

Public Document Pack



Monitoring Officer
Christopher Potter

County Hall, Newport, Isle of Wight PO30 1UD
Telephone (01983) 821000

Agenda

Name of meeting	FULL COUNCIL
Date	WEDNESDAY 22 FEBRUARY 2023
Time	5.00 PM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Members of the committee	All Members of the council
	Democratic Services Officer: Marie Bartlett democratic.services@iow.gov.uk

1. **Minutes** (Pages 9 - 14)

To confirm as a true record the Minutes of the meeting held on 18 January 2023.

2. **Declarations of Interest**

To invite Members to declare any interest they might have in the matters on the agenda.

Please note that the Monitoring Officer on 21 January 2022 granted all councillors a four year full dispensation under section 33 (2) of the Localism Act 2011 to remain in the meeting room and to speak and to vote on the budget including setting the council tax or a precept under the Local Government and Finance Act 1992 (or any subsequent legislation), notwithstanding the existence of any disclosable pecuniary interest(s). For clarity this dispensation relates to disclosable pecuniary interests only and does not affect a councillor's obligation under section 106 of the Local Government Finance Act 1992 to declare and not vote if they are two months or more in arrears with their council tax at the time of the meeting on setting the council' budget.



Details of this and other Council committee meetings can be viewed on the Isle of Wight Council's [website](#). This information may be available in alternative formats on request. Please note the meeting will be audio recorded and the recording will be placed on the website (except any part of the meeting from which the press and public are excluded). Young people are welcome to attend Council meetings however parents/carers should be aware that the public gallery is not a supervised area.

3. **Public Question Time - Maximum 15 Minutes for Written Questions and 15 Minutes for Oral Questions**

Questions may be asked without notice but to guarantee a full reply at the meeting, a question must be put including the name and address of the questioner by delivery in writing or by electronic mail to Democratic Services at democratic.services@iow.gov.uk, no later than two clear working days before the start of the meeting. Normally, Full Council is held on a Wednesday, therefore the deadline for written questions will be Friday, 17 February 2023.

4. **Chairman's Official Announcements**

To receive the Chairman's official announcements.

5. **Leaders Update Report (20 minutes) (Pages 15 - 18)**

- a) To receive the Leader's update report (5 minutes maximum).
- b) Members questions on the Leader's update report (15 minutes maximum).

6. **Budget and Council Tax Setting 2023-2024 (including the Local Council Tax Support Scheme) and Future Years' Forecasts (Pages 19 - 130)**

1. It is recommended that the Council approve the following:

- (a) The revised Revenue Budget for the financial year 2022/23 and the Revenue Budget for the financial year 2023/24 as set out in the General Fund Summary (Appendix 1) which includes:
 - (i) Additional spending in Adult Social Care of £7.6m and Children's Services of £4.3m
 - (ii) No Revenue Contribution to Capital in 2022/23 or 2023/24
 - (iii) The Covid Contingency estimated at £4.2m, to guard against continuing and legacy risks
- (b) Any variation arising from the Local Government Finance Settlement 2023/24 or any further savings made in 2022/23 arising at the year-end (after allowing for specific carry forward requests) be transferred to the Revenue Reserve for Capital, Covid Contingency, Transformation Reserve, and General Reserves with the level of each transfer to be determined by the S.151 Officer.
- (c) That the level of Council Tax be increased by 2.99% for general purposes in accordance with the referendum threshold^[1] for 2023/24 announced by Government (as calculated in Appendix 2)
- (d) That the level of Council Tax be increased by a further 2.0% beyond the referendum threshold (as calculated in Appendix 2) to take advantage of the flexibility offered by Government to implement a "Social Care Precept"; and that in accordance with the conditions of that flexibility, the full amount of the associated sum generated of £1,872,500 is passported direct to Adult Social Care

- (e) That the amounts set out in Appendix 2 be now calculated by the Council for the financial year 2023/24 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992
- (f) The S.151 Officer be given delegated authority to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Police & Crime Commissioner, Hampshire & Isle of Wight Fire & Rescue Authority and Parish and Town Council precepts, and amend the calculations set out in Appendix 2 accordingly
- (g) The savings proposals for each Portfolio amounting, in total, to £3.895m for 2023/24 and continuing into future years as set out on the next page:

Portfolio	Controllable Budget	Savings Proposal	
	£	£	%
Adult Social Care & Public Health*	54,438,981	1,243,500	2.3%
Children's Services, Education & Lifelong Skills*	28,695,978	299,000	1.0%
Climate, Environment, Heritage, HR, Legal & Democratic Services	7,812,210	128,000	1.6%
Community Protection, Regulatory & Waste	9,471,672	430,000	4.5%
Digital Transformation, Housing, Homelessness & Poverty	9,306,890	255,000	2.7%
Infrastructure, Highways PFI & Transport **	12,658,707	536,600	4.2%
Leader & Strategic Oversight	732,911	150,000	20.5%
Levelling Up, Regeneration, Business Development & Tourism	4,816,254	130,000	2.7%
Planning & Enforcement	2,646,087	45,000	1.7%
Strategic Finance, Transformational Change & Corporate Resources	9,339,164	677,900	7.3%
Grand Total	139,918,854	3,895,000	2.8%

* Excludes the additional funding passported through to Adult Social Care of £7.6m (which if included would result in an overall increase of 11.6%) and the additional funding for Children's Services, Education & Lifelong Skills of £4.3m (which if included would result in an overall increase of 14.0%)

** Excludes £19.4m of PFI grant funding, on a gross expenditure basis the saving amounts to 1.7%

- (h) Directors be instructed to start planning how the Council will achieve the savings requirements of £6.0m for the 3 year period 2024/25 to

2026/27 and that this be incorporated into Service Business Plans

- (i) The minimum level of Revenue Balances as at 31 March 2024, predicated on the approval of £3.895m savings in 2023/24 and the retention of the Covid Contingency of £4.2m, be set at £8.0m to reflect the known and expected budget and financial risks to the Council
 - (j) Members have regard for the "Statement of the Section 151 Officer in accordance with the Local Government Act 2003"
 - (k) The new Capital Investment Proposals ("New Starts") - 2023/24 set out in Appendix 4 be reflected within the recommended Capital Programme 2022/23 to 2027/28 and be funded from the available Capital Resources
 - (l) The Capital Programme 2022/23 to 2027/28 set out in Appendix 5 which includes all additions, deletions and amendments for slippage and re-phasing
 - (m) The allocation of Disabled Facilities Grants be made to the Better Care Fund, and reflected within the recommended Capital Programme 2022/23 to 2027/28
 - (n) The S.151 Officer be given delegated authority to determine how each source of finance is used to fund the overall Capital Programme and to alter the overall mix of financing, as necessary, to maximise the flexibility of capital resources used and minimise the ongoing costs of borrowing to the Council
 - (o) That the S.151 Officer in consultation with the Leader of the Council be given delegated authority to release capital resources held back for any contingent items that might arise, and also for any match funding requirements that may be required of the Council in order to secure additional external capital funding (e.g. bids for funding from Government or any other external source).
 - (p) The Capital Strategy 2023/24, including the Minimum Revenue Provision Statement contained therein (Appendix 6)
 - (q) The Investment Strategy 2023/24 (Appendix 7)
2. It is recommended that the Council note the following in respect of the Council's Budget:
- (a) The Revenue Budget 2023/24 as set out in Appendix 1 has been prepared on the basis of a 4.99% increase in Council Tax, any reduction from the overall 4.99% Council Tax increase proposed will require additional savings of £936,300 for each 1% reduction in order for the Budget 2023/24 to be approved
 - (b) The Revenue Forecasts for 2024/25 onwards as set out in the section entitled "Revenue Forecasts 2024/25 to 2026/27" and Appendix 1
 - (c) The estimated Savings Requirement of £6.0m for the three year period 2024/25 to 2026/27, for financial and service planning purposes, be

phased as follows:

Financial Year	In Year Savings Requirement £m	Cumulative Saving £m
2024/25	2.0	2.0
2025/26	2.0	4.0
2026/27	2.0	6.0

- (d) The Transformation Reserve held to fund the upfront costs associated with Spend to Save Schemes and Invest to Save Schemes holds a very modest uncommitted balance of £3.2m and will only be replenished from contributions from the Revenue Budget and an approval to the transfer of any further savings at year end
- (e) Should the Council elect to reduce the level of savings below £3.895m in 2023/24 (and £2.0m p.a. thereafter), the Council's financial risk will increase and therefore the minimum level of General Reserves held will also need to increase in order to maintain the Council's financial resilience
- (f) The Council Tax base for the financial year 2023/24 will be 54,087.0 [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the "Act")].
- (g) The Council Tax element of the Collection Fund for 2022/23 is estimated to be in deficit by £848,700* which is shared between the Isle of Wight Council (85.4%) and the Police & Crime Commissioner (11.1%) and the Hampshire & Isle of Wight Fire & Rescue Authority (3.5%)
- (h) The Business Rate element of the Collection Fund for 2022/23 is estimated to be in deficit by £334,500 of which is shared between the Isle of Wight Council (49%), the Hampshire & Isle of Wight Fire & Rescue Authority (1%) and the Government (50%)
- (i) The Retained Business Rate income^[2] for 2023/24 based on the estimated Business Rate element of the Collection Fund deficit as at March 2023, the Non Domestic Rates poundage for 2023/24 and estimated rateable values for 2023/24 has been set at £41,958,105.
- (j) The Equality Impact Assessment (attached at Appendix 8)

*Includes a deficit of £578,900 which under regulation was allowed to be spread over 3 years and is shared on a different basis

^[1] Council Tax increases beyond the referendum threshold can only be implemented following a "Yes" vote in a local referendum

^[2] Includes Retained Business Rates of £16,994,458, "Top Up" of £12,028,784, S.31 Grants of £13,098,779 a Collection Fund deficit of £163,916

7. **Reports of the Cabinet Member for Strategic Finance, Transformational Change and Corporate Resources**
 - (a) 2023/24 Discretionary Rate Relief Schemes (Pages 131 - 192)
 - (b) Council Tax Support Grant (Pages 193 - 206)

8. **Member Questions to the Leader and to any other Cabinet Member (30 minutes)**

To receive a reply to a question asked during Members' Question Time to the Leader or Cabinet Member, a question must be submitted in writing or by electronic mail to Democratic Services no later than 5pm on Thursday, 16 February 2023. A question may be asked at the meeting without prior notice but in these circumstances there is no guarantee that a full reply will be given at the meeting.

CHRISTOPHER POTTER
Monitoring Officer
Tuesday, 14 February 2023

Interests

If there is a matter on this agenda which may relate to an interest you or your partner or spouse has or one you have disclosed in your register of interests, you must declare your interest before the matter is discussed or when your interest becomes apparent. If the matter relates to an interest in your register of pecuniary interests then you must take no part in its consideration and you must leave the room for that item. Should you wish to participate as a member of the public to express your views where public speaking is allowed under the Council's normal procedures, then you will need to seek a dispensation to do so. Dispensations are considered by the Monitoring Officer following the submission of a written request. Dispensations may take up to 2 weeks to be granted.

Members are reminded that it is a requirement of the Code of Conduct that they should also keep their written Register of Interests up to date. Any changes to the interests recorded on that form should be made as soon as reasonably practicable, and within 28 days of the change. A change would be necessary if, for example, your employment changes, you move house or acquire any new property or land.

If you require more guidance on the Code of Conduct or are unsure whether you need to record an interest on the written register you should take advice from the Monitoring Officer – Christopher Potter on (01983) 821000, email christopher.potter@iow.gov.uk, or Deputy Monitoring Officer - Justin Thorne on (01983) 821000, email justin.thorne@iow.gov.uk.

Notice of recording

Please note that all meetings that are open to the public and press may be filmed or recorded and/or commented on online by the council or any member of the public or press. However, this activity must not disrupt the meeting, and if it does you will be asked to stop and possibly to leave the meeting. This meeting may also be filmed for live and subsequent broadcast (except any part of the meeting from which the press and public are excluded).

If you wish to record, film or photograph the council meeting or if you believe that being filmed or recorded would pose a risk to the safety of you or others then please speak with the democratic services officer prior to that start of the meeting. Their contact details are on the agenda papers.

If the press and public are excluded for part of a meeting because confidential or exempt information is likely to be disclosed, there is no right to record that part of the meeting. All recording and filming equipment must be removed from the meeting room when the public and press are excluded.

If you require further information please see the council guide to reporting on council meetings which can be found at <http://www.iwight.com/documentlibrary/view/recording-of-proceedings-guidance-note>

All information that is recorded by the council is held in accordance with the Data Protection Act 2018. For further information please contact Democratic Services at democratic.services@iow.gov.uk

Arrangements for Submitting Oral Questions at Meetings of Council and Cabinet:

The front desk “opens” for public wishing to attend the meeting half an hour before the meeting.

In the circumstances that a member of the public wishes to ask an oral question, they should approach the front desk and notify them of their intention. They will be given a form to complete which details their name, town/village of residence, email address and the topic of the question (not the question in full, unless they wish to provide this).

These forms will be numbered in the order they are handed back.

The time for registering questions will be for a 20 minute period (up to 10 minutes prior to the start of the meeting). After that time expires the forms will be collected and given to the Chairman of the meeting.

If time allows after dealing with any written questions, the Chairman will then ask those who have submitted a form to put their question. These will be in the order they were received. As the subject matter is known, the Chairman should be able to indicate which member will reply. If time permits the Chairman may accept further questions.

The option to ask a supplementary question will be at the Chairman’s discretion.

Once the defined period of time allowed for questions has passed (and assuming the Chairman has not extended this) then all remaining oral questions are left unanswered.

No oral question will receive a guaranteed written response, unless the member responding indicates as such.



Minutes

Name of meeting	FULL COUNCIL
Date and Time	WEDNESDAY 18 JANUARY 2023 COMMENCING AT 6.00 PM
Venue	COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT
Present	CLLrs C Critchison (Chairman), M Lilley (Vice-Chairman), D Andre, J Bacon, M Beston, P Brading, G Brodie, V Churchman, I Dore, R Downer, W Drew, S Ellis, P Fuller, A Garratt, S Hendry, C Jarman, P Jordan, J Lever, K Love, K Lucioni, J Medland, J Nicholson, M Oliver, T Outlaw, G Peace, L Peacey-Wilcox, D Pitcher, M Price, R Quigley, C Quirk, R Redrup, J Robertson, P Spink, I Stephens, N Stuart and I Ward
Apologies	CLLrs D Adams, J Jones-Evans and C Mosdell

24. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 16 November 2022 be approved.

25. **Declarations of Interest**

Councillor P Fuller declared an interest in minute number 29(a) as the IWALC representative nominated for Planning Committee was known to him.

26. **Public Question Time**

Mr P Coueslant had submitted a written question (PQ-03-23)

Ms E Brothers asked what action was being taken with the Council and Partner agencies to tackle current and long term flooding, resulting in increasing levels of excess surface water and coastal erosion? The Cabinet Member for Climate Change, Environment, Heritage, Human Resources and Legal and Democratic Services advised that there were a number of projects moving forward with agencies such as Southern Water and the Environment Agency across the Island. He advised that staff had recently responded to a number of cliff falls to keep residents safe.

Ms E Brothers asked a supplementary question regarding the robustness of the flood strategy and if the Town, Parish and Community Councils would be involved and what support would be available. The Cabinet Member informed her that this was an evolving picture and was seeking to work with local communities on this issue.

Mr S Parks asked if the administration believed they were getting the budget allocation from central government that a Conservative run council would be provided with? The Cabinet Member for Strategic Finance, Transformational Change and Corporate Resources advised that there was no indication money was being withheld from central government on that basis.

27. **Chairman's Official Announcements**

The Chairman advised that she had attended a number of events leading up to Christmas, including a food security and waste conference and supporting warm spaces in Ventnor.

She had been invited to the installation of a new archdeacon which she had accepted and highlighted that a visit by a local Scout group for a civic visit had been arranged.

28. **Leaders Update Report**

The Leader introduced the report and welcomed Cllr Nick Stuart to the Chamber and gave her condolences to the family on the recent passing of the former Councillor, Arthur Taylor.

A question was asked regarding the housing waiting list and how this would be turned into action in 2023. The Deputy Leader and Cabinet Member for Digital Transformational, Housing, Homelessness and Poverty advised that it was important to ensure procedures were correct, and work was ongoing and he was trying to get the best outcome for island residents.

The Leader was asked a question regarding waste and recycling, and she stated that she was passionate about recycling and provided figures of what had been achieved during the Christmas and New Year break. She thanked all staff involved in waste collection.

29. **Reports of the Monitoring Officer**

29a **Review of Political Proportionality, alternative arrangements, and Appointments**

The Monitoring Officer advised that following the result of the by election held in November 2022 and the formation of the Liberal Democrat Group there was a requirement to review the proportionality. It was noted that if alternative arrangements were agreed by all Councillors present without an dissenting vote then the strict political balance requirements could be disappled.

