travel Plan Requirements	Totals
2006-07	35,000	35,000	35,000	50,000	155,000
2007-08	35,000	35,000	35,000	100,000	205,000
2008-09	35,000	35,000	35,000	150,000	255,000
2009-10	35,000	35,000	35,000	200,000	305,000
2010-11	35,000	35,000	35,000	200,000	305,000
2011-12	35,000	35,000	35,000	200,000	305,000
2012-13	35,000	35,000	35,000	200,000	305,000
2013-14	35,000	35,000	35,000	200,000	305,000
2014-15	35,000	35,000	35,000	200,000	305,000
2015-16	35,000	35,000	35,000	200,000	305,000

B7 Highways PFI

Background

- B7.1 The Council is responsible for the management and maintenance of some 792 kilometres of highway and 827 kilometres of public rights of way on the Island.
- B7.2 Best Value reviews undertaken in 2001, and again in 2002, identified the following problems:
- That the roads are in a poor condition despite being the public's highest priority for extra spending and the fact that the Council spends 21% more on roads than the Government allows in the Formula Grant.
 - Road casualty rates are rising
 - Insurance claims have risen significantly over a three year period to 2002
 - As a result of the geology of the Island, the Council has significant problems with coastal erosion and substantial monies are required to protect the integrity of the highway network adjacent to parts of the coastline
- B7.3 In addition, 2003 NRMCS data identified that in terms of structural integrity, the non-principal road figures for the Island are amongst the worst in England and Wales.
- B7.4 There are 7 roads on the Island with weight restrictions, mostly in connection with structures. A large number of roads have 6' 6" width restrictions (156 kilometres). Without additional funding a further 9 roads (total length 24 kilometres) will have to be closed or have restrictions placed on them. These weight and width restrictions have a detrimental impact on the economic growth potential of the Island, and any worsening of the existing situation will place further pressure on the viability of businesses and the communities they support
- B7.5 There are 176 bridges on the Island which are regularly assessed via a rolling programme of inspections. The condition of 35 of the bridges gives some cause for concern. Because of the geography of the Island there are also a relatively high number of retaining walls for the length of network (596 in total), and a number of these also give cause for concern.
- B7.6 The Council is responsible for some 13,300 street lighting columns adjacent to the highways network, of which some 2,500 are over 30 years old and in need of replacement.

- B7.7 The entire network is in decline and the level of investment necessary to halt the decline and return the network to a reasonable and sustainable condition is beyond the scope of existing traditional funding mechanisms. It is generally acknowledged that the Formula Grant funding nationally is only about half the amount required for a sustainable maintenance programme over the longer term, so that even though the Council is spending at 20% above the Formula level there is still a shortfall £2.5 millions per annum, equivalent to a 4% Council Tax increase. In addition, there is a significant investment requirement to bring the network up to a sustainable level (see below).
- B7.8 Sourcing additional funding through a Private Finance Initiative (PFI) will, if successful, help maintain and improve our transport infrastructure and ensure accessibility to services and facilities. Improving accessibility is a shared Central Government/Local Government priority and a key element of the Council's second Local Transport Plan (LTP2)

Planned development

- B7.9 A preliminary options appraisal has been undertaken which suggests that a holistic approach to highways service provision offers Best Value over an extended period. Initial projections have been based around rehabilitation of the highway network, replacement of lighting columns, strengthening of bridges, life cycle maintenance, routine and cyclic highway maintenance, network management, decriminalised parking, coast protection maintenance and landscape management.
- B7.10 The scheme is designed to raise the network condition to fair, and then to maintain it at that level, which represents the most economically advantageous balance between capital investment and maintenance cost. The initial investment required to reach a 'fair' condition is estimated at £161 millions.

Timetable

- B7.11 An expression of interest was drafted in November 2004, but has been held back to comply with a bidding round to be announced shortly by the Government. Any further timetable cannot be clarified until an acceptance in principle is available from the Government, but could look like the following:

- | | |
|------------|---|
| • May 2005 | Approval to proceed |
| • Sep 2005 | Submission of outline business case |
| • Dec 2005 | Programme Review Group approval |
| • Jan 2006 | Appointment of advisors and OJEU notice |
| • Dec 2006 | Submission of tenders |
| • May 2007 | Selection of preferred bidder |
| • Aug 2007 | Financial close |

