

# APPENDIX E

## Briefing Note for Marcus Jones MP: Minister for Local Government

### The impact of the 2016/17 provisional local government finance settlement on the Isle of Wight Council

#### EXECUTIVE SUMMARY

1. This document serious financial challenges it faces following the publication of the provisional local government finance settlement. There is a growing view that it is potentially at risk in the very near future of being unable to meet its statutory duties and facing financial failure. The Council would like to identify ways that it can work with Government in order to avoid this position and ensure that Island residents can continue to enjoy an appropriate level of local authority services.

#### INTRODUCTION

2. The Isle of Wight is the largest and most populous island of England without the benefit of a permanent connection to the mainland. It is located approximately 4 miles from the coast of Hampshire separated from the mainland by the Solent. Three privately owned and operated ferry companies provide the primary means of access to the island for goods, services and people.
3. The Isle of Wight Council is a relatively small unitary Council facing significant challenges in terms of a disproportionately large and increasing older age population and a low economic base. The Island status would seem to be a key factor in both of these issues.
4. Council officers have undertaken a detailed analysis of implications for the Council following the publication of the provisional local government financial settlement on the 17 December. This analysis is attached as an appendix to this document and shows that the Council will need to identify ongoing savings of almost £32million on a current net annual budget of £124million in order to contain its spending within the likely available financial resources. This come on top of the £50million in ongoing savings the Council has already achieved since 2011/12.
5. This presents a significant financial challenge to the Council which officers are concerned it will be unable to meet and continue to deliver on its statutory duties.

## BACKGROUND

6. The Council has already accommodated a substantial overall net grant loss over the five financial years 2011/12 to 2015/16 totalling some £33.4m on an ongoing basis. Over this period, particularly in relation to adult social care need and children's safeguarding, net costs would have increased by £28.7m. This position is after allowing for the resources coming to the Council through the transfer of health funding and the better care fund. This has meant the Council has already made ongoing savings of some £50million since 2011/12.
7. In order to meet this challenge the Council after three years of a council tax freeze, agreed a 1.99% increase in 2014/15 and 2015/16 and has/is:-
  - a. Significantly reduced the number of senior management and middle management staff.
  - b. Substantially rationalised office accommodation.
  - c. Changed the ways it works in order to reduce the numbers of central support and back office staff.
  - d. Entered into a strategic partnership with Hampshire County Council for the delivery of its Children's services function.
  - e. Entered into a strategic partnership with Hampshire Fire and Rescue Services (FRS) for the delivery of its FRS function.
  - f. Divested itself of many non-statutory services; such as theatres, botanic gardens and swimming pools.
  - g. Reduced the level of service in many other non-statutory functions to the absolute minimum prescribed in other legislation; for example the cleaning of beaches to the minimum requirements under the Environmental Protection Act; although these services underpin the Island's important visitor economy.
  - h. Working with the Isle of Wight NHS Trust and CCG as a Vanguard project to deliver integrated locality based services for community health and adult social care and a whole system approach to health on the island.
  - i. Significant and further devolves of services to town and parish councils.
  - j. Planning to invest in new extra care services for adult social care provision to stimulate change in the market.
  - k. Working in partnership to maximise the income and development potential of its land holdings.

## CHALLENGES

8. The Council's Business Rate Base is very low. In 2015/16 its 50% share is only £17.294 million; consequently it received a top up grant of £12.449

million. It is also receiving a high level of rating appeals amounting to some £3million in 2014/15 and 2015/16 to date. Separation from the mainland is considered to be the most likely factor in the limited 5.8% growth to 4,545 in the number of Island business enterprises between 2010 and 2015 which compares unfavourably with a growth of 14.2% in the South East and 17.3% in Great Britain.