A proposal to agree alternative arrangements was put forward which was duly seconded A vote was taken, and the result of which was:

RESOLVED:

THAT alternative arrangements be agreed.

A proposal to approve revised appendix 1 (attached to and forming part of these minutes) setting out the appointments was made which was duly seconded, a vote was taken, and the result of which was:

RESOLVED:

THAT the revised appendix 1 be approved.

30. **Report of the Cabinet Member for Planning and Enforcement**

30a **Update on Draft Island Planning Strategy**

The Cabinet Member for Planning and Enforcement put a motion without notice for the following:

That under procedure rule Part 4B Section 20, the operation of Part 4B Section 8 be suspended to permit Full Council to reconsider the timescale granted in its decision of 16 November 2022 for the Cabinet to report back to Full Council. The proposal was duly seconded, a vote was taken, which met the requirements of at least one half of those in attendance agreeing, and the result of which was:

RESOLVED:

THAT the suspension of Part 4B Rule 8 be approved.

The Cabinet Member for Planning and Enforcement summarised the report, highlighting that government consultation may impact planning policies nationally which would then impact the draft Island Planning Strategy, therefore he requested a delay in the reconsideration of the Draft Island Planning Strategy for the government consultation responses to be fully reviewed and considered.

The recommendation was proposed and duly seconded.

A vote was taken, the result of which was:

RESOLVED:

THAT further to Part 1 of the Full Council's resolution on 16 November 2022 on the draft Island Planning Strategy and in recognition of the potentially significant changes which have occurred since that resolution was passed (in the form of the Governments new NPPF prospectus consultation launched on 22 December 2022 and running until 2 March 2023) the time for

reconsideration of the Draft Island Planning Strategy to be extended to no later than the end of June 2023 within which time period the Cabinet Leader may:

- a) submit a revision of the Draft Island Planning Strategy as amended by the Cabinet (the revised “Draft Island Planning Strategy”), with the Cabinet’s reasons for any amendments made to the Draft Island Planning Strategy, to the Full Council for the Full Council’s consideration; or
- b) inform the Full Council of any disagreement that the Cabinet has with any of the Full Council’s objections and the Cabinet’s reasons for any such disagreement; or

inform the Full Council of an alternative route for the Draft Island Planning Strategy that aligns with the revised National Planning Policy Framework due for publication in Spring 2023 and any other changes to legislation and national planning policy and guidance that may reasonably be expected to come into force.

31. Report of the Cabinet Member for Climate Change, Environment, Heritage, Human Resources and Legal and Democratic Services

31a Pay Policy

The Cabinet Member for Climate Change, Environment, Heritage, Human Resources and Legal and Democratic Services introduced the report and proposed a motion to approve the recommendation, which was duly seconded.

A vote was taken the result of which was:

RESOLVED:

THAT the updated Pay Policy as drafted for the period 1 April 2023 – 31 March 2024 be approved.

32. Report of the Cabinet Member for Strategic Finance, Transformational Change and Corporate Resources

32a Local Council Tax Support Scheme

The Cabinet Member for Strategic Finance, Transformational Change and Corporate Resources summarised the report and advised that this was an annual review and highlighted that there continued to be a hardship scheme available to those who needed it.

A motion was put forward to accept the recommendations as proposed in the report and was duly seconded.

An amendment to option one of those recommendations was proposed and duly seconded as follows:

Record their preference to increase the maximum level of support for working age cases to 70 per cent (from the current maximum level of 65 per cent) and therefore considered alongside (and part of) the Council's overall Budget for 2023/24

A vote was taken, the result of which was:

RESOLVED:

THAT the amendment be agreed

A vote was then taken on the recommendation subject to the amendment proposed and carried above. A vote was taken, the result of which was:

RESOLVED:

THAT Full Council record their preference to increase the maximum level of support for working age cases to 70 per cent (from the current maximum level of 65 per cent) and therefore considered alongside (and part of) the Council's overall Budget for 2023/24

THAT a local welfare payment disregard to mirror housing benefit regulations be added.

THAT any increase in welfare benefit payments due to crisis or emergency provision be disregarded.

33. **Member Questions to the Leader and to any other Cabinet Member**

Cllr N Stuart submitted a written question, the Deputy Leader, Cabinet Member for Digital Transformation, Housing, Homelessness and Poverty provided a written response. (MQ 01/23).

Cllr Stuart asked a supplementary question requesting consideration be made to setting up a housing lead within the Council to work with colleagues and pick up on poor delivery. The Deputy Leader, Cabinet Member for Digital Transformation, Housing, Homelessness and Poverty advised that a housing manager had been appointed.

Cllr R Quigley asked for confirmation that the amendment in last years budget to increase spending on affordable housing but reduce the capital in the housing company stopped housing being built due to the new government regulations on no in year losses and the original amount would of protected the company from making in year losses is now insufficient to start building houses. The Deputy Leader and Cabinet Member for Digital Transformation, Housing, Homelessness and Poverty advised that when money was taken away there had been an impact, he further stated that it was not possible to seek five per cent profitability.

Cllr D Pitcher asked if the Local Planning Authority would be updating the minerals policy. The Cabinet Member for Planning and Enforcement advised that the

aggregates assessment had been circulated and it would be updated following the decision on the Draft Island Planning Strategy.

Cllr Pitcher asked if it could be completed prior to the Draft Island Planning Strategy, the Cabinet Member advised he would raise with officers and provide a response.

Cllr P Spink asked for an update on the KMP development. The Leader advised that she would provide a written response.

CHAIRMAN



Committee: **FULL COUNCIL**

Date: **22 FEBRUARY 2023**

Title: **LEADER'S UPDATE**

Report of: **LEADER OF THE COUNCIL**

There is no doubt that this winter has been hard for a great many people on our Island and for staff across all our public services who have been managing increases in demand, particularly those in social care and health.

Whilst we must react to this increase in demand we also need to remember that there are other services which, whilst not seeing increases in demand to the same extent, nevertheless provide important support to our residents.

The multi-agency Mental Health and Suicide Prevention Partnership have signed off the Isle of Wight's Mental Wellbeing Plan, which sets out how we can improve our own and others' mental wellbeing across the Island over the next 5 years. This plan focuses on the actions required to support people before they require services or reach crisis point. It identifies priorities to drive forward significant improvements in Islanders' mental wellbeing and prevent death by suicide through a commitment to build community resilience, reduce stigma and discrimination and work in partnership to prevent and support people impacted by suicide.

Also in December 2021 the government launched its 10-year drug strategy, From Harm to Hope, with a clear vision to reduce drug and alcohol related harm. Our Public Health team are working with partners to implement this strategy and reduce harm for residents on the Island through developing a local delivery plan, supported by a substance misuse needs assessment, and overseen by the multi-agency Island Strategic Drug and Alcohol Partnership. This partnership is chaired by Simon Bryant, Director of Public Health for the Island, who is also the Senior Responsible Officer for this local implementation.

I was delighted to officially open Building 41 at Northwood recently. This high-quality co-working and office space, delivered on time and on budget, provides a real step up in business accommodation on the Island. All build and conversion spend on this project was with Island-based contractors and I was delighted to feel the buzz of excitement amongst the businesses who attended the opening event.

While disappointed not to have received support from the Levelling Up fund round 2, good progress is being made with the round 1 project, East Cowes Marine hub, with a new boat hoist now fully in action at Wight shipyard.

The Ryde Transport Hub project is progressing well with most of the work to the West and East of the interchange complete, and the new bus lanes and improved central public realm taking shape. The new pedestrian pier is also well advanced with around two-thirds of the old tramway pier structure restored and the new upper-layer of steel work being put in place. The final piece of the jigsaw, the refurbishment of Ryde Esplanade Station, is now also underway with works started on turning a redundant rail-side building into new offices for station staff which will free-up space for the link to the pier with its new public facilities and cafe.

A civic event took place on 24 January for the 6th Newport, St John's Scout Group. 39 beavers, cubs and scouts came along to County Hall and received a talk from the Chairman of the Council about her role, the council's mace bearer and its historical place in Full Council proceedings, Elections Manager who introduced the elections and voting process to them, together with talks from our Youth MP and the Vice Lord-Lieutenant Brigadier Sheen. A great time was had by all, including the opportunity to wear the Chairman's chain of office and photo shoots with the Vice Lord Lieutenant's sword! This was a great opportunity to introduce young people to the civic and democratic processes, and in preparation for that big day when they become eligible to vote. It is hoped that this is an event that can be repeated and if any councillor knows of any other interested groups please email civic.affairs@iow.gov.uk and the team will seek to arrange a visit.

The Revenues team is preparing for the annual billing exercise whereupon more than 72,000 council tax bills and 7700 business rates bills will be issued by mid-March for the 23/24 financial year charge. The team is managing a number of legislative changes this year as part of the billing exercise which includes a revaluation of business rated properties and a new business rates relief scheme for retail, hospitality and retail properties. The Valuation Office Agency has been working closely with businesses and has reassessed all non-domestic rated properties. Hence from 1 April 2023 all business properties will have a new rateable value assessment on which the business rates account is calculated.

However, the Autumn Statement introduced a new business rates relief scheme for retail and hospitality properties which will provide 75% relief, up to a cash limit of £110,000 per business to assist these businesses financially and help them to evolve and adapt to changing consumer demands.

Finally, National Apprenticeship Week 2023 was 6 to 13 February. This week brought together businesses and apprentices and the theme this year was #Skillsforlife. The week reflected on how apprenticeships can help individuals to develop the skills and knowledge required for a rewarding career and how apprenticeships can help businesses to develop a talented workforce that is equipped with future-ready skills.

We are proud of all our apprentices and are delighted to support and promote the government's campaign. Since the introduction of the apprenticeship levy in 2017 we

have supported over 300 people in apprenticeship learning programmes in the council from level 2 (GCSE level) to level 7 (Postgraduate). There are some really great case studies on our website [Apprenticeships at The Isle of Wight Council](#). In addition, the Chairman of the Council was approached by the Oberbürgermeister of Coburg, our twinned city, asking us to consider an exchange programme with their 3rd year apprentices in the Autumn of 2023. The proposal has been discussed at Apprenticeship Board and an initial meeting to scope this exciting opportunity is planned for later this month.

This page is intentionally left blank



Purpose: For Decision

Full Council Report

Date	22 FEBRUARY 2023
Title	BUDGET AND COUNCIL TAX SETTING 2023/24 AND FUTURE YEARS FORECASTS
Report of	THE LEADER OF THE COUNCIL AND CABINET MEMBER FOR STRATEGIC FINANCE, TRANSFORMATIONAL CHANGE AND CORPORATE RESOURCES

EXECUTIVE SUMMARY

1. The Budget setting process for the forthcoming year has been one of the most challenging experienced by the Isle of Wight Council. The financial environment changed rapidly through 2022/23 precipitated by the war in Ukraine, the existence of practical full employment in the economy and the strains on international supply chains due to continuing Covid lockdowns. This, coupled with the more local legacy impacts of the Covid pandemic and resulting pressures on the health system and Council Services more generally, has led to a high cost / high demand environment which the Council alone did not have sufficient financial resilience to be able to respond to.
2. Since May 2021, the Alliance Group has sought to understand and respond to the many challenges the Council faces to deliver a positive future for the Island and its community. The Alliance's stated priority is to work together openly with the community to support and sustain our economy, environment and people.
3. The Administration's aspiration for the Council's spending plans remains to reverse the annual cycle of cuts in the Council's budgets and reinvest in the services the community would like to see. However, the Council's financial challenges are significant as set out in this paper with costs increasing at a level significantly in excess of funding, requiring the Council to find consequent savings of £93m over the past 12 years.
4. The pace and scale of recent economic events originating in the current year has led the Council to experience estimated unplanned cost pressures of circa £20m, representing over 12% of its overall net Budget and a ten-fold increase in the level of planned savings for 2023/24 (originally £2m).
5. The Council's costs rose at a pace that without Central Government intervention in the Autumn Statement and the Local Government Finance Settlement would have exhausted all of the Council's financial resilience and

leaving the Council exposed to a "Structural Budget Deficit" (i.e. in year underlying spending exceeding in year underlying funding) that would have required immediate and drastic cuts to services.

6. The seriousness of the situation exposed the Council's vulnerability to a financial shock necessitating the Council's S.151 Officer advising the Council in the following terms on 28 November 2022:

"The Council should not implement any new Policy Decision that increases the Financial Burden on the Council or draws on Revenue or Capital Reserves" and further that "The Council should take decisions that improve the Council's financial position"

This advice was provided in order to protect the ongoing delivery of vital Council Services on a sustainable basis. It was also provided to demonstrate that the Council could evidence rationality in its decisions in that any decision was being taken in the context of the wider cost and demand pressures that the Council had yet to resolve.

7. At the Full Council meeting of 18 January 2023, a report on the Local Council Tax Support Scheme for 2023/24 endorsed by the Cabinet was considered. It recommended that the Council expressed its preference to increase Local Council Tax support for working age cases to 70% from the current maximum level of 65% subject to it being affordable to the Council and therefore considered alongside (and part of) the Council's overall Budget for 2023/24.
8. Contrary to the advice of the S.151 Officer and the exceptional organisational context within which the Council was operating, an amendment was put to the Cabinet's recommendation which sought to express a "preference to increase the maximum level of (Council Tax) support for working age cases to 70 per cent (from the current maximum level of 65 per cent)" but specifically disregarding the affordability of such a preference and thereby adding £0.3m to the Council's substantial Budget Deficit.
9. In the view of the S.151 Officer, the aspiration to provide additional support to those residents that are least able to pay is entirely understandable. However, a disregard of the Council's financial capacity to do so and the organisational impact on service delivery is an example of poor financial governance. The Council must be cognisant that the rationality of decisions made in such circumstances would be a key consideration should the Government ever be minded to commission a Best Value inspection of the Council.
10. In this regard, it is imperative that in considering the Budget for 2023/24 any proposals (including amendments) are mindful of the Council's overall financial capacity and the ability to continue to deliver services on a sustainable basis. Good financial governance requires that any proposals that are made are only considered following proper due diligence involving sufficient analysis and evaluation of risk and legality. Failure to do so will put the Council at risk.
11. This report brings together the totality of all the decisions required in order to present a legally "Balanced Budget" for 2023/24 as well as setting out the level of uncertainty and financial vulnerability the Council faces both in 2023/24 and

future years. This is the context in which the Council is able to consider increasing the Council's Budget deficit and what service reductions it could make in order to accommodate any additional financial burdens.