- Oct 2007 Contract commencement

Budget implications

- B7.12 The Council currently invests some £6.0 million per annum from its revenue budget into the highways service, and provides an additional £3.0 million per annum for structural maintenance from its capital budget via the Local Transport Plan.
- B7.13 The expression of interest includes investment and maintenance plans for a 25 year project. An estimated cash flow for the project is shown at the end of this section.
- B7.14 Current calculations show that the anticipated PFI credit would be sufficient to meet the affordability gap. The Council would however effectively be locking in it's current revenue budget for Highways for a 25 year period, regardless of changes to Formula Funding.
- B7.15 There will be significant costs of delivering the project, because PFI schemes are complex in technical, legal and financial terms. Government approval is dependant in part on the credibility of the project and the quality of its advisors. At present revenue sums have been set aside to take the project to Outline Business Case stage. It is envisaged that the substantial costs beyond that point would be rolled up into the scheme itself, but the possibility of incurring abortive costs on a scheme that did not come to fruition is a risk that needs to be recognised and managed.

Highways PFI projected cash flow

Year	Initial Capital Investment £m	Operating costs £m	Total Costs £m	PFI Tariff £m	Existing budgets £m	PFI FSS £m	Over/ under £m	Interest £m	Cummulative cash flow £m
1	29.375	7.572	36.948	10.859	9.348	16.476	-14.965	-0.451	-15.417
2	27.483	7.762	35.245	14.113	9.582	16.476	-11.945	-1.290	-28.652
3	28.170	7.956	36.126	17.417	9.821	16.476	-8.880	-1.996	-39.528
4	28.874	8.155	37.029	20.773	10.067	16.476	-5.770	-2.558	-47.856
5	29.596	8.358	37.955	24.183	10.318	16.476	-2.612	-2.965	-53.433
6	0.000	14.423	14.423	30.396	10.576	16.476	3.344	-3.122	-53.212
7	0.000	15.179	15.179	31.152	10.841	16.476	3.835	-3.094	-52.471
8	0.000	15.559	15.559	31.530	11.112	16.476	3.942	-3.046	-51.575
9	0.000	15.948	15.948	31.918	11.389	16.476	4.052	-2.989	-50.512
10	0.000	16.347	16.347	32.315	11.674	16.476	4.165	-2.921	-49.269
11	0.000	16.699	16.699	32.667	11.966	16.476	4.225	-2.844	-47.888
12	0.000	17.117	17.117	33.083	12.265	16.476	4.342	-2.758	-46.304
13	0.000	17.545	17.545	33.510	12.572	16.476	4.462	-2.658	-44.501
14	0.000	17.983	17.983	33.947	12.886	16.476	4.585	-2.546	-42.462
15	0.000	18.433	18.433	34.396	13.208	16.476	4.711	-2.419	-40.170
16	0.000	18.831	18.831	34.792	13.539	16.476	4.777	-2.279	-37.672
17	0.000	19.302	19.302	35.261	13.877	16.476	4.908	-2.124	-34.888
18	0.000	19.784	19.784	35.742	14.224	16.476	5.042	-1.952	-31.798
19	0.000	20.279	20.279	36.236	14.579	16.476	5.180	-1.762	-28.380
20	0.000	20.786	20.786	36.741	14.944	16.476	5.321	-1.551	-24.610
21	0.000	21.234	21.234	37.188	15.318	16.476	5.394	-1.322	-20.538
22	0.000	21.765	21.765	37.717	15.701	16.476	5.540	-1.072	-16.070
23	0.000	22.309	22.309	38.260	16.093	16.476	5.690	-0.798	-11.177
24	0.000	22.867	22.867	38.816	16.495	16.476	5.844	-0.498	-5.831
25	0.000	23.438	23.438	39.386	16.908	16.476	6.002	-0.171	0.000
	143.499	415.629	559.128	782.397	319.302	411.906	51.188	-51.188	

B8 Fire and Rescue Service modernisation agenda

Background

B8.1 The Council has recognised Fire and Rescue Service modernisation as a key priority improvement area and as such it received the highest successful bid in the 2005-06 budget round (£329,000)

Planned development

B8.2 The bid is primarily to fund the implementation of an Integrated Personnel Development System, but the programme will also address the following areas:

- The Regional Control Project and interim staff retention
- Regional Management Boards
- A move to role based salaries instead of rank based (“Rank to role”)
- Pensions reform
- Fleet replacement
- Asset strategy

Timetable

B8.3 Detailed project timescales are being drawn up

Budget implications

B8.4 Budget implications beyond the present level of funding are not clear at this stage, especially in respect of the regional issues, although it is expected that costs will be contained within the existing budget.