9. The limited growth in business enterprises is also held to account for the low growth in employee jobs on the Island which increased by only 1.1% (500 number) in the period 2009 to 2014; this compares with a growth of 4.8% in the South East and 4.9% in the UK.
10. Only 7.8% of economically active individuals in the Solent Local Enterprise Partnership (SLEP) are resident on the Isle of Wight and given the separation from the mainland this provides a limited 'market' for investment from the SLEP. The Council's tight controls on spending have meant it has been unable to prioritise the development of schemes to create a much needed step change in the economy for consideration by the SLEP.
11. The Island has an above average number of older people, 23.83% of its resident population are 65 years of age and older the third highest unitary or county area in England and Wales. This has been largely driven by a consistent inward migration of individuals of 65 years and older which, in the 12 months to June 2014 for example contributed some 540 additional individuals of this age group. This ultimately leads to additional costs in the adult social care budget that are beyond the Council's control.
12. In 2011 it was estimated that 4.47% of the Island's population of aged 65 years and above were resident in care homes; the highest of any neighbouring authority except Bournemouth. The unit costs for placements in a care home have been identified as being higher on the Isle of Wight which adds to the pressure on the adult social care budget.
13. There is some inequity in the national concessionary bus fares scheme as applied to the Isle of Wight inasmuch as Island residents are not able to freely use it to travel around England unless they have first paid for a ferry journey to the mainland. Yet the impact of the national concessionary fares scheme, as a tourist destination, has a disproportionate impact on the Council's budget with a cost of some £4.7m in 2015/16. Some £1million pa of this cost being attributable to tourist journeys

## THE COUNCIL'S BUDGET STRATEGY

14. The Council is a small unitary and has a relatively small revenue base that it is able to make savings from. After excluding the dedicated schools grant, housing benefits, the committed Highways PFI scheme and the national concessionary fares scheme the remaining gross budget is some £162m of which £126 million is allocated to the provision of its main statutory services.
15. This leaves a sum of £36million for all other services and activities which the Council has greater discretion over the level of service provision (for example libraries, leisure, public realm, planning, regulatory services, countryside sites and rights of way). Against this however the Council receives income of some £18m leaving a net budget of some £18million in this area, to be considered against the £31million budget gap the Council is projecting as a result of the provisional local government financial settlement.
16. In order to meet this estimated shortfall the Council will therefore need to consider the extent to which it engages in any of these discretionary activities and has embarked on an exercise to understand the extent to which it can pare back its statutory activities to the absolute minimum. It is accepted that more can be done in the area of adult social care but there is a lag to change the system and its associated costs when so many people already committed to it. Even this is unlikely to be sufficient to bridge the budget gap given the scale of the grant reductions proposed over the next four years.
17. The Council recognises the Government's intention that economic growth should be a driver of additional income to the Council through the retention of business rates. The Island's separation from the mainland does, as indicated make it particularly difficult to achieve economic growth and the relative popularity of the Island as 'retirement' destination does mean that the Council is unable to control the demand for adult social care provision. The significant risk faced is that reductions in discretionary spend may impact negatively on the visitor economy which is the Island's major industry.
18. The Council is actively supporting the devolution proposals for Hampshire and the Isle of Wight recognising the long term benefits they could bring for the Island and the region. The concern is that it may be unable to bridge the financial gap in order to secure the benefits that devolution could bring.

## WHAT THE COUNCIL IS SEEKING

19. That the Government recognise the very serious financial challenge facing the Council and that under the current funding mechanisms the Isle of Wight Council is potentially at risk in the very near future of being unable to meet its statutory duties and facing financial failure.
20. That in recognising this position the Minister and his officials agree to work with the Council in developing a model for assessing at what point this local authority can be considered insufficiently resourced to undertake its statutory duties and what action might follow such a conclusion.
21. That the Government consider the unique challenges of the Island and work with the Council to identify additional resources of a minimum £15million pa to enable the appropriate level of local authority services to meet local need.
22. Reconsider the position of the Island in respect of the National Concessionary Fares scheme to allow charging for non-island residents.
23. Allow the use of up to £5million of capital receipts earned in 2015/16 as revenue funding for transformation activities and the development of economic regeneration schemes suitable for consideration of funding by the SLEP. In this regard to also give support to an approach to the Department for Transport to approve a closure order for the statutory harbour in Newport to accelerate its potential redevelopment.

Jonathan Bacon  
Leader of the Isle of Wight Council  
3 January 2016