12. To fund the additional financial cost of raising the level of Council Tax Support from 65% to 70% is £0.3m. The Administration have prepared its Budget Proposals to accede to the Council's preference and in order to do so have extended the scale of its originally planned Organisational Re-design savings. The scale of the re-design was originally planned to deliver £0.9m in savings and requiring a reduction in activity in some discretionary areas by between 30% and 50%. This has now been extended to £1.2m with a consequent impact on the scope and scale of the review. The review will now encompass discretionary activity across all service areas of the council including back office support for service delivery.
13. The key proposals within this report are for a balanced Budget for 2023/24 which provides for:
 - The full financial impact of the extra-ordinary inflation and associated demand related cost pressures experienced over the past year and extending into 2023/24
 - The ongoing impact of the Covid Pandemic in the current year and its expected ongoing legacy over the next 3 years
 - £3.9 of savings in order to meet:
 - i) The Council resolution of 23 February 2022 - £2m
 - ii) The extra-ordinary Budget Pressures that have not been met through additional Government Funding or Council Tax and that the Council has been unable to mitigate - £1.6m
 - iii) The financial impact of the Council's preference to increase the maximum support to the Council's Local Council Tax Support Scheme - £0.3m
 - A Council Tax increase of 4.99% (2.0% of which is raised specifically to be passported to Adult Social Care)
 - Increased spending in Adult Social Care of £7.6m being greater than the funding provided by the Adult Social Care precept and the additional Social Care Grant from Central Government
 - Increased spending in Children's Services of £4.3m
 - A forecast for the 3 year period beyond 2023/24 which will require a further £6.0m in savings or £2.0m p.a. (remaining the same as the Council's previous forecast)
 - New Capital Investment on the Island of £15.0m
 - Despite the extra-ordinary costs associated with inflation and demand arising from the "Cost of Living Crisis", a Medium Term Financial Strategy delivering "Structural Budget Balance" for 2023/24 without reliance on the previous £7.0m p.a. "holiday" from debt repayment or General Reserves

- To achieve "Structural Balance" a need to implement a substantial Organisational Re-design during 2023/24 with a consequent reduction in Council activity and therefore a substantial rationing of the Council's priorities set out in the Corporate Plan
 - Future years' deficits arise mainly from forecast demographic and inflationary pressures in Care Services not matched by funding increases
 - A level of General Reserves over the period of the 3 year forecast above £11.9m (but recognising the substantial uncertainty faced by the Council over that period).
14. Inflation as measured by the Consumer Price Index (CPI) peaked in October 2022 at 11.1%, the highest level in over 40 years and driven largely by rising electricity and gas costs and to a lesser extent food costs. Inflation is currently tracking at 10.5% and alongside the consequent impact this has on the cost of living for residents and therefore demand for Council Services, is the single largest challenge to the Council's Budget for 2023/24. The Office for Budget Responsibility, the advisors of Government for the purposes of policy setting, are forecasting that CPI will remain high at an average of 5.5% for 2023/24 and then falling to 0% for 2024/25. As described in the main body of the report, inflationary cost increases outstrip the rates of increase in funding, causing a "structural gap" between spending and funding.
15. The Council is still feeling the legacy effects of the Covid pandemic. The Council's essential care services in particular continue to be impacted at a cost of £2.5m. Caseloads in Children's Services have remained at elevated levels which has required the Council to maintain, and now embed, increased Social Worker capacity; the payments made to providers of Adult Social Care placements have also remained at the increased (but unsustainable) levels paid through the pandemic and the pandemic itself has led to an overall increase in clients requiring residential care. Income from fees and charges has also not recovered to pre-pandemic levels, with substantial income losses being experienced in the Council's Leisure Centres of £1m but coupled with reduced parking income of £0.25m. Whilst the continuing legacy cost of Covid is expected to amount to circa. £8.9m, Government funding for the pandemic has now ceased.
16. This Council's Covid contingency was established to provide a good level of surety that the Council will be able to continue to deliver all its essential services as well as being able to respond to the continuing Covid pandemic and its legacy after effects. The proposed Budgets for 2023/24 onwards have been prepared on the basis of delivering services at pre-pandemic levels i.e. the "steady state" (except where savings are proposed as part of this report). Some of the legacy Covid costs relating to care services have now been embedded within the Council's Budget from 2023/24 and are a component part of the Council's £20m of unplanned Budget Pressures which are addressed as part of the Administration's Budget proposal. For those remaining legacy Covid costs that are likely to reduce over time (i.e. are not "structural"), these are planned to be met from the Council's Covid Contingency. At present the Covid Contingency is forecast to be £4.2m at the end of 2023/24 but fully utilised over the following 2 year period to cover care related costs.

17. The substantial financial impact of inflation itself, the driving impact that this has had on the cost of living for residents and the consequent increase in demand for Council services has been the defining factor in driving the £20m of unplanned cost pressures facing the Council for 2023/24. This, coupled with the cost of the legacy impact of Covid at circa. £4.7m for next year, has presented the most significant challenges in seeking to balance the 2023/24 Budget.
18. Central Government have provided some relief for the extra-ordinary inflationary and demand pressures faced by the Council. This amounts to £6.2m in terms of additional grant funding and a further flexibility to increase Council Tax by an additional 2% amounting to £1.9m over and above the existing Council Tax limits.
19. In contrast to the £8.1m of additional funding (see above), the Administration are proposing to increase spending in Adult Social Care and Children's Services by £11.9m to ensure that the financial position of these services remains robust both in the short and medium term. It is however recognised that the legacy of the Covid pandemic will continue to pose risks to the budgets of Adult Social Care and Children's Services.
20. In terms of funding to the Council, the coming year will see a Business Rate re-valuation which presents a degree of risk to the Council's retained Business Rates. Individual rateable values of Businesses on average have increased by 7.3% nationally. At the national level, the effect of revaluation is intended to be neutral with any increase in Business Rates generated from the revaluation being offset by a reduction in the Business Rate multiplier. At the local level for the Council, retained Business Rates are also similarly adjusted to attain neutrality however, the Council can be affected positively or negatively by the extent to which successful business rate appeals exceed the national average assumed at 3.2%. This presents a risk to the Council's Budget and Budget Forecasts.
21. Local Government Funding Reform has been delayed once again and will now not take place until the financial year 2025/26 at the earliest, this was intended to be Government's vehicle for evaluating and allocating funding for the "Island Deal" in respect of annual funding for Council Services. Funding reform covers the following:
 - The "Fair Funding Review", (to determine a new formula methodology which will set each Local Authority's baseline funding level and creating "winners and losers")
 - The Retained Business Rates system, which involves the removal of all existing growth retained to date (amounting to £10m) and re-distributing that growth nationally according to relative need (rather than where it was generated).
22. Government have confirmed that the additional £1m allocated to the Isle of Wight Council in the current year in respect of the costs of physical separation from the mainland will continue into 2023/24. The Council has been continuing to work with Government throughout this year to provide further evidence beyond the 5 studies that concluded that, even at the lower range of estimates,

the additional costs to the Council of providing Services are at least £10m per annum. Government have committed to further engagement over the next financial year to inform the Local Government Finance Settlement for 2024/25.

23. The Council's Future Forecast has been estimated in the context of the uncertainty set out above. For the 3 year period 2024/25 to 2026/27 it is estimated that the Budget Deficit will be £6.0m. This requires the Council to make incremental budget savings of £2.0m per annum for each of those years. The Forecast Deficit is predicated on assumed Council Tax increases of 5.0% for 2023/24 and 2024/25, representing 3.0% for general purposes and 2% for Adult Social Care, with increases reducing to 3.0% per annum in total thereafter.
24. The most significant risks to the Forecast Deficit of £6.0m are the extent to which:
- i) Elevated levels of inflation will persist and the consequent price and demand pressures that result
 - ii) Unavoidable cost pressures may arise, particularly in Care Services
 - iii) The level of successful business rate appeals arising from the revaluation in 2023/24
 - iv) The impact of the Local Government Funding Reform described above (and the extent to which it accommodates any "Island Deal").

Taking these risks together, the Forecast Deficit has the potential to vary by between +/- £5m, which when spread over 3 years, would vary the annual savings requirements by +/- £1.67m per annum.

25. During this unprecedented level of uncertainty, it is imperative that the Council continues to plan for savings of £2.0m per year in the future, retaining the Covid Contingency and General Reserves at the levels proposed in this report so as to retain the necessary financial resilience to be able to respond in all circumstances.
26. Capital funding is particularly constrained for 2023/24, previously relying on contributions from the Revenue Budget which have been unavailable due to the imperative to meet the substantial cost of inflationary pressures experienced during the year. The Capital Programme makes proposals for new Capital Expenditure of £15.0m, of which £5.4m is provided from Corporate Capital Resources but which levers in external funding amounting to £9.6m.
27. Key additional investments proposed in this Capital Programme include:
- £2.1m for Road Safety (A3056)
 - £2.0m for a Ryde Cultural Venue
 - £1.0m for adaptations to disabled residents' homes to enable them to remain in their own homes
 - £0.7m to provide additional temporary accommodation for people presenting as homeless whilst permanent accommodation is being sought
 - £0.5m for a fuel poverty grant scheme for vulnerable residents

- £0.5m for vehicle fleet replacement to electric vehicles
- £0.4m for Coastal Protection

28. The Council's proposed Budget for 2023/24 will inevitably carry substantial risk as the uncertain inflationary environment continues and the demands on Council Services, particularly in the Housing and Health and Care sectors remain. The current financial environment and the pace at which £20m of unplanned Budget Pressures arose has exposed the inadequacy of Council's overall financial resilience, making the compelling case for an increase in both General Reserves of at least £1m and an increase in the Council's Corporate Contingency of £0.5m. It has also highlighted the importance of the Council's MTFS that seeks to gently increase General Reserves over time.

29. An Executive Summary of these key points and others is set out below:

EXECUTIVE SUMMARY

Context

- ❖ Since 2011/12, savings of £93m will have already been made (over 40% of controllable spend) due to the combination of government funding reductions and increasing demographic cost pressures
- ❖ Adult Social Care and Children's Services represent more than 60% of controllable spend, provide services to the most vulnerable, experience the greatest cost pressures, are the hardest in which to manage demand and have historically received significant protection from savings - resulting in proportionally higher savings across other Council Services
- ❖ The financial environment has changed dramatically over the past 9 months with inflation peaking at 11.1% during the year, the highest in over 40 years but funding levels have not kept pace (e.g. Council Tax increases of up to 5%)
- ❖ The Council's Medium Term Financial Strategy (MTFS) continues to deliver necessary savings through income generation, economic regeneration and efficiency measures before considering service reductions as a last resort
- ❖ The Council continues to operate in a climate of uncertainty created by existence of extra-ordinary levels of inflation, cost of living related increases in demand for services, the legacy of the Covid pandemic and the forthcoming reform of the Local Government Funding system.

Revised Budget 2022/23

- ❖ A Balanced Budget for 2022/23 but including a contribution from General Reserves of £0.1m
- ❖ Provision for Covid costs and income losses as follows:
 - Adult Social Care - £2.1m
 - Leisure Services - £0.9m
 - Car Parking - £0.2m
- ❖ Provision for forecast overspendings (excluding Covid related costs) as follows:
 - Children's Services - £3.5m
 - Adults Social Care - £1.9m

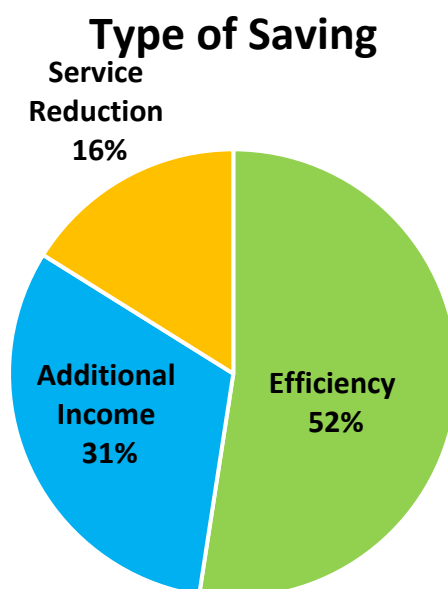
Budget 2023/24

- ❖ Planned in accordance with Medium Term Financial Strategy (MTFS), containing an interdependent package of measures to achieve financial balance and sustainability over the medium term (see below)

EXECUTIVE SUMMARY (Continued)

Budget 2023/24 (continued)

- ❖ "In Year" Spending is aligned with "In Year" Funding and "Structural Budget Balance" has been achieved but at the expense of £3.9m of budget savings; future years deficits arise mainly from forecast demographic and inflationary pressures in Care Services not matched by funding increases
- ❖ Total Savings of £3.9m (£4.5m in a full year) necessary to meet the extraordinary costs of inflation, demand related budget pressures and a reduction in Council Tax of £0.3m arising from the preference to increase Local Council Tax Support from a maximum of 65% to 70%
- ❖ As part of the Total Savings, a proposal to implement an organisational re-design anticipated to reduce non statutory activities by over 30% to 50% in some Services
- ❖ 84% of the £3.9m Savings are delivered through Efficiencies and Income Generation and 16% achieved through service reductions. This analysis is presented as follows:



- ❖ Additional Spending in Adult Social Care of £7.6m (to cover the uplift in the National Living Wage of 9.7% that will be passported to care providers as well as all other cost and inflationary pressures)
- ❖ Additional Spending in Children's Services of £4.3m (to cover inflation, additional social worker capacity and the rising costs of children looked after and Home to School Transport)
- ❖ An inflationary uplift for all Services in order to maintain "steady state" provision amounting to £6.8m (excluding Adult Social Care and Children's Services above)
- ❖ Additional Government Funding of £6.2m for 2023/24, with £6.3m provided for Social Care but a cut for all other services of £0.1m (plus no funding for inflation for other services which is running at over 10%)
- ❖ A Council Tax increase of 4.99%, of which:
 - 2.99% is for general council services (at lower than inflation which peaked at 11.1% and is currently at 10.5%)
 - 2.0% (amounting to £1.9m) is to be passported directly to Adult Social Care

EXECUTIVE SUMMARY (Continued)

Budget 2023/24 (continued)

- ❖ An overall "funding gap" between Adult Social Care and Children's Services unavoidable costs of £11.9m and the funding available of £8.2m (i.e. **2% Adult Social Care Council Tax Precept of £1.9m plus additional Social Care Grants of £6.3m**).
- ❖ Estimated draw down from the Covid contingency of £4.7m
- ❖ General Reserves remaining at £11.9m

Future Forecast - 2024/25 to 2026/27

- ❖ The new forecast for the new 3 Year Period (now extended to 2026/27) is a £6.0m deficit
- ❖ Potential for the "Forecast Deficit" to vary between +/- £5m due to the considerable uncertainty associated with inflation, unavoidable cost pressures that may arise (particularly in Care Services), business rate appeals arising from the 2023/24 revaluation and the forthcoming Local Government Funding Reform
- ❖ At this stage no allowance has been made for the proposals in the Levelling Up and Regeneration Bill currently passing through parliament relating to additional Council Tax income from empty properties and second homes, which could amount to up to £5m for the Isle of Wight Council from April 2024
- ❖ Future forecasts provide for some modest contributions towards future necessary Capital Investment requirements but do not provide for the replenishment of the Transformation Reserve, making the recommendations to use any additional funding received / year end savings for these purposes absolutely critical to the success of the MTFS
- ❖ Proposed Savings are further "smoothed out" and phased evenly at £2.0m p.a over the next 3 years (i.e. commencing 2024/25)
- ❖ General Reserves are maintained over the period at not lower than £11.9m (**assuming the £2.0m p.a. savings are achieved**), providing a modest level of headroom to be able to respond to the risks associated with the future cost and funding uncertainty
- ❖ Balanced approach to savings if the forecast proves to be too pessimistic or too optimistic. With General Reserves at proposed levels, savings of £2.0m p.a. ensure that for any improvement in the forecast, the Council has not prematurely made a level of savings that could have been avoided and for any deterioration, good progress towards the necessary savings will be made.

Reserves

- ❖ The minimum level of Reserves required by the Council based on its risk profile, and crucially the savings proposed within this report, is £8.0m, which it cannot fall below
- ❖ The minimum level of Reserves of £8.0m is predicated on retaining a Covid Contingency of £4.2m for years beyond 2023/24, should that Fund be reduced then the minimum level of General Reserves will necessarily need to increase
- ❖ A planned draw from Reserves in 2022/23 of £0.1m
- ❖ There is no requirement to draw on General Reserves in 2023/24
- ❖ Reserves in 2023/24 maintained at £11.9m (providing "headroom" of just £3.9m above minimum levels) and rising gently to just £12.3m by 2026/27 but at a time when the risks of the Fair Funding Review and Business Rate "reset" will arise
- ❖ Planned Reserves at £11.9m for 2023/24 represent just 2.9% of total gross expenditure

EXECUTIVE SUMMARY (Continued)

Capital Programme

- ❖ Total proposed new Capital Investment of £15.0m including:
 - £2.1m for Road Safety (A3056)
 - £2.0m for a Ryde Cultural Venue
 - £1.0m for adaptations to disabled residents' homes to enable them to remain in their own homes
 - £0.7m to provide additional temporary accommodation for people presenting as homeless whilst permanent accommodation is being sought
 - £0.5m for a fuel poverty grant scheme for vulnerable residents
 - £0.5m for vehicle fleet replacement to electric vehicles
 - £0.4m for Coastal Protection
- ❖ Looking forward, there remains a substantial "Capital Gap" between funding and Capital Investment needs.

Conclusion

- ❖ "Structurally Balanced" Budgets for both 2022/23 and 2023/24
- ❖ Financial volatility (inflation and demand for services) is likely to continue into 2023/24
- ❖ Council's financial health is currently fragile but stable and the proposals provide for a level of financial resilience that will enable the Council to be able to respond in all but exceptional circumstances
- ❖ Future uncertainty for Local Government funding remains a substantial risk.

ALLIANCE GROUP - PREFACE

30. The Alliance Group has retained a strong focus on understanding and dealing with the many evolving challenges faced by the Council, our residents and businesses over the past year. Many of these unforeseen issues have arisen as a direct result of the illegal invasion of Ukraine by Russia followed by the resulting spiral of utility, commodity and distribution costs.
31. Despite all the mounting pressures, we have been able to maintain Council Services and to prioritise support for our growing elderly population, Island children and those with limited incomes where the impact of the events have been most sorely felt.
32. The Administration's aspiration remains to reverse the annual cycle of cuts in the Council's budgets and reinvest in the services the community would like to see. However, the Council's financial challenges are significant as set out in this paper and impacted by 12 years of Central Government austerity measures coupled with unfunded additional cost pressures. Whilst Government continues to underfund our Council by larger and larger margins, we must increasingly prioritise our spending on core statutory services as required by law. The amount available to support discretionary, and yet important services, continues to decline sharply.
33. Our commercialisation journey has and will continue to be impacted by the coronavirus pandemic for the foreseeable future and contingent funds continued to be allocated to maintain impacted services. In all around £8m of reserves were channelled over the past year to support our unforeseen pressures and hence to maintain core services. Our work to reduce and manage the Council debt has resulted in us paying less interest and the savings have been channelled to operational priorities.
34. There is no denying the impact of the inflationary pressures and growing demands in adult social services and children's services which, without additional government funding, have left us increasingly impoverished. Whilst some incomes have increased by raising charges for services we provide, these are not sufficient to cover the rising costs, and substantial cuts have therefore been made and other programmes delayed.
35. Notwithstanding all of the challenges, our priority remains to minimise any impact on front-line statutory services. Where it is prudent to do so, existing reserves will be applied to accelerate change with better commercial practices, economies and structural reforms.
36. This budget is consistent with the Council's objective to be financially balanced, sustainable and responsible.