B9 Pan Development

Background

- B9.1 Within its Corporate Plan, Isle of Wight Council has a commitment to “Improve the availability of affordable housing”.
- B9.2 To contribute towards this providing affordable social housing for rent, an urban extension to Newport, to include community facilities and an employment zone, has been planned for the Pan area.
- B9.3 Isle of Wight Council, as landowner of part of the area, has purchased additional land which, once the whole site is developed, should realise some 800 dwelling units.

Planned Development

- B9.4 It is estimated that some 800 dwelling units will be developed on the site, together with community facilities and an employment zone. Of these a minimum of 30% are expected to be affordable homes, with a target of 35%.

Timetable

- B9.5 The development will take place in phases and is estimated to take between 7 and 10 years to complete.
- B9.6 Cash inflows should start to occur in 2006/07.

Budget Implications

- B9.7 £400,000 has been spent in the financial year 2004/05 to acquire part of the additional land required. A further £200,000 will be spent in each of the financial years 2005/06 and 2006/7, bringing the cost for additional land to £800,000.
- B9.8 In total, including the above, Isle of Wight Council will invest approximately £2 million in the scheme.
- B9.9 Cash inflows of circa £1 million should start to occur in 2006/07. It is anticipated that total cash inflows will, conservatively, realise circa £10 million, although both these figures will be dependant on the percentage of affordable homes within the development.

B10 Links with Health Bodies

Background

B10.1 The Council is looking at ways in which health and social care services can be provided in an integrated way, with resultant benefits to front line service users as well as improved efficiency through economies of scale.

B10.2 A joint Transitional Steering Group has been set up, with representatives of the Local Authority, the Primary Care trust and the Healthcare NHS. At this stage Governance options are under consideration. In addition, an officer project team has been created, using staff and other resources provided by the three participants and the Strategic Health Authority.

Planned development

B10.3 The options for the new arrangements include a completely new organisation, either within existing legislation or via a non-statutory partnership as a stepping stone to one requiring new legislation, or one based on an existing Primary Care trust model. The precise nature will depend on the outcome of the public consultation exercise during June, July and August. The intention is that the shape of the new organisation will be driven by what is best for the Island.

Timetable

B10.4 The plan is to have the new organisation in place by April 2006. A high level project plan with key milestones is in place and a more detailed version is being developed.

Budget implications

B10.5 Again, detailed budget implications are impossible to predict at this early stage of the project. Issues identified so far include:

- The need to ensure that the Council is in a position to continue to deliver social care, which will remain its statutory responsibility, through whatever new arrangements are in place.
- The potential impact on the Council's remaining services, and in particular on the Pension Fund, of a large transfer of staff to another organisation.

B11 Great Access to Great Services, e-Government and Strategic Partnering

B11.1 Great Access to Great Services (GAGS)

Background

The Great Access to Great Services programme was established with the overall aim of developing an excellent customer centered authority. This has evolved over time such that GAGS is now both a guiding philosophy and a series of projects designed to deliver organisational change on the ground.

The original vision of the GAGS Project was to commit the Council to becoming a truly customer centered organisation with four key principles:

GAGS as a Guiding Philosophy

- 80% of enquiries should be dealt with at the point of first contact.
- All customer facing points should be managed in a consistent way.
- There should be a wide range of contact methods with all services available at all service points.
- Information should be captured once only and then used widely.

This is an admirable vision and remains the driving philosophy of GAGS.

The Programme Board have agreed a series of ten projects which define the scope of GAGS. These are as follows:

- E-Government
- CRM
- Call Centre
- DIP
- Website Development
- E-Procurement
- BS7799/Business Continuity
- ICT Operational Requirements
- Common Standards
- Call Resolution

The scope and end points of each of these projects have been defined and agreed by the Programme Board and the financial implications for the period 2004-2009 is as follows:

- | | |
|-------------------------|-------------|
| • E-Government | £660k (16%) |
| • Enabling Projects | £1.7m (42%) |
| • Organisational Change | £838k (21%) |
| • ICT Operations | £841k (21%) |

The GAGS budget that has been made available to-date for this period is now fully committed. Any further work will need additional funding or existing work will need to be dropped.

B11.2 e- Government

The Council is required to e-enable all possible services by the end of 2005 and this is expected to be the main priority of the GAGS Agenda for 2005 and 2006.

The main characteristics of the approach to E-Government within the Council are as follows:

- The Council has defined the scope of its E-Government Agenda in line with the ODPM requirements on the basis of the ODPM Priority Requirements List and the ESD Toolkit.
- Service owners have been identified for each of these processes and individual Statements of Success for what E-Government will look like have been defined for each. Implementation will take place throughout the remainder of 2005, and in some cases beyond. The CRM system is at the heart of this approach.
- Services will provide information, forms, frequently asked questions and other information to the CRM
- The CRM system will be rolled out to all services who deal with the public. Local service staff will use the system to answer enquiries and will be supported by the corporate call centre and help centres.
- Services will have an incentive to use the CRM system because it provides them with a consistent approach to customer service, enables them to answer a broader range of enquiries and provides them with management information about their activity levels
- Because they are using the system, services will have an incentive to keep the information accurate and up-to-date. Because the information provided is being structured around the ODPM requirements for e-government, this approach will also enable services to meet their e-government obligations.

- Because the CRM system feeds the three main access channels of phone, face to face and the website, the use of the CRM system will drive up the quality of services across all three channels and provide management information about how many enquiries are being resolved at the point of first contact. This will also be supported by the deliver of standardised NVQ training for relevant customer service staff.
- The approach will enable services to see for themselves that the approach of resolving enquiries at the point of first contact works in their area in a non-threatening way.
- As services reach the point where they are comfortable starting to let go of services, they can do so confident in the knowledge that the infrastructure is fully in place to support this.

Financial Implications

The financial implications of the E-Government Agenda as far as they are known to-date are included within the costs of the GAGS Programme. Additional costs will need to be incurred at some future date (e.g. GIS, Smartcards, E-Procurement and other systems) but the costs of these are not yet known.

B11.3 Strategic Partnering

The investment and resources which have been made available to the GAGS Agenda to date are insufficient to meet the whole of the Council's needs and the Council recently commissioned PriceWaterhouseCoopers to develop an outline business case on the merits of engaging in a strategic partnership within the private sector as a means of delivering the GAGS Agenda.

The recommended option is a ten year Strategic Service Delivery Partnership (SSDP) initially incorporating corporate ICT, corporate Customer Services, Education, central ICT, Education AVT and other devolved areas of ICT, but with the possibility of including further suppoer service areas in future..

The total number of staff currently within scope for a strategic partnering arrangement is around 72. The total identified budget is around £4.5m per annum. The following activities are proposed:

- ICT Technical Support
- Telephony systems and networks, including mobiles and pagers
- Data systems and networks
- ICT procurement
- Software development (including in-house systems such as FIDO, PIPS, Website and CRM)
- Corporate call centres and help centres
- Courier service

- Disaster recovery and business continuity
- Risk management
- All aspects of GAGS

Timetable

If the recommendations were accepted, an earliest start date would be April 2007, with the following further phases:

2006-07 onwards Project starts, ICT and Customer Services
 2007-08 onwards Investment in and management of procurement
 2009-10 onwards Human resources, payroll and financial services included

Financial Impact

The business case includes a number of assumptions about investment needs and capacity for process re-engineering and efficiencies generally, and in particular the ability of an SSDP to deliver on both of these more effectively than an in-house alternative.

Key elements of the business plan are:

- ICT investment £8,296,000 over ten years
- Associated revenue costs £15,840,000 over ten years

Financed by:

- ICT efficiencies £840,000 per annum
- Administration savings £844,000 per annum
- Procurement savings £1,278,000 per annum

There remains a funding gap which could be met in several ways. The cumulative shortfall is estimated as follows:

	£000		£000		£000
2006-07	250	2010-11	2,879	2014-15	3,251
2007-08	1,634	2011-12	2,685	2015-16	3,417
2008-09	2,514	2012-13	2,806	2016-17	3,725
2009-10	2,820	2013-14	3,014		

This sum is small in comparison to the margin of error in the business plan so identification of detailed funding would be inappropriate at this stage.