ADULT SOCIAL CARE AND PUBLIC HEALTH

37. Adult Social Care has always been an area of the Council's business with high expenditure, importantly caring for the health and well-being of Islanders. The Council has historically sought to protect this area from being impacted by the statutory requirement to make savings against declining budgets and this year is no different. Our budget focuses on ensuring that care and support can continue to be provided to people, at a good and high standard, when and where they need it.
38. Despite the negative economic impacts and ever reducing government grants, our 2023/24 budget seeks to create opportunities in a changed operational environment. We are repurposing funding and investing where we can into essential council care home facilities and services. We are working hard to be creative and our staff are innovating and imaginative, ensuring that local people are supported effectively and to a very high standard. ASC staff have all become experts at stretching the pounds to ensure we provide the best value, safe and purposeful services.
39. The planned improvement works for the essential Adelaide and Gouldings re-enablement facilities continue to be funded in the budget and should commence in the year having been delayed because of their key role in responding to the coronavirus pandemic. These works will secure the future of these locally important facilities for many years to come.
40. The ring-fenced public health grant enables a focus on prevention of ill-health and improvement in overall wellbeing. The importance of this part of the Council's responsibilities has been well demonstrated in its response to the covid-19 pandemic and will continue to be important for a long time to come. The budget will focus spending on the greatest causes of ill-health this includes substance misuse following the national drug strategy announcement with a focus on hard-to-reach individuals, supporting recovery, communities and peer support networks.
41. The Council's mental health work will focus on those at risk, ensuring their needs are addressed through education and interventions working with the voluntary and community sectors. We have strengthened the importance and impacts of our mental health Champion.
42. Physical health is equally important so the focus on improving people's health will be within a holistic approach including sexual health, healthy diet, physical activity and smoking cessation.
43. It is important for our Island to have a needs led approach and hence the role of HealthWatch and feedback from our voluntary services is pivotal. The individual and collective public voice really matters to our administration in putting Island Peoples Health and Well-Being First.
44. We have continued support for Cross Solent Patient Transport and have been transparent in our approach to the impacts of declining government grants. The movement of health services off-Island, particularly chemotherapy and

radiotherapy, was at the time agreed to be matched by NHS funding so that Island patients were not disadvantaged. Sadly this solemn undertaking by the NHS continues to be unfulfilled.

45. Our staff in all areas are highly valued and there are many changing concepts of health and we are at the cutting edge of what is required to be changed as we move forward in this and future years. Regrettably, our budget has reduced overall and that has led to some very challenging decisions which have tested us all but are necessary to be able to continue and to protect the statutory functions in keeping people safe, healthy and secure.

CHILDREN'S SERVICE, EDUCATION AND LIFELONG SKILLS

46. Our Family Hubs, commissioned through Barnardo's, have been held up as an exemplar of best practice nationally. This is part of our Early Help delivery strategy to provide support to families at the earliest possible stage.
47. Through our transformation programme we are working hard to increase our base of in-house foster families by running campaigns for fostering recruitment through our Fostering Recruitment Hub.
48. Through the Household Support Fund and Connect4Communities, and working with local community groups, we have successfully set up and are supporting 3 Community Pantries with work ongoing to continue this work across the island. This will enable islanders to have local access to a weekly provision of fresh, frozen and store cupboard ingredients at an affordable cost and also to be signposted to additional support services.
49. We have run a successful pilot of the Primary Behaviour Service, supported by our Hampshire partners.
50. All of these strategies are designed to provide help at the earliest opportunity to avoid costly interventions further downstream.
51. However, our statutory duties to safeguard children remain and are a priority for us. We have increased our Children's Social Worker capacity during Covid and have embedded this into our standard practice model to strengthen the Children's Safeguarding and Assessment teams. CAST teams also now include a participation lead. This investment has now been formalised into the budget.
52. Our school rebuilding programme bids have seen success in the delivery of the Yarmouth new build, ahead of schedule, in addition to significant investment at the Bay CE School and Hunnyhill Primary. We continue to submit strong bids to ensure that our school buildings provide the best possible environment in which our island children can learn.
53. In addition to this, we have submitted a strong bid submitted for a 75 place special school. We already have a potential site identified.
54. The children's services budget therefore incorporates a plan for now and a plan for the future.

CLIMATE CHANGE, ENVIRONMENT AND HERITAGE

55. The Council will continue to invest in and accelerate its climate and environment strategy and would expect to make significant strides over the year. Almost £3.2m of external investment will be spent on providing low carbon heating, insulation and renewable electricity. This will significantly reduce the Council's carbon footprint as well as reducing energy bills.
56. The Mission Zero Steering Committee and a number of the proposed Hubs are now in existence to drive and assist the community and local business to transition to and take full advantage of a low carbon economy. An Island Wide EV charging strategy is being developed with plans for council investment as a catalyst to setting out the pathway to electrification of transport and cars across the island. The Council will also continue to invest in the management and expansion of its tree stock to keep it safe and as a significant contribution to net Zero ambitions.
57. Work will continue with the Environment Agency on its £60m programme of investment in coastal protection in key parts of the Island made possible by the Council's commitment of £6m and not inconsiderable staffing expertise in this area. This investment will protect around 5,000 homes from flooding.
58. The Council will continue to work with Natural England to secure £1.2m investment in the delivery of the England Coast Path. It will predominantly use the existing Isle of Wight Coastal Path route which will see upgraded surfacing, signage and furniture. Recent Coastal collapse and erosion has increased the workload and issues that need to be dealt with. The Council will also sustain the beach cleaning contract so that all amenity beaches are generally kept clear of all types of litter and refuse between 1st May and 30th September inclusive and will work with town and parish councils on the provision of marker buoys in key visitor areas.
59. At the very heart of our UNESCO Biosphere lies the 17 sustainable development goals of the United Nations, which the Council is now embedding into its corporate DNA. The Council has recently facilitated the formation of the Biosphere Steering group to take forward the development and enhancement of Biosphere status including identifying opportunities for economic growth. The point will be increasingly made and explored that Biosphere status is about much more than our environment.
60. The Administration is also conscious of local concerns about maintenance of the Island's public realm and as such has set aside £40,000 in this budget to facilitate support for and work with Town and Parish Councils to facilitate improvements in this area.
61. There has been a long standing need to upgrade the Isle of Wight's records office and to maintain our heritage. This budget contains £160,000 to pump prime the works necessary to secure significant lottery funding required to achieve this aspiration in a new cultural centre as part of the plans for the regeneration of Newport Harbour. In the meantime total investment of £600,000 will be made to fix the long-time leaking roof at Newport library and protect this valuable asset for the community.

COMMUNITY PROTECTION, REGULATORY SERVICES AND WASTE

62. The council will continue to improve its waste and recycling services, including refurbished bring bank sites, with the addition of waste electronic equipment at some sites, plans for a new reuse centre for items from the household waste recycling centres (HWRCs), and a new education centre at the Forest Park recovery park.
63. We will continue to focus on reducing food waste and support the community with food waste issues. The news that single use plastics will be banned from sale to catering and hospitality businesses from October this year is especially welcomed.
64. Having listened to residents, we be introducing same day bookings (i.e. more than one booking in a day), at our recycling centres. Alongside this we have frozen our garden waste subscription prices for the coming year.
65. Measures to reduce fly tipping and littering will continue to be brought forward.
66. We continue to support food and related businesses to thrive post Covid as well as protecting consumers in ensuring the safety of the products and services they buy.
67. We will be working with the Police and the Community Safety Partnership to reduce crime and the fear of crime on the Island.
68. It is essential that we continue to provide good quality birth, marriage and death registration services on Island and caring local bereavement services to island residents.

HIGHWAYS PFI, TRANSPORT AND INFRASTRUCTURE

69. Through grant funding, £2.1m will be spent on road safety measures to the A3056 between Sandown and Blackwater, designs to be established and agreed.
70. Contained within the Capital Programme is £2.6m of Network Integrity works. This includes £500,000 to support new highway scheme projects not included in the PFI contract. The Council will be bidding for £1m towards active travel initiatives to improve cycle ways and walkways across the Island in conjunction with the adoption of the Local Transport Plan (LTP4) later in 2023.
71. There are Safety Schemes within the Capital Programme amounting to £1.4m. Minor highway schemes across the Island, especially those involving statutory duties and road safety issues together with other design costs and preparations will be funded by this investment.
72. Financial capabilities mean we are having to defer several schemes for this financial year. Potentially substantial in value they include improvements to the

bus infrastructure network including accessibility projects, additional highway signage projects and minor drainage schemes not included in the PFI contract.

73. Overall, the Highways team will deliver the best possible outcomes for the available money in this year's budget, mindful that the demand for works that fall outside of the PFI contract on our highways, outstrips the funding available by a considerable margin.

PLANNING AND ENFORCEMENT

74. Investment in our planning service has been a key priority for this administration and gaining value for money from investment to date is being guided by a detailed improvement plan arising from a peer review in 2022.
75. Our commitment to resourcing and updating the island planning strategy remains, taking account of new government advice.
76. Enhanced capacity in our planning enforcement team and exploration of partnering with town and parish councils to enhance this further will be a priority for the coming year.

REGENERATION, BUSINESS DEVELOPMENT AND TOURISM

77. Recovery of the islands economy from the effects of the pandemic will be a key focus for Regeneration in 2023/24. The opening and further expansion of Building 41, along with provision of targeted business support across the island will help new businesses to start and existing businesses to grow. Income from tenants of the new Branstone Farm business park, which is proving very popular indicates a healthy demand for quality, flexible business space with accompanying business advice.
78. Development of an updated post-Covid Economic strategy and implementation of a "Skills for Work" programme designed to reach those struggling to re-enter the labour market are further key activities supported in part by the UK Shared Prosperity fund. A major focus on promoting increased accessibility for disabled visitors and helping employers recruit people with disabilities is also planned. To date the regeneration programme has secured over £50m public and private sector investment into the island, £18 for every £1 spent.
79. Place making across the island, working with local communities on the development and implementation of place plans is another key feature of regeneration activity. Projects include the implementation of physical improvements in Newport and Ryde, co-financed by Historic England, through the Heritage High St Action Zone programme along with a further £2m Arts council funded renovation of a former department store in Ryde to provide a new cultural industries hub. The East Cowes Marine hub project will see the bulk of its delivery in 2023/24 with further investment in the Columbine building, helping create more jobs in marine manufacturing, a new public square at East Cowes Esplanade and a renovated Victorian Barracks providing new training

facilities. Physical improvements to residential areas in the former prison estate will also continue into 2023/24.

80. Taking the vision for Newport harbour forward into post-covid delivery with an updated three year delivery plan, including the next phase for developing the new Cultural centre and new “meanwhile” business units, will inject new energy into the project attracting partner investment in delivery of the vision
81. A new Cultural strategy will inform future regeneration activity in consolidating and growing this important sector of the island economy (30% of total economy) realising economic and wider well-being objectives of the corporate plan. Supporting Medina Studios plans for development of the island’s first film production facility will be an important part of this enhanced focus on cultural industries.
82. How the island promotes itself to the wider world will be improved in the coming year – we have a great offer in terms of quality of life, an innovative culture and a resilient spirit. Encouraging others to bring investment and jobs, be successful and increase our prosperity will be at the heart of what we do.

STRATEGIC FINANCE, CORPORATE RESOURCES AND TRANSFORMATIONAL CHANGE

83. The need for transformational change in culture and organisation of the Council has been recognised by all IW Councillors and remains an active process despite the major financial and logistical events of the past year. The well-established ‘Believe in Great’ cultural change programme that has seen year on year improvements in staff survey outcomes will also continue, with growing focus on municipal entrepreneurialism and commercialisation to underpin the delivery of our revised commercial and procurement strategies.
84. We have started to bring a more commercially focused manner to the Council by enabling each business unit to fully understand their revenues and costs, coupled with impact assessments of each planned new activity.
85. We continue to seek to invest as much of the Council’s money as possible on the Isle of Wight for the benefit it can provide in supporting jobs and the local economy.
86. These budget proposals allow the continued approach to creating and developing apprenticeship opportunities in the Council that offer excellent work experience opportunities and a step on the ladder to future career pathways. The adult and community learning service will remain as a vital part of our support to communities in acquiring work ready functional skills.

COMMUNITY PROTECTION, DIGITAL TRANSFORMATION, HOUSING PROVISION AND HOUSING NEEDS

87. Anti-Poverty Support

Our work has involved:

- Cost of Living support – working with our Voluntary and Community Partners to ensure
- Support and guidance is available to those most in need e.g. food pantries initiative.
- We worked across organisation such as the Footprint Trust, CAB and through the support of CAIW providing Help Through Crisis, Community Warm Spaces. Through the networking and linking back to the former Island Covid support hubs we have continued to work within a cohesive framework.
- The Council has continued to support residents through inflationary pressures and increasing utility costs showing committed support to our most vulnerable residents. During this period we have promoted the use of WightCare as a form of falls and assurance to support and maintain independence.
- The IWC Housing and Homelessness action plan continues to optimise the strategy around Care Close to Home, and Support in Safe Accommodation those suffering homelessness. Supporting those sleeping rough with outreach support as necessary has also allowed the IWC to purchase 5 single bedroom units which were sought through the homelessness department with permissions granted by the s151 officer.
- Disability Facilities Grants (DFGs) have assisted in keeping residents in their own home and alleviated pressure from nursing homes and other social care support, however due to pressures we lag behind in provision and the current year budget is allocated. 2023/24 will see further pressure on this valuable resource.

Island Digital Strategy & Corporate IT

88. The IWC corporate digital strategy continues to support agile working, which was found to be so effective throughout the Covid period, continues to support efficient ways of working through this current financially challenging period.
89. Initiatives have been sought and taken to reduce expenditure whilst continuing to support positive working methodology. Mobile telephones have been brought into the portfolio of Corporate IT and a review has brought forward more reduction in costs.
90. The new IWC Beta website is now back on track after being stricken by a shift in emphasis of priority working during the height of Covid and the efforts of staff giving their support. The confidence in choosing the right form of delivery

has been supported by performance of the staff after a review and justification of the methodology.

91. Through government funding Wight Fibre continue to digitise the island network and this has seen a good take up by both residents and businesses. A strong diverse business environment will attract opportunities in business and commerce throughout the island and enable people to work within their own community.

Housing & Development.

92. Housing was found to be lacking cohesion across various departments and throughout the last year it has been found not to be a 'quick fix'. A reluctance to change has meant slow progress however, together with the Chief Executive, we have now agreed the new post of a housing manager.
93. The Housing company registered with Companies House was not functional with an officer as a solitary director, a lack of scrutiny in evidence and therefore judged not fit for purpose. Approximately one year ago a meeting of members and officers with external advisors agreed on a new way forward which is, at the current time within IWC Legal Services. We trust this will now move forward positively. Last year the budget amendment removed monies out of this area and which has caused operational difficulties.
94. The budget amendment 2022/23 gave access to up to £40 million borrowing facility over a number of years (up to £5m in the current year). Due to the imbalance within the housing area of budget brought about by diverting £500k to tree planting and £500k for Rights of Way, followed by a bleak and challenging financial outlook with this future budget, stringent fiscal conditions were imposed.
95. During the period of the Alliance administration the affordable housing numbers have increased. The Alliance have never been content with a reliance on the units provided by private developments and that of Registered Providers (RPs), although they are welcome. We believe in Island affordable homes and Island affordable rental homes. Homes for Island people.
96. I have attended meetings with RPs and through discussion I have received positive signs of a renewed appetite to work with the IWC after some years of reticence which will hopefully bring forward new opportunities. During the past year discussion has taken place with others which can give rise to new working relationships. The IWC will explore all ways of acquiring housing for those in need.
97. Empty Properties have been a high priority for the Alliance administration as it is a win-win situation and could be an easier way forward than acquiring land, going through a planning process, and building etc. Since June/July 2022 we have been without an empty properties officer however. January 2023 has seen the appointment of a new substantive officer working to the new housing manager.