B12 Efficiency Savings and Value for Money

- B12.1 As explained in previous sections, for many years the Grant System has not provided sufficient support to meet cost pressures and increasing service demands whilst still allowing the Council to keep Council Tax increases at affordable levels. Each year the Council has had to identify savings from efficiency, service reductions or income generation. Since the new Unitary Council came into being in 1995, these savings have averaged over £2 million, making the current year's budget £22 millions lower than it would otherwise have been, but even this has not been enough to stop Council Tax rising faster than the Retail Price Index during that period.
- B12.2 Indications are that this situation will worsen, with Government projections showing a lower rate of increase in grant support in coming years. This is reinforced by the Government's 'Gershon' review, which expects efficiency savings of £6.45 billions across the local government sector by 2007-08, equivalent to 2.5% of net expenditure each year. The importance which the Government is now attaching to value for money is also reflected in the new Comprehensive Performance Assessment methodology for 2005.
- B12.3 The Council's Financial Plan recognises that improving value for money is a permanent priority, and that savings targets will be required each year to balance the books and provide headroom to meet new priorities (cashable savings), as well as to deliver better service with the same resources (non-cashable savings).
- B12.4 Whilst schools are included by the Gershon review in the requirement to make efficiency savings, the funds which the Council provides to schools are ring fenced and will not reduce as a result of Gershon. Governing bodies will receive advice on the Government's expectations, but for the purposes of the Council's financial planning the impact of schools efficiency savings are neutral. It has been confirmed that the Department for Education and Skills will lead on the introduction of Gershon efficiencies in schools.
- B12.5 Initial calculations show a Gershon savings expectation for the non-school part of the Council's activities of £2.4 millions per annum revenue and £0.5 millions capital. Of these, half are expected to be cash releasing and have been build into the resource/expenditure projections. The cashable savings target is considerably less than the Council is likely to have to save in order to deliver a 2006-07 tax increase in low single figures (see paragraph A6.6), so services will be required to identify further cash efficiencies over and above the Gershon target, or alternatively to raise charges or cut services to bridge the gap.

B12.6 The distribution of efficiency requirements between services in the form of cash limit reductions will be made with regard to national advice and local evidence of existing performance, and will have regard to efficiency savings already delivered.

B12.7 As well as the cashable efficiency savings mentioned above, services have a non-cashable savings requirement constructed in a similar way.

B12.8 As a Council priority, value for money and the delivery of efficiency savings are subject to scrutiny and performance management. Each service is required to provide auditable details of the way it has delivered its efficiency target, including both cashable and non-cashable savings. In so doing, it is important to understand what is meant by efficiency savings:

B12.8.1. Reduced inputs (money, people, assets etc) for the same outputs

B12.8.2. Reduced prices (goods, labour etc) for the same outputs

B12.8.3. Additional outputs or improved quality (extra service, productivity etc) for the same inputs

B12.8.4. Improved ratios of cost/output (unit costs etc)

They are not:

B12.8.5. Re-labelling of activity

B12.8.6. Cuts resulting in poorer service

B12.8.7. Transferring costs from one area to another without net reduction

B12.8.8. Increases in fees and charges to the public

B12.9 Year on year improvement is an important part of the delivery of value for money, but it is also important to understand how costs compare with those providing similar services elsewhere. Each service is required to produce regular comparable information, either in the form of unit costs or benchmarking, to enable the Council to judge the relative financial performance of each and all of its activities.

B13 Accommodation Review

Background

- B13.1 Isle of Wight Council is continually striving to ensure the optimum utilisation of its assets.
- B13.2 Accordingly, over the past few years it has been undertaking an 'Accommodation Review' aimed at ensuring the optimum use of accommodation for the services it provides.
- B13.3 Where appropriate, sites are released for sale to provide capital receipts to support the Capital Programme.
- B13.4 In the year 2004/05, Engineering Services (some 93 staff in total) were relocated from, in the main, Jubilee Stores to Enterprise House. This allowed the consolidation of a number of elements of the service which, previously, were sited in various locations.
- B13.5 Also in 2004/05, Consumer Protection (59 staff) were relocated from St Nicholas to Jubilee Stores, filling the space left by Engineering Services.

Planned Development

- B13.6 Once a suitable location can be found for the Fire and Rescue Service Headquarters, they can be relocated from St Nicholas which will leave this premise available for sale.
- B13.7 It is proposed to relocate leisure staff from 17 Quay Street, Newport to Westridge, Ryde which will release 17 Quay Street for sale.
- B13.8 Community Development staff will be relocated from the Guildhall, Newport to Westridge, alongside leisure staff, so that services within the Adult and Community Directorate which are 'community' will be located together.

Timetable

- B13.9 Items B13.6, B13.7 and B13.8 above are expected to occur in the 2005/06 financial year.

Budget Implications

- B13.10 The sale of St Nicholas should realise some £850,000 as a capital receipt.

- B13.11 Costs for relocating the Fire and Rescue Service Headquarters are unknown until such time as their new accommodation is identified.
- B13.12 The sale of 17 Quay Street, Newport should realise some £250,000.
- B13.13 Costs for relocating leisure and Community Development staff, including re-siting Tourism within Westridge, are estimated at some £390,000. However, this includes costs for enhanced health and fitness facilities for which Wight Leisure will be making a contribution from their own resources.
- B13.14 The net receipt/cost for the 17 Quay Street/Westridge accommodation review initiative is zero.
- B13.15 Space vacated at the Guildhall is intended to be utilised for additional museum facilities, the cost of which will be financed through a Heritage Lottery bid. There will be no capital receipt.
- B13.16 Previous Accommodation review activity saw the relocation of both internal and rent paying tenants from units at Parkhurst. It is anticipated that this location will be sold during the 2005/06 financial year realising a capital receipt of some £1 million.
- B13.17 Accommodation review investment funding is ring-fenced, and over the whole project will be self financing

B14 Review of leisure services

Background

- B14.1 Some time ago the Council began investigating the possibility of creating a not for profit leisure trust, with a view to gaining access to investment funds which were not at the time available to local authorities directly. An “arms length” department of the Council called “Wight Leisure” was created in preparation for the change.
- B14.2 This strategy was overtaken by events when the ‘Prudential Borrowing Code’ came into existence in April 2004, and gave local authorities freedom to determine their own borrowing levels within a framework of affordability. As this removed the fundamental reason for setting up a trust, a decision was made to retain leisure services within the Council, pending a fundamental review of the way they would contribute to the delivery of the Council’s strategic priorities in the future.

Planned development

- B14.3 The Cultural and Leisure Services Review Project Board has identified which services are core to the Council’s objectives, and the appropriate method of delivery for each. The recommendations are set out at the end of this section.

Timetable

- B14.4 Some of the changes are already implemented, and others will follow over the next 12 months.

Budget implications

- B14.5 Most of the savings identified are already incorporated in the 2005-06 budget, although some have yet to be delivered.

SERVICE AREA	KEY ISSUES	CONCLUSIONS	RECOMMENDATIONS
LIBRARIES	<p>Currently seen as a “good” service by the Government.</p> <p>Ability to remain a good service hindered by the low levels of investment in the book fund.</p> <p>51% of the community are borrowers of which 21% are children.</p> <p>Oldest library service in the country.</p>	<p>Static locations have evolved over a period of time and may not now adequately serve the current community.</p> <p>More could be made of the libraries as access points (One Stop Shops) to Council Services.</p>	<p>1. Review the “fit” of the static service with the Island’s community. Incorporate Council service access points in all libraries as part of the Council’s wider CRM strategy.</p>
MUSEUMS	<p>The retention of the important registered museums status is at risk without the significant documentation of records and holdings.</p> <p>From 2005/06 all museums will contribute to the Museum Education Service, broadening the current remit to cover leisure and Adult learning as well as schools.</p>	<p>The Island’s social history contributes to its unique sense of place.</p> <p>The education provision of the Museum Service is disjointed and limited to schools at present</p> <p>The documentation backlog hinders the service’s ability to be used as a source of academic study and research.</p>	<p>2. Identify resources to resolve the documentation backlog.</p> <p>3. Wherever possible make clearer links with other heritage activities (e.g. Carisbrooke Castle Museum) to enhance the accessibility of the Island’s collections for leisure and learning.</p>
ARCHIVES	<p>The possibility of losing the Public Records from the Island if a new appropriate storage facility is not created is now one of the top 10 corporate</p>	<p>The Island’s history gives it its unique sense of place and this is captured in its historic archives.</p> <p>It would be inappropriate for the Island’s records to be</p>	<p>4. Identify and maximise all funding opportunities to construct a new purpose built store for Island archives.</p> <p>5. If possible link to other heritage services to create a “One Stop” heritage centre.</p>