BACKGROUND

98. The primary purpose of this report is to set the Council's overall Budget for the forthcoming year 2023/24 and the associated level of Council Tax necessary to fund that Budget.
99. The report makes recommendations on the level of Council spending for 2023/24 and the level of Council Tax in the context of the Council's Medium Term Financial Strategy (MTFS).
100. The recommended Budget for 2023/24 has been prepared on the basis of the following:
 - The requirement to meet savings amounting to £3.9m, that being £1.9m greater than the Council resolution of 23 February 2022 that set an overall savings requirement of £2.0m in order to meet the substantial cost pressures being driven by extra-ordinary levels of inflation and service demand
 - An increase in the level of Council Tax for 2023/24 for general purposes of 2.99%
 - The flexibility to increase the level of Council Tax for an "Adult Social Care Precept", within the limits set by Central Government at 2.0%, and the direct passporting of that additional funding to Adult Social Care to provide for otherwise unfunded cost pressures including the 9.7% increase in the National Living Wage.
101. This report also provides a comprehensive revision of the Council's rolling 3 year future financial forecast for the new period 2024/25 to 2026/27 (i.e. compared to the previous forecast covering 2023/24 to 2025/26, this forecast now replaces the forecast for the previous 3 year period).
102. The new forecast considers the future outlook for both spending and funding, and in that context, wider recommendations are made regarding the levels of reserves to be maintained and additional contributions to the Capital Programme in order to meet the Council's aspirations for the Island as well as maintaining the Council's overall financial resilience throughout this uncertain period.
103. In particular, this report sets out the following:
 - (a) The dramatic change in the financial environment during the current year alongside the financial challenges that this presents for 2023/24 and beyond
 - (b) A brief summary of the MTFS for achieving the necessary savings as approved in the report to Council in October 2016
 - (c) The Revised Revenue Budget for the current year 2022/23
 - (d) The Provisional Local Government Finance Settlement for 2023/24
 - (e) The Business Rate income for 2023/24 and future years

- (f) The Council Tax Base and recommended Council Tax for 2023/24
- (g) The proposed Revenue Budget for 2023/24
- (h) The financial forecast for the new 3 year period and consequent Savings Requirements for 2024/25, 2025/26 and 2026/27
- (i) Estimated General Reserves over the period 2022/23 to 2026/27
- (j) The forecast Collection Fund balance as at 31 March 2023 for both Council Tax and Business Rates
- (k) The detailed indicative savings (Appendix 3) that could be made by each Portfolio in meeting its overall savings amount in order to provide the Council with the assurance necessary to approve the recommended savings amount for each Portfolio
- (l) The statement of the Section 151 Officer on the robustness of the budget in compliance with the requirements of the Local Government Act 2003.
- (m) The Capital Programme for 2022/23 to 2027/28.

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

104. The Council approved a Medium Term Financial Strategy (MTFS) in October 2016 to guide the Council towards financial sustainability.
105. The Council has been required to make £93m in savings, efficiencies and service reductions (representing over 40% of controllable spending) over the past 12 years in order to balance the Budget, ensuring that spending remains in line with income and funding levels.
106. The financial environment changed rapidly through 2022/23 precipitated by the war in Ukraine, the existence of practical full employment in the economy and the strains on international supply chains due continuing Covid lockdowns. As a consequence, inflation as measured by the Consumer Price Index (CPI) accelerated and peaked in October 2022 at 11.1%, the highest level in over 40 years. Inflation is currently tracking at 10.5%. This has had a consequent impact on the cost of living for residents and therefore demand for Council Services has also risen substantially. The Office for Budget Responsibility are forecasting that CPI will remain high at an average of 5.5% for 2023/24 falling to 0% for 2024/25. These inflation and demand driven cost increases outstrip the rates of increase in funding, causing a "structural gap" between spending and funding.
107. The challenge presented by these inflation driven cost pressures, exacerbated by the legacy impact of the Covid pandemic when combined with an uncertain funding environment represent the greatest risks to the delivery of sustainable public services on the Island. Accordingly, the Council's MTFS is designed to resolutely maximise the deployment of the resources that it does have (Revenue, Capital, Property and Staff) towards driving additional income / funding and cost savings to secure Services for the future.

"In Year" expenditure matches "In Year" income over the medium term whilst regenerating the Island Economy and providing essential Value for Money services for our Businesses and Residents

SHORT TERM

- Theme 1** Create Financial and Operating Capacity to Transform
Theme 2 Increasing Efficiency and Effectiveness

SHORT TO MEDIUM TERM

- Theme 3** Entrepreneurial, Commercial and Collaborative Activities (with managed risk)
Theme 4 Withdraw from or offer Minimal Provision for Low Impact Services
Theme 5 Improving the Island Economy

MEDIUM TO LONGER TERM

- Theme 6** Public Service Transformation

108. The overall aim of the MTFS is illustrated below:

109. The 6 Themes of the MTFS are described below.

110. The themes within the MTFS have been designed as a comprehensive and complementary package of measures to support the Council to navigate through the financial challenge that it faces. Theme 1, "Create Financial and Operating Capacity to Transform" remains the critical building block to enable all other activities to take place. Without financial resilience and sufficient general reserves, the Council will not be able to:

- i) Take a proportionate and managed approach to the implementation of the Council's Savings Requirements and the "smoothing out" of savings over longer time periods will not be an available option resulting in larger and deeper service reductions
- ii) Cushion the impact on services from any "financial shocks"

- iii) Take advantage of opportunities that may arise (e.g. additional external funding) which requires a Council contribution and would contribute to the future financial sustainability of the Council.

111. Without financial resilience, the remainder of the Council's MTFS is compromised and the ability of the Council to provide sustainable public services in the future is placed at risk.

REVISED BUDGET 2022/23

112. The Original Revenue Budget approved by the Council in February 2022 was £161,087,775 and was relying on a draw down from General Reserves of £28,575, indicating a "structurally balanced budget".

113. The Cabinet has received regular quarterly Budget Monitoring reports on the 2022/23 Budget throughout the year. Those forecasts have consistently reported that the Budget remains broadly in balance this has only been achieved by:

- i) Drawing down from the Council's Covid Contingency to accommodate the Covid related additional costs and income losses associated with the following:

- (a) Adult Social Care residential care - £2.1m
- (b) Leisure Services income losses - £0.9m
- (c) Car Parking income losses - £0.2m

- ii) Relying on the Council's Corporate Contingency to fund the following:

- (a) The additional costs of the 2022/23 pay award - £2.5m
- (b) Exceptional costs of Children's Social Care placements - £2m

- iii) Other forecast overspendings in Adults and Children's Social Care but compensated by additional interest income from the Council's Treasury Management activities

114. The Covid contingency was established to provide a good level of surety that the Council will be able to continue to deliver all of its essential services as well as being able to respond to the continuing legacy effects. At present the Covid Contingency is forecast to be £8.4m at the end of 2022/23, £4.2m by the end of 2023/24 but fully utilised over the following 2 year period to cover care related costs.

115. The Original Budget has now been comprehensively revised, now requiring a contribution from General Reserves of £126,800 versus the budgeted contribution of £28,600, a difference of £98,200 and arising as a consequence of Government funding being slightly lower than estimated.

116. The proposed Revised Revenue Budget of £160,606,100 is set out in the General Fund Summary (Appendix 1).

REVENUE BUDGET 2023/24

Overall Strategy

117. The overall aim of the Council's Medium Term Financial Strategy (MTFS) is to match "In Year" spending with "In Year" income and funding over the medium term with the use of General Reserves to "smooth out" any necessary fluctuations between years. This is consistent with being a financially sustainable Council providing quality public services.
118. The Council's MTFS, contains an interdependent package of measures to achieve financial balance and sustainability over the medium term which includes:
- Targeted draw down of the £40m "over provision" for debt repayments over a 5 year period (see paragraphs below)
 - Savings levels following a "smooth profile" (facilitated by drawing / contributing to General Reserves) to enable necessary savings to be implemented in a managed way
 - Gradual repair of the Council's General Reserves to levels that can provide financial resilience for uncertainty and potential "financial shocks"
 - A financial framework that supports responsible spending and removes financial obstacles to the delivery of strong Spend to Save schemes.
119. As reported last year, the annual draw down from the £40m overprovision for debt repayment (commonly referred to as the "debt repayment holiday") ended in the current year. The Council's Budget for Debt Repayment has now returned to normal levels, the timing of which was designed to coincide with the strategy to achieve "Structural Balance" to the Budget.
120. The Council's approved MTFS and Savings Requirements also accommodates the repair of its General Reserves over time. It is vital that the Council maintains its General Reserves at the levels set out in this report if it is to continue to have the facility to "smooth out" necessary savings over time.
121. As originally envisaged within the MTFS, General Reserves are forecast to rise gently over the next 4 years to a level with "headroom" of a modest £4.3m above the minimum levels. This is necessary to guard against known uncertainty and financial shocks such as has been experienced over the past year which rapidly saw the Council experience £20m of unplanned financial pressures. Underlying General Reserves at £12.3m over the medium term are extremely modest.
122. The Administration undertakes an annual Budget Consultation, using it to inform spending and savings priorities as well as its Council Tax proposals.

Budget Consultation

123. The Council published its online budget consultation survey on 22 December 2022 which closed on 30 January 2023 with 1092 responses (682 responses

last year). The Council also held meetings with the Union, Town and Parish Councils and the Voluntary Sector and the Business sector.

124. A summary of the results is set out below and has been considered by the Administration in setting out their Revenue Budget, Council Tax and Capital Investment proposals:

- Council Tax Increase for General Purposes:
 - 74% of respondents opted for an increase of 1%, 2%, 3% or more than 3%.
 - The most popular choice was for a 3% increase (30% of respondents).
- Support for an adult social care levy on council tax of 2%:
 - 62% of respondents supported raising a levy of 2%
- Fees & Charges for Specific Services:
 - 85% of respondents would prefer to see an increase in charges for services so as to maintain them. The most popular choice was for a modest increase (46% of respondents).
- Priorities for remaining funds:
 - 39% ranked ensuring older people and vulnerable adults are looked after and supported to live independently as their first priority
 - The second ranked priority was supporting education, early years and children with special educational needs 15%.
- Spending on one off projects:
 - 44.3% ranked investing in sea defences and flood protection as their first priority
 - The second ranked priority was schools and specialist provision for children with additional needs 43.9%

125. The consultation also allowed for respondents to make comments. Most often mentioned was the need to build more affordable housing and stopping or charging second home owners. Improving cycle paths and public transport, encouraging business investment and tourism, utilising empty properties, removing or reducing car parking charges and improving efficiency were also common themes.

Funding - Summary of the Local Government Finance Settlement

126. The Local Government Finance Settlement is the term used to describe the main non-ring-fenced Revenue and Capital grant funding allocations from Government.

127. In overall terms the provisional Local Government Settlement has provided additional grant funding in 2023/24 of £6.2m as follows:
- i) Increase in Social Care Grant (for Adults and Children) - £4.2m
 - ii) Social Care market sustainability & improvement - £1.2m
 - iii) Support for hospital discharge £0.9m
 - iv) Reduction in Grants for all other Services £0.1m
128. Set against the new funding of £6.3m of funding from Social Care (Adults & Children) are the existing and known Budget Pressures across those Services of £11.9m, leaving a funding shortfall of £5.6m. Therefore, further funding from the Adult Social Care Precept of £1.9m will also be required to narrow the gap between these cost pressures and the funding available.
129. Other features of the Settlement include:
- A 1 year Settlement but with an accompanying "Local Government Finance Policy Statement" that sets out the government's intentions for the local government finance settlement for 2024/25 also
 - No increase in the Improved Better Care Fund, therefore remaining "cash flat"
 - Council Tax increase thresholds of:
 - 3.0% or £5 for Shire District Councils
 - 3.0% for Upper Tier and Unitary Councils
 - 2.0% for Adult Social Care (Upper Tier Authorities only)
 - £5 for Fire & Rescue Authorities
 - £15 for Police and Crime Commissioners
 - An anticipated increase in Social Care funding for the following year (2024/25) of £3.3m.
130. It has now been 7 years since the Government first announced that it would consult and implement Local Government Funding Reform. Funding Reform has been further delayed until 2025/26. Funding Reform covers the following:
- The "Fair Funding Review", (to determine a new formula methodology which will set each Local Authority's baseline funding level and creating "winners and losers")
 - The Retained Business Rates system which involves the removal of all existing growth retained to date (amounting to £10m) and re-distributing that growth nationally according to relative need (rather than where it was generated).
131. The Fair Funding review is the mechanism by which on-going funding would be provided for the unique cost pressures associated with providing Council Services on the Island (often referred to as being included within the "Island Deal"), if the case made to Government is accepted. This review has now delayed by a further 2 years. Government have confirmed that the additional

£1m allocated to the Isle of Wight Council in the current year in respect of the costs of physical separation from the mainland will continue into 2023/24. The Council has been continuing to work with Government throughout this year to provide further evidence beyond the 5 studies that concluded that, even at the lower range of estimates, the additional costs to the Council of providing Services are at least £10m per annum. Government have committed to further engagement over the next financial year to inform the Local Government Finance Settlement for 2024/25.

132. Whilst the Local Government Finance Settlement is a significant factor in determining the Council's overall financial position and therefore any necessary savings, other significant factors that will affect the Council's future Savings Requirements include Business Rates income, Council Tax income, inflation, interest rates and any new unfunded burdens passed down from Government. These are described in the paragraphs that follow.

Retained Business Rates - 2023/24 & Future Forecasts

133. The Retained Business Rates system is complex and subject to a significant degree of inherent risk. The current national system is characterised by a complex formula which includes the following:
- i) Retention of 50% of all business rates received and which is affected by the value of successful appeals, the number of mandatory reliefs (e.g. charitable relief) and the overall collection rate (i.e. how much is uncollectable and written off)
 - ii) Increased by a fixed amount "top up" which increases annually by the rate of inflation
 - iii) Compensation through S.31 Grants for national government initiatives which have the effect of reducing Business Rates to the Local Authority such as business rate capping for small businesses
 - iv) A "safety net" set at 7.5% below a pre-determined baseline below which retained Business Rates will not fall
134. In total, for 2023/24, Retained Business Rates are estimated at £42.0m¹, which includes a deficit relating to previous years of £0.2m arising mainly from higher than anticipated successful business rate appeals.
135. Future years' forecasts of Business Rates are limited to inflation related uplifts and with flat growth in the business rate base.
136. The estimation of Retained Business Rates receipts is extremely complex, with the potential to be volatile and with many of the factors outside this Council's control. In particular, the Valuation Office Agency will both determine whether a

¹ Includes Retained Business Rates of £17.0m, "Top Up" of £12.0m, S.31 Grants of £13.0m and a Collection Fund deficit of £0.2m

rating appeal is successful and the level of reduction granted with the Council having no right of challenge. To help mitigate against this risk, the Council maintains a modest reserve to provide the Council with a degree of funding stability in the event of fluctuations within and between years.

137. Despite the complications and risks associated with appeals, there remains the financial incentive within the system for many Local Authorities (including the Isle of Wight Council²) to generate economic growth and job creation. Irrespective of the financial incentive, the Council's Medium Term Financial Strategy (MTFS) is aimed at improving the Island Economy to generate growth and productivity (which improves the Council's Business Rate Base) as well as reducing the demand for Council Services generally.
138. From 2025/26, there is expected to be a review of the Business Rate Retention Scheme, the details of which are not yet known. The review will include a "Reset" which will remove all current business rate growth currently being enjoyed by authorities and which for the Council amounts to £10m.
139. The Business Rate growth enjoyed by all councils will be removed from councils, aggregated and then re-distributed based on "Need" through the Fair Funding review. If the Council's "Relative Needs" have increased by more than the average of all other Councils, then the Council will be a "winner " in terms of the re-distribution and vice versa.

Council Tax - 2023/24 & Future Forecasts

Council Tax Amount 2023/24

140. Council Tax currently represents almost 58% of the Council's total revenue funding and as Government funding has reduced, Council Tax has become an increasingly more important and dependent source of funding for the Council.
141. Council Tax for the average Council Tax payer on the Isle of Wight (Band C) currently amounts to £1,816.04 (excluding parish precepts), of which £1,538.80 (84.7%) is the Isle of Wight Council element. Not all residents are subject to the full amount of Council Tax with many benefitting from exemptions and discounts (such as the single person discount) and a significant number of residents receiving Local Council Tax Support bringing the level of Council Tax payable to an assessed affordable level. After discounts, exemptions and Local Council Tax support is taken into account, circa 56% of all properties are subject to the full level of Council Tax.
142. The Provisional Local Government Finance Settlement for 2023/24 confirmed a Council Tax increase limit for general purposes (i.e. referendum threshold). Any increase beyond the 2.99% threshold can only be implemented following a "Yes" vote in a local referendum.