SERVICE AREA	KEY ISSUES	CONCLUSIONS	RECOMMENDATIONS
	<p>risks.</p> <p>A Members' Working Group is advising the work on the new facility.</p>	<p>held off Island.</p>	
<p>ARTS DEVELOPMENT</p>	<p>Arts Unit generates approximately £300,000 p.a. in external funding across a broad range of community and regeneration projects.</p> <p>Only 1.8 FTE are core funded by the Council and further 6.4 FTE being project funded.</p> <p>Works with the widest range of community and funding partners.</p> <p>The service had a significant budget cut in 2004/05.</p>	<p>The service has had a positive benefit on many Island communities.</p> <p>The Arts have proved to be a source of support for social and economic regeneration.</p> <p>The innovative work of the service is well regarded off Island and gains recognition.</p>	<p>6. Achieve still greater effectiveness through improvements in the current service portfolio within the available capacity.</p>
<p>THEATRES</p>	<p>Generally an over-provision of theatres across the Island which tends to competing rather than complementary programmes.</p> <p>The flexibility of Medina Theatre to operate as such is limited by the needs of the school</p> <p>The current</p>	<p>Theatres are an important part of the Council's cultural offer but the Council should not be involved in their direct management.</p> <p>There is an over-provision of Council supported theatre venues on the Island which requires rationalisation.</p>	<p>7. Medina Theatre is core provision. Investigate direct management by the school</p> <p>8. Review the role of Ryde Theatre as part of the Island's cultural offer after the extent of its repair works are known.</p> <p>9. Shanklin Theatre is core theatre provision. In the medium term it should be managed by a third party or Trust.</p> <p>10. Ventnor Winter Gardens is not core theatre provision</p>

SERVICE AREA	KEY ISSUES	CONCLUSIONS	RECOMMENDATIONS
	<p>music programme at Ryde is struggling to build audiences and is impacted on by the stage being on the first floor and also by sound-proofing (PEL) issues.</p> <p>Shanklin Theatre produces many of its own shows and relies mainly on the manager to do so. Its poor internal arrangements are solvable and would allow a more extensive programme to be delivered.</p> <p>Ventnor Winter Gardens is a community facility supported by IWC and the Town Council, offering a limited theatre programme.</p>		

SERVICE AREA	KEY ISSUES	CONCLUSIONS	RECOMMENDATIONS
SPORTS DEVELOPMENT	<p>60% of budget utilised to support facilities operated by third parties in support of Council objectives.</p> <p>2 FTE staff are project funded.</p> <p>Service acts as the LEA lead for delivering school sport in relation to Government initiatives.</p> <p>Works with the widest range of community and funding partners.</p>	<p>The service has delivered significant capital improvements to school sports facilities and now needs to ensure their delivery plans are achieved.</p> <p>The service will be a central plank in delivering the new public health agenda.</p> <p>The service is well regarded by the community.</p>	<p>11. Achieve still greater effectiveness through improvements in the current service portfolio within the available capacity.</p>
EVENTS	<p>In 2004 Council assisted events (excluding Cowes Week) brought an economic benefit of nearly £14 million to the Island from a spend of £300,000.</p>	<p>The service should be located within the cultural and leisure services division.</p> <p>The service makes a positive contribution to the economic well-being and profile of the Island.</p>	<p>12. Achieve still greater effectiveness through improvements in the current service portfolio within the available capacity.</p>
MEDINA DUAL USE CENTRE	<p>Out of date dual use agreement which causes conflict between the school and the department over use.</p> <p>School require an increase in usage of the theatre whilst the Council require more certain access to all facilities.</p>	<p>Present position unsustainable.</p> <p>Key is to agree usage patterns/needs than funding arrangements.</p>	<p>13. Council to “own” the pool. School to “own” the theatre. All other facilities to be subject to a dual use agreement.</p>

SERVICE AREA	ORIGINAL PROPOSAL(S)	CURRENT POSITION	FUTURE ACTIONS
Puckpool Park	Offer as a new concession	One tender has been received for its operation.	Evaluate tender and award if acceptable.
Road Trains	Offer as new concession	Tenders have been evaluated and awarded	
East Cowes Hall	Offer to Town Council	Town Council have confirmed interest	Terms to be agreed
Cowes Hall	Offer to Town Council	Town Council have confirmed interest	Terms to be agreed
Northwood House and Community Hall	Transfer to Head of Legal and Democratic Services (link with Register Office)	<ul style="list-style-type: none"> • Transfer planned for 1 July 2005. • Front of House Manager appointed. 	Complete transfer
Ryde Harbour	Transfer to another Council department (Coastal Protection ?)	<ul style="list-style-type: none"> • Coastal Protection has declared that it does not fit strategically with its operation. • It has also raised serious concerns over the long-term impact of environmental changes on the harbour. 	<ul style="list-style-type: none"> • Harbour to be operated by Cultural and Leisure Services for 2005/06. • Coastal Protection to commission study into the impact of climate changes on the harbour. • Review position once study complete.
Ventnor Park	<ul style="list-style-type: none"> • Offer to Town Council. • Offer as new concession 	Expressions of interest in the concessions invited – none received.	Town Council have expressed an interest in managing the facility.
Seaclose Park	<ul style="list-style-type: none"> • Transfer to parks and gardens. • Offer to bowls club 	Expressions of interest in the concessions invited – none received.	Discussions with Bowls Club have begun. May need direct management in 2005/06.