² Applies to Local Authorities that, in general, remain above the safety net threshold over time

143. As described more fully later in this report, the actual level of inflation for the Council in 2023/24, taking into account price rises that the Council is exposed to, significantly exceeds the level of increase allowed in the Council Tax.
144. The additional flexibility to apply a Council Tax increase for the Adult Social Care Precept has been provided in recognition of the extreme cost pressures facing Adult Social Care, both through the increase in the National Living Wage (which has increased by 9.7% and affects the Council's contracts with Care Providers for Adults) as well as the elevated levels of inflation generally and the demographic pressures from general aging and a "living longer" population.
145. Given the extraordinary demand and inflationary pressures on the Council and having due regard to the results of the Budget Consultation, it is proposed that:
- i) The Council Tax for General Purposes be increased by 2.99% for 2023/24, representing 89p per week for a Band C tax payer and yielding £2.8m
 - ii) Adult Social Care precept be increased by 2.0% for 2023/24, representing 59p per week for a Band C tax payer and yielding £1.9m to be passported direct to Adult Social Care.
146. It is vital that the flexibility of the Adult Social Care (ASC) Precept is taken for the following reasons:
- The cost and demand related pressures for 2023/24 (including the National Living Wage increase of 9.7%) amount to £7.6m
 - Additional funding from Government to cover both Adults & Children's Services unavoidable cost pressures results in an overall funding shortfall of £5.6m³
 - The alternative to not applying the ASC Precept would be to increase the level of savings required by the Service, presenting risks to the wider health system on the Island.
147. The Council could elect not to increase the level of Council Tax by 2.99% but if it chose to do so, would need to identify additional savings of £0.9m for every 1% of Council Tax foregone if it is to achieve a "Structurally Balanced" Budget

Council Tax Base 2023/24

148. The Council Tax Base (i.e. the number of Band D equivalent properties paying the full Council Tax) has been determined as **54,087.0** for 2023/24.
149. The Council Tax Base has been determined at a level that accommodates the Council's "*preference to increase the maximum level of support for working age cases to 70 per cent (from the current maximum level of 65 per cent)*". The financial impact of this is to add £0.3m to the Isle of Wight Council's Budget Deficits and to reduce Council Tax income to other preceptors by £60,000

³ Children's Services cost pressures £4.3m, Adults Social Care cost pressures £7.6m less increase in Social Care Grants £6.3m

(Police, Fire and Town & Parish Councils). This in turn is likely to result in those preceptors increasing their level of Council Tax to compensate for their reduced income.

150. In acceding to the Council's preference, the Administration have proposed to extend the scale of its originally planned Organisational Re-design savings from £0.9m to £1.2m and increasing the scale and coverage of the review. The organisational re-design is expected to reduce discretionary activity across all service areas of the council by between 30% and 50%.

Collection Fund Balance (Council Tax Element) 2022/23

151. The Collection Fund is the account into which paid amounts are collected in respect of Council Tax, and out of which are paid the Council Tax precepts to:

- Isle of Wight Council, including town and parish precepts (85.7% share)
- Hampshire Police & Crime Commissioner (10.9% share)
- Hampshire & Isle of Wight Fire & Rescue Authority (3.4% share).

In the event that actual Council Tax income receivable is different from the estimated income (informed by the calculation of the Council Tax Base) upon which the precepts are based, then a surplus or deficit will arise.

152. For 2022/23, it is estimated that there will be a deficit on the Collection Fund of £848,700 which will be shared in proportion to the 2022/23 precepts (excluding Town & Parish Councils) and distributed to the preceptors as follows:

COLLECTION FUND DEFICIT - 2022/23		
Preceptor	Distribution	
	£	%
Isle of Wight Council	728,800	85.4%
Hampshire Police & Crime Commissioner	92,100	11.1%
Hampshire & Isle of Wight Fire & Rescue Authority	27,800	3.53
Total Deficit	848,700*	100.0%

*Includes a deficit of £578,900 which under regulation was allowed to be spread over 3 years and is shared on a different basis

The Isle of Wight Council Share of the deficit of £728,800 is factored into the overall Council Tax income for 2023/24.

Total Council Tax Income 2023/24 & Future Years

153. Considering the Council Tax increase, Council Tax Base and deficit on the Collection Fund, the total Council Tax income for 2023/24 is estimated at £97,584,120.
154. As Government funding reduces, rises in Council Tax income are fundamental to the Council's future financial position and therefore the future sustainability of Council Services. The Council's Medium Term Financial Forecast (MTFS)

assumes that Council Tax Income will rise to £110,042,113 by 2026/27 and is based on the following assumptions:

- Annual increases in the amount of Council Tax of 4.99% for 2023/24
- Increases of 4.99% per annum for 2024/25 (including 2% p.a for the Adult Social Care Precept) and falling to 2.99% increase per annum thereafter (including 1% p.a for the Adult Social Care Precept)
- Increases in the Council Tax Base of 0.2% per annum for 2024/25 and 2025/26 and 0.1% thereafter
- No allowance has been made for the proposals in the Levelling Up and Regeneration Bill currently passing through parliament relating to additional Council Tax income from empty properties and second homes, which could amount to up to £5m for the Isle of Wight Council from April 2024

Funding Summary

155. Over the following 3 year period of the Council's forecast, funding is anticipated to rise by just 8.7% (or an average of 2.9% p.a), reflecting a 4.99% increase in Council Tax for 2024/25 alongside additional funding for Social Care of £3.3m in 2024/25. Thereafter Council Tax rises are expected to fall back to £2.99% per annum. No further funding for the "Island Deal is forecast beyond the current £1m and there is an anticipated forecast net loss of retained Business Rate Growth of £1m reflecting the extent to which £10m of Business Rate Growth achieved on the Island is not then re-distributed back to the Council through the Fair Funding review planned for April 2025.

Spending Proposals 2023/24

156. In the current financial year a number of Portfolios are exhibiting signs of financial stress, some of which is Covid related and which in the short term can be provided for from the Covid Contingency. Other demand and inflationary pressures, particularly in Adults and Children's Social Care are expected to be more long lasting and are provided for within the Budget proposals for 2023/24.
157. Inflation peaked at 11.1% in October 2022, its highest in 40 years. The main measure of inflation CPI (Consumer Price Index) is currently tracking at 10.5% with the RPI (Retail Price Index), upon which some contracts remain linked, tracking at 13.4%. The Office for Budget Responsibility, the advisors of Government for the purposes of policy setting, are forecasting that CPI will remain high at 5.5% for 2023/24 (starting the year at 8.9% and ending the year at 2.5%) but falling to 0.0% for 2024/25 and remaining subdued thereafter.
158. Contained within the overall Budget proposal for 2023/24 are over £20m of additional costs and inflationary pressures as follows:
- Additional Spending in Adult Social Care of £7.6m (to cover the uplift in the National Living Wage of 9.7% that will be used to support care providers as well as all other cost and inflationary pressures)

- Additional Spending in Children's Services of £4.3m (to cover inflation, existing overspendings on placements and additional Social Worker capacity generally and within Special Educational Needs due to elevated caseloads)
- An inflationary uplift for all Services in order to maintain "steady state" provision amounting £6.8m (excluding Adults & Children's Services above)

159. Other Budget items are set out under the headings below:

Revenue Contributions to Capital

160. Due to the scale of the demand and inflationary pressures that the Council are experiencing, the Council has been unable to afford any contribution towards new Capital Investment either from the 2022/23 Budget or from the 2023/24 Budget. Consequently, the Administration has had to restrict its ambitions to essential Capital Investment only that is required to continue to deliver the current level of services on a sustainable basis. A modest £15m of new Capital Investment is proposed but, due to the affordability constraints, it has been necessary to re-direct £1.9m of funding from within the currently approved Capital Programme.
161. Budget affordability constraints are expected to continue in the future. To address both the Administration's aspirations and the Council's future statutory obligations, future Revenue Contributions to the Capital Programme will inevitably be required. Whilst bidding for external capital funding will always form part of the strategy to fund Capital Investment requirements, not all investments will be either eligible or successful.
162. Given that this Capital Investment is necessary for the Council's statutory obligations, support to transform the Island's economic potential as well as the Administration's priorities (particularly to provide housing affordable to Island residents), it is vital that the Council makes provision for Revenue Contributions to Capital wherever possible. To fulfil even some of the future obligations and aspirations, further revenue contributions to capital will be required in future years and will need to be embedded within the Council's financial planning process.
163. It is vital therefore that the "standing recommendation" continues that any savings arising at the year-end be transferred to Capital Resources in order to provide funding for known and potential future commitments.

Transfer to the Transformation Fund

164. Similarly, due to affordability constraints, there is no proposed transfer to the Transformation Fund either from the Revised Budget 2022/23 or the Budget 2023/24. Looking forward however, replenishment of this reserve is vital if it is to continue in its capacity to be a vehicle to enable Spend to Save and Invest to Save initiatives to contribute towards the delivery of savings in the future. The Reserve currently contains a modest uncommitted balance of £3.2m and historically sums of between £1m to £2m annually have been required to

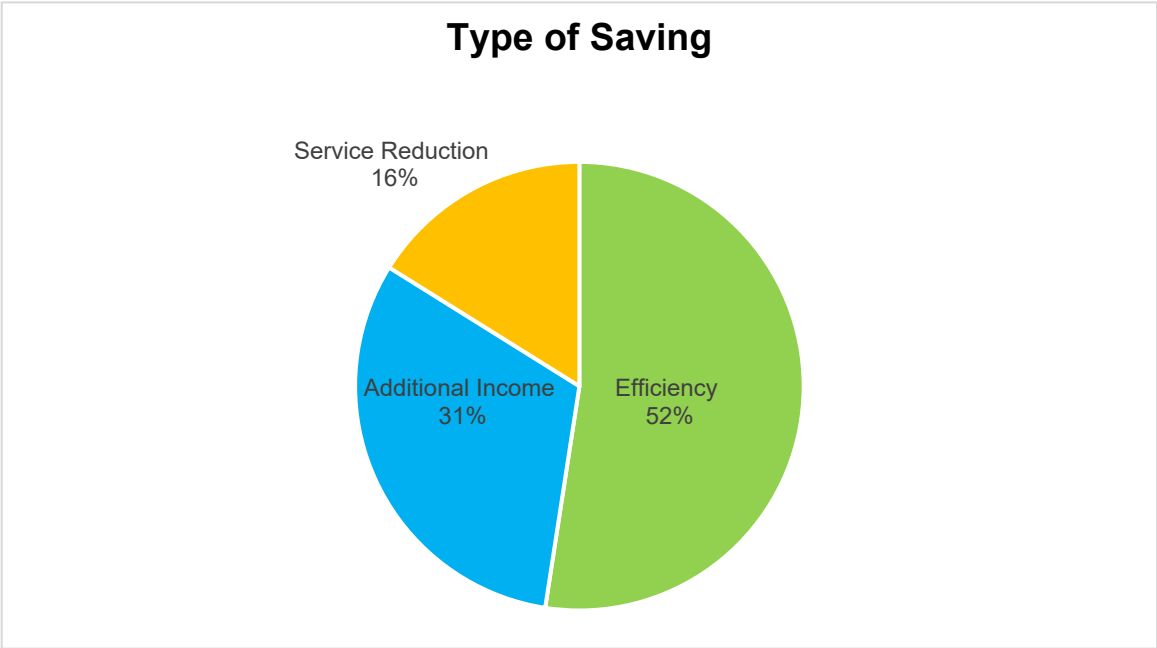
support the delivery of budget savings and the genuine transformation of services.

165. Additionally, for the Budget 2023/24, the Transformation Reserve will be required to support the implementation of the Organisational re-design that has been proposed in order to meet the savings necessary to provide for a "structural balance" in the Budget. In this context, and in the absence of a planned programme of replenishment, it is important that the "standing recommendation" continues to be adopted to enable savings arising at the year-end be made available to "top up" the Reserve.

Savings Proposals 2023/24

166. As in previous years, the Medium Term Financial Strategy (MTFS) has advocated an "Avoidance to Cuts" approach wherever possible. The Administration are committed to maximising this approach and with a very strong emphasis on income generation going forward. The exceptional circumstances currently being experienced have required a much heavier reliance of service reductions for the coming year.

167. In overall terms, the proposed £3.9m of savings are illustrated below with 84% of all savings expected to be derived from Additional Income and Efficiency Savings:



168. A summary of the overall total savings proposals by Portfolio, is set out below.

Portfolio	Controllable Budget	Savings Proposal	
	£	£	%
Adult Social Care & Public Health*	54,438,981	1,243,500	2.3%
Children's Services, Education & Lifelong Skills*	28,695,978	299,000	1.0%
Climate, Environment, Heritage, HR, Legal & Democratic Services	7,812,210	128,000	1.6%
Community Protection, Regulatory & Waste	9,471,672	430,000	4.5%
Digital Transformation, Housing, Homelessness & Poverty	9,306,890	255,000	2.7%
Infrastructure, Highways PFI & Transport **	12,658,707	536,600	4.2%
Leader & Strategic Oversight	732,911	150,000	20.5%
Levelling Up, Regeneration, Business Development & Tourism	4,816,254	130,000	2.7%
Planning & Enforcement	2,646,087	45,000	1.7%
Strategic Finance, Transformational Change & Corporate Resources	9,339,164	677,900	7.3%
Grand Total	139,918,854	3,895,000	2.8%

* Excludes the additional funding passported through to Adult Social Care of £7.6m (which if included would result in an overall increase of 11.6%) and the additional funding for Children's Services, Education & Lifelong Skills of £4.3m (which if included would result in an overall increase of 14.0%)

** Excludes £19.4m of PFI grant funding, on a gross expenditure basis the saving amounts to 1.7%

169. Inevitably, there are a number of financial risks contained within the proposals for making savings of the scale of £3.9m on the back of making over £93m in savings over the past 12 years. The risks are unavoidable. For those risks with the highest likely impact, such as Children's Services and Adult Social Care, mitigation strategies and contingency provisions have been made.

170. It is important to note that the Council's responsibility is to set the overall Budget of the Council and determine the individual Budget for each Portfolio / Service. It is not the responsibility of the Council to approve the detailed savings that need to be made in order for the Portfolio / Service to meet its own Budget. The Council do need to have the confidence that the recommended savings for each Portfolio are deliverable and what the likely impact of delivering those savings might be. Indicative savings that are likely to be necessary in delivering the overall Portfolio savings are attached at Appendix 3 and whilst the detailed savings are not a matter for the Council to decide, they

are presented to inform the decision of Council relating to the savings to be made by each Portfolio / Service.

171. For savings proposals that require consultation, the actual method of implementation or their distributional effect will not be determined until the results of that consultation have been fully considered. Following consultation, the relevant Portfolio Holder may alter, amend or substitute any of the indicative savings proposal(s) set out in Appendix 3 with alternative proposal(s) amounting to the same value.

Summary of Proposed Revenue Budget 2023/24

172. The proposed Budget for 2023/24 has been prepared to include the following:

Spending 2023/24:

- Cost and Inflationary Pressures of over £20m
- No Revenue Contribution to the Capital Programme
- The £3.9m savings proposals as set out in Appendix 3.
- Balance on the Covid Contingency - £4.2m at the end of 2023/24 and full exhausted by 2025/26
- Core contingency provision to cover known and anticipated financial risks of the Council amounting to £4.0m, especially those relating to increases in demand for Adult Social Care and Children's Services, Inflation volatility, Emergency Repairs risks and the delivery of budget savings more generally

Funding 2023/24:

- An increase in funding from Government of £6.2m with £6.3m provided for Social Care but a cut for all other services of £0.1m (plus no funding for inflation for other services which is running at over 10%)
- Underlying Business Rate income for 2023/24 is an increase of 11.4%, largely reflecting an inflationary uplift
- An overall increase in Council Tax of 4.99%, yielding £4.7m
- An increase in the Council Tax base equivalent to 207.1 Band D properties resulting in additional Council Tax income of £0.4m
- A "one-off" deficit on the Council Tax Collection Fund of £0.7m
- A "one-off" deficit on the Business Rate Collection Fund of £0.2m

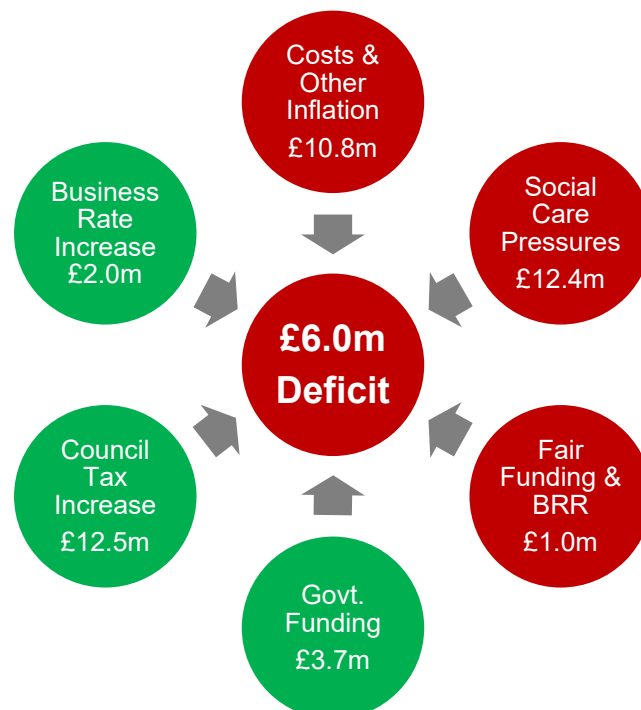
173. The combination of the spending and funding proposals in the proposed Budget for 2023/24 above combine to provide a "structurally balanced" requiring no withdrawal from General Reserves.

174. The proposed Budget for 2023/24, including the main changes described above results in net spending of £178,802,800. This amounts to a net increase

in spending of £17,715,000 or 11.0% over the Original Budget 2022/23 and is recommended for approval.

REVENUE FORECASTS 2024/25 TO 2026/27

175. A new medium term forecast has now been completed and "rolled on" a further year to cover the period 2024/25 to 2026/27. All of the financial assumptions have been comprehensively revised and a savings requirement for the new period determined.
176. The previous medium term forecast estimated that savings of £6.0m would be required across the 3 year period 2023/24 to 2025/26. The proposed Revenue Budget for 2023/24 provides for £3.9m savings that were required to bring the Budget back into "structural balance" and as a consequence has enabled the new future years' forecasts to remain consistent with that which was forecast in February 2022.
177. The new medium term forecast takes account of the £3.9m savings being achieved in 2023/24 (rising to £4.5m in a full year) and comprehensively revises all other assumptions and incorporates a forecast for the additional year 2026/27. It is now estimated that the savings required for the new 3 year period 2024/25 to 2026/27 will now be £6.0m. The "smoothing" and "spreading" for the future deficit over 3 years is only made possible by holding "headroom" in General Reserves above their minimum levels.
178. The Budget Deficit for the new 3 year period is £6.0m and is described in the paragraphs that follow.



179. The most significant assumptions in the medium term future forecasts for the period 2024/25 to 2026/27 are described below:

Spending:

- Cost and inflationary pressures in both Adult Social Care and Children's Services of £12.4m (including future uplifts to the National Living Wage in accordance with OBR Forecasts)
- Cost and inflationary pressures in all other Services of £10.8m covering all pay and prices (assuming pay awards, specific contract inflation and CPI/RPI increases in line with the forecasts from the OBR)
- Revenue Contributions to Capital re-commencing in 2024/25
- No further contributions to the Transformation Reserve
- An assumption of a steady state for all budgets.

Funding:

- A net loss in Government funding, mainly arising from the Fair Funding Review and Business Rate Retention scheme of £1.0m, phased in from 2025/26 onwards (**Note: the Business Rate "Reset" will remove £10m of growth which may not be fully re-distributed through the Fair Funding Review**)
- No further increase in funding arising from the "Island Deal" (**Note: £1m in total is built into the Budget for 2023/24 and ongoing**)
- An overall increase in Council Tax Income of £12.5m which incorporates:
 - Increases of 4.99% per annum for 2024/25 (including 2% p.a for the Adult Social Care Precept) and falling to 2.99% increase per annum thereafter (including 1% p.a for the Adult Social Care Precept)
 - Increases in the Council Tax Base of 0.2% per annum for 2024/25 and 2025/26 and 0.1% thereafter
 - No allowance for additional Council Tax income from empty properties and second homes which could arise from future legislation and amount to up to £5m from April 2024
- Indexation uplifts on retained Business Rates of 5.5% for 2024/25, 0.0% for 2025/26 and then minus 1.0% for 2026/27
- An underlying zero growth assumption for changes in Business Rates from 2024/25 onwards, to reflect the uncertainty relating to appeals and mandatory reliefs
- That any loss of business rates income arising from National Business Rate reduction / capping initiatives will continue to be recompensed by Government via S.31 grant funding.

180. Future funding from Government from 2025/26 onwards is heavily dependent on the outcome of the Fair Funding Review and Business Rate Retention scheme review. It must be recognised that the outcome of these reviews remains uncertain.

181. It is also important to recognise that this forecast extends beyond the Fair Funding Review and the revised Business Rate Retention Scheme due to be implemented in 2025/26. It moves a year beyond these events and makes broad assumptions at the macroeconomic level pending any indicative information at the local level. Inflation assumptions are also potentially volatile and therefore there remains a significant level of uncertainty surrounding the £6.0m forecast deficit which could realistically vary between +/- £5m.
182. It is proposed that the Council takes an evenly managed approach to addressing the £6.0m of savings required over the next 3 years by phasing those savings evenly, as set out below, in order to provide reasonable time for plans and the necessary proposals to be prepared and implemented.



183. Due to the uncertain nature of the future years' forecasts, it is imperative that the Council plans for £2.0m of savings per annum as well as maintaining sufficient General Reserves. This is a balanced approach, appropriate to an eventuality where the Council's forecasts are either too pessimistic or too optimistic. For example, in the event that the 3 year forecast improves, the Council has not prematurely made a level of savings and service reductions that could have been avoided and it allows more time for savings initiatives to take effect. If the forecast deteriorates, the Council will have made good progress towards the necessary savings and have sufficient General Reserves to avoid significant "spikes" in Savings Requirements in any single year in the future.
184. Crucially this savings strategy, as described above, can only work if the Council retains General Reserves and the Covid Contingency at the levels set out in this report as well as retaining the Transformation Reserve to be available to support the delivery of future savings. Should the Council elect to follow an alternative savings profile, the Council's financial risk will increase, and this will necessarily need to be reflected in the assessment of the minimum level of General Reserves (now determined to be required to be maintained at £8.0m) that the Council must hold in order to maintain its financial resilience.
185. In summary, the overall forecast budget deficit and therefore savings requirement, has been maintained at £6.0m as a consequence of the Administration's proposals to provide for a "structurally balanced" Budget in 2023/24 and 2024/25. The forecast has been "rolled on" to now include the financial year 2026/27 and the overall forecast budget deficit and savings requirement for the 3 year period is forecast to be £6.0m. Importantly, this level of budget deficit can only be maintained if the Council approves the proposed £3.9m of savings as well as the increase in Council Tax of 4.99% for 2023/24.

186. The medium term financial forecasts are set out as part of the General Fund Summary in Appendix 1.

ESTIMATED RESERVES 2022/23 TO 2026/27

187. In general, maintaining adequate reserves is a measure of responsible financial management and strong financial health. They are required in order to be able to respond to "financial shocks" without having to revert to the alternative of quick and severe services reductions. Equally, they can be a vehicle to take advantage of any opportunities that may arise which are in the financial interests of the Council (for example, matched funding opportunities which could lever in additional funding for the Island). Importantly, they also enable differences between expenditure and funding levels to be "smoothed out" and "spread out" in a managed and planned way over time.

188. Operating at a minimum level of reserves, and an over reliance on the use of reserves in any one year, has the effect of delaying savings from one year and adding them to the following year's savings requirement. This results in a level of savings required in the following year that are likely to be extremely difficult to achieve and with a corresponding drastic reduction in services. It also places the Council in a potential chaotic environment where any unforeseen financial pressures arising in the year would need to be met by equivalent further savings in the same year. This can have a de-stabilising effect on Council services, shifting the focus from driving through efficiencies, income generation and regeneration activities, to one that is focused on cuts in services which can be achieved more readily within the timescales.

189. In accordance with Best Practice, a review of the Council's reserves and balances has been undertaken as part of the budget process. The review considers the Council's potential financial risks over the next few years in order to determine the prudent level of balances that should be retained, based on the Council's risk profile. The assessment of the minimum level of General Reserves takes account of, but is not limited to, the following:

- The proposal to maintain a Covid Contingency of £4.2m as at the end of 2023/24
- The current relatively low level of General Reserves representing just 2.9% of Gross Expenditure
- The potential continued exposure to a volatile inflationary environment
- The increasing susceptibility to budget pressures generally given the magnitude of savings that have been made in the past (i.e. £93m)
- The required level of future savings necessary to remedy the forecast deficit of £6.0m
- The inherent volatility of the Business Rate Retention system (previously described) both now and in the future
- The uncertainty presented by the overhaul of the Local Government Funding system in 2025/26

- Potential for reduced Council Tax collection rates associated with the legacy of the covid pandemic as well as the cost of living crises
 - Potential liabilities for some substantial disputes against the Council.
190. Predicated on the approval of £3.9m savings for 2023/24, a Council Tax increase of 4.99% and the retention of the Covid Contingency of £4.2m it is considered, given the weight of financial risk being carried by the Council and the other reserves that are maintained for specific purposes, that the minimum General Reserves that should be maintained is £8.0m.
191. Should the Council not provide a Covid Contingency as proposed, the minimum level of Reserves will necessarily need to increase.
192. The statement below gives details of the General Reserves in hand at 01 April 2022, together with the proposed use of reserves in 2022/23 and 2023/24 arising from the Budget proposals contained within this report. The forecast balances from 2024/25 onwards **assume that the £6.0m savings requirements set out in the previous section are achieved according to the profile described.**

General Reserves Forecast – Up to 2026/27					
Financial Year	Current Year	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27
	£m	£m	£m	£m	£m
Opening Balance	12.0	11.9	11.9	12.4	12.3
In Year Surplus / (Deficit)	(0.1)	0	0.5	(0.1)	0
Forecast Balance	11.9	11.9	12.4	12.3	12.3

193. The level of balances held over the period will be higher than the minimum level recommended in the short term. This prudent approach is being taken for a number of specific reasons, which include:
- The susceptibility of the Council's 3 Year Forecast to vary by +/- £5m due to the risks previously described
 - The strategy to "smooth out" and "spread out" the Council's necessary savings over longer periods of time, relying on the use of Reserves in some years whilst Savings requirements "catch up"
 - The continuing risks associated with the financial sustainability for both Adult Social Care and Children's Services. For example, should the recommended £3.9m savings not be achieved in 2023/24, General Reserves would be at minimum levels during the year.
 - The balances are predicated on further savings (as yet unidentified) of £6.0m being achieved over the following 3 years. If those savings are not made, balances would be close to minimum levels by March 2026.

- The uncommitted balance available in the Transformation Reserve of just £3.2m (see below) means there are only limited funds available to fund the implementation costs of future efficiency savings
 - The forecast full utilisation of the Covid Contingency by March 2026
194. General Reserves are anticipated to stabilise at circa £12m over the next 4 years. As previously described, it has been a key feature of the Council's MTFs to repair and gently build General Reserves so that they are available to draw on and "smooth savings" at lower levels but over a longer period of time as well as being available for financial shocks should they arise.
195. In addition to General Reserves, the Council has established a Transformation Reserve which has a current uncommitted balance of £3.2m. This reserve was established as one of the Council's primary vehicles to deliver savings. Often, transformation schemes aimed at significant cost reduction or income generation in line with the Administration's aspirations will be of a scale and complexity that require up front resources, especially if they are to proceed at pace.
196. It is anticipated that due to the nature and scale of some of the savings proposals in 2023/24, there will be a need to provide up-front funding from this reserve particularly for the Organisational re-design as well as savings and cost avoidance measures in Adult Social Care and Children's Services to support their delivery.
197. Maintaining the Transformation Reserve at sufficient levels to support savings delivery through "Spend to Save", "Invest to Save" and "Invest to earn" schemes is vital to the success of the MTFs and the Council's future Savings Requirements. Accordingly, a strategy for its replenishment is a necessity if this Reserve is to continue to deliver against its intended purpose.
198. Due to the serious financial constraints of the Council, the Council's future forecasts do not plan for any replenishment of the Reserve. It is advisable therefore, that should any further savings be made by year end, consideration be given at that time to any necessary replenishment.
199. The Council maintains a number of other reserves, many of a modest nature, in order to provide for known liabilities in the future. These include:
- The Highways PFI Reserve
 - Insurance and Risk Reserve
 - Repairs and Renewals Reserve
 - Business Rate Retention Reserve.
200. For the Council to meet the overall aim of its MTFs, it is important to strike the optimum balance between its key drivers of:
- Delivering savings (income, efficiencies and service reductions) over a manageable period of time which is consistent with maintaining good quality essential services

- Provide sufficient funding for Spend to Save, Invest to Save and Invest to Earn, initiatives through the Council's Transformation Reserve
- Ensure that the Capital Programme is sufficiently funded over the medium term to stimulate the Island Economy and improve the Council's overall financial position
- Maintaining General Reserves at levels that ensure strong financial resilience and financial health to provide a stable platform for all of the above.

201. To support this aim and ensure that maximum resources are available for the delivery of necessary savings, it is proposed that any further savings for 2022/23 that are made by year-end (after allowing for specific carry forward requests) be transferred to the Transformation Reserve, Revenue Reserve for Capital (to increase the Capital Resources available), Covid Contingency and General Reserves (to improve overall financial resilience), with the level of each transfer determined by the S.151 Officer.

CAPITAL PROGRAMME 2022/23 TO 2027/28

Overall Strategy

202. As described in the Medium Term Financial Strategy (MTFS), the strategy is to maximise the capital resources available and then target the investment of those resources to areas that will enable the Council to meet its statutory responsibilities, stimulate the Island Economy and improve the Council's overall financial position.

203. The development of a Capital Strategy considers investments that will be made in the acquisition, creation, or enhancement of tangible or intangible fixed assets, in order to yield benefits to the council for a period of more than one year. It also considers how stewardship, value for money, prudence, sustainability and affordability will be secured. The Capital Strategy therefore has 3 core aims:

Aim 1 - To support a Medium Term Outlook

- allocating known resources to future years for critical capital investment, ensuring that in years where capital resources are limited, critical investment can continue to be made;
- aligning known resources and spending, ensuring that uncertain or forecast resources are not applied to current investment, thus leaving potentially unfunded obligations in the future; and
- smoothing out any significant gaps between capital investment needs and capital resources available by utilising contributions from revenue.

Aim 2 - To Maximise the Capital Resources available and the flexibility of their application

- setting aside capital funding for "match funding" opportunities, where these are aligned with the Council's strategic objectives in order to take advantage of "free" funding;
- reviewing contractually uncommitted schemes against newly emerging capital investment priorities;
- avoiding ring-fencing of capital resources, except where such ring-fencing is statutory; and
- using prudential borrowing for "Invest to Save" schemes, or schemes which generate income.

Aim 3 - Targeted Capital Investment

- annual review of all contractually uncommitted capital schemes which rely on non-ring-fenced funding is undertaken to ensure that they remain a priority in the context of any newly emerging needs and aspirations;
- investment in programmes of a recurring nature that are essential to maintain operational effectiveness; and
- invest in specific schemes that:
 - have a significant catalytic potential to unlock the regeneration of the Island;
 - are significant in terms of the Council strategies that they serve;
 - are significantly income generating or efficiency generating; and
 - if not implemented would cause severe disruption to service delivery.

Capital Resources

204. Capital resources available for 'new starts' in 2023/24 and onwards have been reviewed and the amount available to be allocated has been determined as £15m. This figure includes reallocated resources as a result of a review of contractually uncommitted schemes and the reprioritisation of projects.
205. Additionally, a small contingency has been retained to mitigate the risk of capital receipts and grants being lower than anticipated and some funding has been held back to meet unavoidable increases in costs to approved schemes and to support match funding bids for additional external funding.
206. The total capital resources available to the Council for 'New Starts' in 2023/24 and onwards are described below:

Corporate Capital Resources

207. This includes all non-ring-fenced capital grants (e.g. local transport plan, education basic need and school condition funding), capital receipts and revenue contributions and are described below:

- schools capital maintenance grant, which whilst not ring-fenced, is targeted at improvement of school's estate of £2.2m. In addition, the Devolved Formula grant, which is ring-fenced, is passported to schools in the sum of £263,000;
- capital receipts totalling £1.5m from the sale of council assets or the repayments of previous capital grants;
- reallocated resources of £1.9m from the review of contractually uncommitted schemes and the reprioritisation of projects; and
- other capital resources.

Ring-fenced Capital Funding

208. Ring-fenced capital funding includes the following:

- funding of £2.3m is passported to the Better Care Fund which is targeted at Disabled Facilities Grants and wider Social Care programmes. This is required to be prioritised by the Council and the Isle of Wight Clinical Commissioning Group;
- grant funding of £2.1m from the Department of Transport Safer Roads Fund for works to the A3056; and
- grant funding of £2m from the Arts Council for a new cultural centre in Ryde.