Sports Pitches Dinghy Parks Beach Huts Amenity Land hire	Transfer to Parks and Gardens	Complete	None
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B15 Waste management and landfill quotas

Background

- D4.1 As a Unitary Authority the Council is responsible for both collection and disposal of waste. This made it possible to set up an Integrated Waste Management Contract under the Private Finance Initiative (PFI) scheme – the first of its kind in the Country. The contract is in its seventh year, with 13 still to run, and generates significant Government funding each year to offset part of the contract payment.
- D4.2 The Contract provides incentives for recycling and the Council's performance in this respect is at the top end of the scale nationally. The high level of recycling helps minimise Landfill Tax liabilities which are being escalated each year by the Government, with the current rate of increase set at £3 per ton per annum.
- D4.3 In response to European targets, the Government is about to introduce the Landfill Allowance Trading Scheme which will set landfill quotas for all waste disposal authorities. Fines of £200 per ton will be imposed on any landfill in excess of an authority's quota, although it will be possible to buy spare allowances from authorities that are within their quota.
- D4.4 Draft quotas have been issued for the period up to 2019-20. Even on current recycling performance, it appears that this Council will have spare quota until 2010-11, after which the allowance falls gradually to half of current landfill.

Year	Quota	Year	Quota
2003-04	27,356 (actual)	2012-13	20,197
2005-06	34,770	2013-14	19,331
2006-07	34,029	2014-15	18,464
2007-08	33,041	2015-16	17,598
2008-09	31,805	2016-17	16,732
2009-10	30,323	2017-18	15,865
2010-11	26,947	2018-19	14,999
2011-12	23,572	2019-20	14,133

Should the reliance on landfill not be reduced over this period, then even at present day prices, fines of over £2.5 millions per annum would be payable by 2019-20.

Planned development

- D4.5 Discussions are currently underway with the PFI partner on how best to achieve this target.

Timetable

D4.6 A detailed timetable cannot yet be clarified, other than the broad requirements implicit in paragraph 4.4

Budget implications

D4.7 There are a number of uncertainties about the operation of the scheme, and the Council's response to it, which prevent firm budget implications being calculated at this stage. Among these are the start date of the scheme, investment implications for the PFI partner and the price at which spare quotas will trade when it does get underway.

D4.8 Pending clarification, any sale of credits to other waste disposal authorities will be ring-fenced against future investment needs resulting from the scheme.

C1 Other issues on the horizon**Background**

C1.1 As well as the priority issues dealt with in Section B, there are a number of other pressures and developments that need to be borne in mind when considering the Council's financial future.

Specific Issues

C1.2 In common with many other councils, the Isle of Wight is experiencing a greater number of **homeless** applications. Despite efforts to minimize the incidence of homelessness the additional budget impact amounts to £568,000 per annum, less any offsetting budget savings that can be identified.

C1.3 **Social Services** demographic and cost pressures, and in particular increased numbers of older people and children in transition to Adult Services could add between £2,188,000 and £2,468,000 to the 2006-07 savings requirement, and between £3,760,000 and £4,300,000 in the following year.

C1.4 **Supporting People** is a major grant funded programme which provides support through third party providers to vulnerable people. Government plans to 're-target' grant distribution currently suggest an eventual reduction of more than 40% in the Island's share of funding for this purpose. The Council has just adopted a funding strategy for the delivery of Supporting People over the coming year.

C2 Links to supporting information

Latest version of this document

[www. to follow](#)

Council Tax leaflet 2005-06

http://www.iow.gov.uk/council/departments/finance_business/images/CouncilTax2005-6.pdf

Budget Book 2005-06

[www. to follow](#)

Bids and savings, 2005-06 budget round

[www. to follow](#)

Capital Budget 2005-06

[www. to follow](#)

Budget Book 2004-05

http://www.iow.gov.uk/council/departments/finance_business/images/RevenueBudget2004-05.pdf

Statement of Accounts 2003-04

http://www.iwight.com/council/departments/finance_business/images/SOC2003-04.pdf