Prudential Borrowing

209. Prudential Borrowing is only available for a Council's "Primary Purpose for Investment" which must be "consistent with statutory provisions, proportionate to service and revenue budgets and consistent with effective treasury management practice".
210. The arrangements for Prudential Borrowing were strengthened following growing concerns over Local Government commercial property investments and taking on disproportionate levels of commercial debt to generate yield. Borrowing for "debt-for-yield investment" is not permissible under the Prudential Code, as it does not constitute the primary purpose of investment and represents unnecessary risk to public funds.
211. Prudential Borrowing is available for "Invest to Save" schemes only where those savings must accrue directly to the Council on a sustained basis. Prudential Borrowing is governed by the Prudential Code and its associated tests of affordability, sustainability and prudence. Prudential borrowing is what is termed "unsupported borrowing" and means that the Government does not provide any revenue support through government grant for the repayment of that debt (neither principal nor interest).
212. The Affordability test dictates that the Council must be able to demonstrate that it can afford the debt repayments over the long term. Given the future forecast deficits of the Council, prudential borrowing is only available for Invest to Save schemes where there is a demonstrable case that the capital expenditure

incurred will result in savings (i.e. cost reduction or additional income) that at least cover the cost of borrowing. Also, that those savings accrue directly to the Council and will be available on a sustained basis over the lifetime of any borrowing.

213. No new prudential borrowing has been included in the programme.

Capital Investment Proposals ("New Starts") – 2023/24

214. Proposals for the allocation of the Council's 'new start' capital resources of £15m are set out in Appendix 4 for approval. They comprise a balanced set of proposals which:

- ensure the medium term resilience of essential core services and facilities;
- supports the delivery of the council's key areas of activity focussing on the provision of housing affordable to Island residents, responding to climate change and enhancing the biosphere and economic recovery;
- complements the existing capital programme and further supports the council's financial viability for the medium term;
- invests in Schools;
- invests in care facilities including adaptations to peoples' homes; and
- invest in highways network works, the public realm and rights of way.

Proposed Capital Programme 2022/23 to 2027/28

215. The overall Capital Programme, including all existing schemes which have been reviewed and considered as a continuing priority, and proposed new schemes is set out in Appendix 5 for approval.

Future Capital Obligations, Priorities and Aspirations

216. The proposals for capital investment contained within this report complement the existing Capital Programme and provide further solidity to secure the Council's financial viability for the medium term. Nevertheless, the Council will inevitably face future obligations of a statutory nature as well as wish to further develop its priorities and aspirations for future capital investment to meet its overall aim of financial and public service sustainability.

217. Known obligations and aspirations, in line with the MTFS, for future capital investment once further capital resources become available include:

Statutory Obligations:

- Essential maintenance obligations for schools
- Provision of additional Disabled Facilities Grants
- Requirements to improve road safety, disabled access and air quality

- Improvements to rights of way and coastal protection

Improving the Island Economy:

- Further development of key employment, housing and regeneration sites
- Developing the Digital Island
- Coastal protection schemes to protect homes and businesses
- Improvements to road transport infrastructure as a means of supporting new business growth and productivity generally, as well as the protection of the tourism economy.

Public Service Transformation:

- Developing the Digital Council
- Further supported living facilities for Adult Social Care clients
- Use of technology to provide greater personal independence for those with care needs
- Developing the Council's commitment to work with partners and central government to ensure that the Island's net carbon emissions can be reduced to zero by 2030 as part of its climate emergency resolution.

218. The scale of the funding required for these obligations and aspirations is such that it far outstrips the annual capital funding which may be available. With core capital funding of circa £6.0m, there is a significant shortfall ("Capital Gap") to be met. All of the core funding has some degree of obligation attached to it, £2.5m is ringfenced to the Better Care Fund and Devolved Formula Grant, and the rest although not ringfenced, is expected to be targeted at schools and highways. The overall implication being that there is virtually no routine annual funding available for Capital Investment beyond those items described above.

219. Given the scale of the "Capital Gap" described above, the necessity to supplement the Capital Resources available remains an explicit feature of the Council's approved MTFS so that the Council can continue to fund essential services but also fund Regeneration and Income Generation schemes aimed at improving the overall financial sustainability of the Council and the economy of the Island. For this reason, it is recommended that the S.151 Officer be given delegated authority to transfer all or part of any further savings made in 2022/23 arising at the year-end to supplement the Capital Resources available for future years.

STATEMENT OF THE SECTION 151 OFFICER IN ACCORDANCE WITH THE LOCAL GOVERNMENT ACT 2003

220. Section 25 of the Local Government Act 2003 ("the Act") requires the Chief Financial Officer to report to the Council on the following matters:

- The robustness of the estimates included in the Budget made for the purposes of setting the Council Tax; and

- The adequacy of proposed financial reserves.
221. Section 25 of the Act concentrates on uncertainties within the budget year rather than the greater uncertainties in future years. In the current economic climate, there continue to be uncertainties in both the current and future years i.e. beyond 2023/24. Particular uncertainties exist regarding:
- The volatility and elevated levels of inflation
 - The increased levels of demand for Council Services being driven by the cost of living crisis
 - The continuing impact of the Covid pandemic, its impact on costs, Council Tax and Business Rate income levels
 - The general uncertainty surrounding Business Rate income including the forthcoming revaluation and the extent of successful appeals and mandatory reliefs, all of which affect Retained Business Rates
 - Government Funding levels (including the outcome of the Fair Funding Review and the Business Rate Retention scheme review in 2025/26)
 - The ability of the Council to continue to make the necessary savings at the required scale and pace
 - The likely demographic cost pressures arising in demand driven services such as Adult Social Care, Children's Services and Housing
 - The extent to which new policy changes will be funded

All of these uncertainties increase the need for adequate reserves and balances to be maintained in current and future years.

222. A minimum level of revenue reserves must be specified within the Budget. The Council must take full account of this information when setting the Budget Requirement.
223. Should the level of reserves fall below the minimum approved sum of £8.0m as proposed in this report, either arising from an overspend in the previous year or the current year, the S.151 Officer has a duty to report this to the Council with recommendations as to the actions that should be taken to rectify the shortfall. In the most extreme of circumstances, the S.151 Officer can impose spending controls until a balanced budget is approved by the Council.

Robustness of the Budget

224. In setting the Budget, the Council should have regard to the strategic and operational risks facing the Council. Some of these risks reflect the current economic climate and the national issues surrounding Local Authority funding levels.
225. Estimates and forecasts have been prepared to include all known significant financial factors over the medium term in order to inform spending decisions.
226. Assumptions for the Budget and forecasts for future years are considered to be sound and based on the best available information. These are set out in detail

under the Section entitled "Revenue Forecasts 2024/25 to 2026/27" and use the following sources as their evidence base:

- Government funding as set out in the provisional settlement for 2023/24
- An assumption that the overall outcome of the Fair Funding Review and Business Rate Retention scheme review will lead to a net reduction in funding of £1.0m
- No further increase in funding for the "Island Deal"
- A "no growth" assumption for Retained Business Rates from 2024/25 onwards, on the basis that any income arising from growth will be offset by appeals, reliefs and change of use
- An assumption that the value of successful appeals against the 2023 rating list will be based on the most up to date information from the Valuation Office Agency
- Increases in Council Tax based on what is likely to be acceptable and within expected referendum limits
- Inflation on Retained Business Rates and prices in accordance with inflation estimates from the OBR
- Specific provisions for increases in demand for both Adult Social Care and Children's Services based on current trends
- Prudential borrowing requirements based on approved Capital Schemes
- Revenue contributions to Capital based on known commitments and estimates of future needs
- Balances and contingencies based on a risk assessment of all known financial risks.

227. Savings contained within the Budget are those where Portfolio Holders and Directors assess the confidence level of achievement as medium and above. Savings proposals will also be subject to scrutiny by Members. Responsibility and accountability for delivering the savings rests with the relevant Portfolio Holders and Directors and progress will be monitored throughout the year as part of the Budget Monitoring process.

228. The most volatile budgets are those of Adult Social Care and Children's Services. Budget provision has been made available to cover these risks both directly within the Service Budget as well as within the Council's overall contingency provision.

229. The forecasts prepared for the forthcoming and future years are robustly based and illustrate the expected costs the Council will incur in order to deliver current levels of service.

230. Portfolio Holders will be given regular budget updates by Directors to ensure that action to address any potential variance is taken promptly and quarterly budget monitoring reports will continue to be presented to the Cabinet.

231. Prudential Indicators are accurately calculated based on the Council's audited Balance Sheet, notified income streams and in depth financial appraisals of proposed capital schemes. These are published and reviewed on a regular basis to ensure that the Council complies with the concepts of Affordability, Prudence, and Sustainability. The Council can only consider Prudential Borrowing for "Spend to Save Schemes", as it is currently unaffordable for any other purpose given the forecast budget deficits in 2024/25 and future years.
232. Future years' budgets will be particularly challenging due to continued cost pressures, the continuing legacy impact of the Covid pandemic, economic uncertainties and funding uncertainties. The Council's forecasts plan for a savings target of £2.0m in 2024/25, £2.0m in 2025/26 and £2.0m in 2026/27

The Adequacy of Proposed Financial Reserves

233. The Council's General Reserves have been proposed at levels that are consistent with the Council's financial risks over the medium term and take account of the level of the Council's Corporate Contingency as well as other earmarked reserves that are set aside for risk events such as the legacy of Covid, the Insurance Reserve, Repair and Renewals Reserve and the Business Rate Retention Reserve.
234. Reserves provide a buffer against unexpected costs such as pay awards, inflation, shortfalls in income and overspends and enable the Council to manage change without undue impact on the Council Tax or immediate reductions to services. They are a key element of strong financial standing and resilience as they mitigate risks such as increased demand and other cost pressures.
235. The level of General Reserves held will be higher than the minimum level required. This approach is in accordance with the approved MTFs in order to "smooth out" and "spread out" the necessary savings to meet the future forecast budget deficits in a planned and managed way. The current financial environment and the pace at which £20m of unplanned Budget Pressures arose has exposed the inadequacy of Council's overall financial resilience, making the compelling case for the increase in General Reserves of £1m and the importance of the MTFs to gently increase General Reserves over time. The position will continue to be reviewed and reported to Members on an annual basis.
236. The Transformation Reserve is the Council's primary vehicle for funding Spend to Save and Spend to Avoid Cost Initiatives and Feasibility Studies, and currently stands at just £3.2m. In order for this Reserve to continue in this capacity, it will be necessary to replenish it from any further savings, transfers from other reserves no longer required, or alternatively, from the Revenue Budget in future years.
237. The Council maintains a number of other Earmarked Reserves for specific purposes, all of which are at the levels required to meet known future commitments.

238. The Council's core contingency provision for 2023/24 has been set on a risk basis at £4.0m and reflects anticipated calls on the budget where the timing and value is not yet known. The use and application of the contingency will be exercised tightly.
239. At the proposed levels, the Council reserves are reasonably expected to be sufficient to accommodate the Council's financial risks and maintain the Council's overall financial health.

STRATEGIC CONTEXT

240. The Council's Budget for 2022/23 and 2023/24, the level of Council Tax and the Capital Programme 2022/23 to 2027/28 represent the Council's detailed plan for 2023/24 and set the direction for the medium term. They are set within the context of the Council's approved Corporate Plan and Medium Term Financial Strategy (MTFS).

CONSULTATION

241. The proposals set out in this report have been prepared in consultation with the Cabinet.
242. The Portfolio savings amounts proposed within this report will inevitably impact on service provision. Appendix 3 describes the indicative savings that might (or are likely) to be made in order to achieve the proposed savings amounts. Whilst some are likely to be implemented, there will be others that require consultation and appropriate Equality Impact Assessments to be considered before any implementation can take place. For this reason, any savings proposal set out in Appendix 3 can be altered, amended or substituted with an alternative proposal following appropriate consultation.
243. An Island-wide budget consultation took place over the period 22 December 2022 to 30 January 2023 as previously described. The Scrutiny Committee will also review the proposals contained within this report and have the opportunity to make their representations to the Cabinet.

FINANCIAL / BUDGET IMPLICATIONS

244. All of the financial implications arising from the recommendations are contained within the body of the report and its appendices.

LEGAL IMPLICATIONS

245. The council will need to set a lawful and balanced budget and Council Tax level for 2023/24 by the statutory deadline of 11 March 2023. In developing any proposals for budget changes, the necessary Equality Impact Assessments and any consultation processes will need to be followed.
246. Section 106 of the Local Government Finance Act 1992 makes it an offence for a Councillor in council tax arrears (with at least two months unpaid bills) to vote

at a meeting of the Council where financial matters relating to council tax are being considered. It is also an offence if any such Councillor present, who is aware of the arrears, fails to disclose that they are in arrears of council tax. Members must therefore ensure that if they have such arrears, that they disclose this to the meeting.

EQUALITY AND DIVERSITY

247. The Council has to comply with Section 149 of the Equality Act 2010. This provides that decision makers must have due regard to the elimination of discrimination, victimisation and harassment, advancing equalities, and fostering good relations between different groups (race, disability, gender, age, sexual orientation, gender reassignment, religion/belief and marriage/civil partnership).
248. The savings proposals set out within this report are proposals only for the purposes of setting Portfolio Cash Limits and the overall Council Budget. Whilst most are likely to be implemented, there will be some that require further consultation and appropriate Equality Impact Assessments to be considered before any implementation can take place. For this reason, Portfolio holders have the discretion to alter, amend or substitute any proposal with an alternative proposal following appropriate consultation. An Equality Impact Assessment will be annexed to the report to Full Council in respect of the relevant proposals that arise out of these recommendations.

PROPERTY IMPLICATIONS

249. The property implications contained within this report seek to improve the sufficiency, condition and efficiency of the Council's existing property estate. Proposals for land acquisitions are intended to provide sites for regeneration and employment and will only be purchased after full and proper due diligence. Any potential new build or property acquisition proposals will be the subject of a full financial appraisal and proper due diligence.

OPTIONS

250. The proposed Budget for 2022/23 and 2023/24, associated Savings Requirements, use of General Reserves and the Capital Programme have been prepared in accordance with the Council's approved Medium Term Financial Strategy (MTFS). These proposals are presented as a cohesive and interrelated package of measures aimed at providing the maximum opportunity to meet the financial challenge faced by the Council. The options available within a cohesive Financial Strategy are:

A. In respect of the Revenue Budget 2023/24:

- i) Approve the recommendations set out in this report
- ii) Reduce the proposed increase in Council Tax and increase the level of savings noting that every 1% reduction in Council Tax will require an increase in savings of £936,300

- iii) Increase the use of General Reserves used in 2023/24 and reduce the level of savings accordingly, acknowledging that:
 - (a) In doing so, the level of savings in 2024/25 and future years will increase providing an uneven profile of savings, which is contrary to the approved MTFs, and the Council's financial resilience will reduce at a time of unprecedented inflationary volatility, service demands arising from the rising cost of living and uncertainty for the future of Local Government funding
 - (b) The minimum level of Reserves to be maintained will need to be increased in response to the increase in financial risk
- iv) Amend the allocation of Savings Requirements between Portfolios by reducing savings in one or more Portfolios and providing replacement savings of equivalent value in one or more other Portfolios
- v) A combination of options (ii) to (iv) above
- vi) Set a Council Tax for General Purposes at a level above 4.99% and undertake a local referendum.

B. In respect of the Capital Programme 2022/23 to 2027/28 as set out in Appendix 5:

- i) Approve the recommendations set out in this report
- ii) Amend the proposed "New Start" Capital Schemes by reducing / deleting proposed Capital Schemes and replacing with alternative Capital Schemes of equivalent value
- iii) Amend the proposed "New Start" Capital Schemes by reducing / deleting Capital Schemes and retaining the amount of Corporate Capital resources available for future Capital Programmes
- iv) Amend the proposed "New Start" Capital Schemes by reducing / deleting Capital Schemes and reducing the funding provided from Corporate Reserves and retaining those funds in General Reserves to provide additional financial resilience to the Council.

RISK MANAGEMENT

251. The financial challenge is the single biggest risk to sustainable public services on the Island. Accordingly, the Council needs to resolutely maximise the deployment of the resources that it does have (Revenue, Capital, Property and Staff) towards driving additional income / funding and cost savings to secure Council Services for the future. The Budget and Council Tax proposals set out in this report are part of a cohesive plan which conforms to the Council's approved Medium Term Financial Strategy (MTFS). The strategy provides both structure and direction to achieve the financial challenge in a way that is aligned with the Council's corporate objectives and minimises cuts to essential services.

252. The key risk is that the Council does not approve a Revenue Budget for 2023/24 and a Capital Programme that conforms to its MTFs, and as a consequence the approach to cost savings / additional income / funding is disorderly with sub optimal decisions taken which lead to greater than necessary cuts to essential services. Furthermore, that proposed amendments relating to reductions in the level of Council Tax or increases in the use of General Reserves are "unbalanced" which ultimately compromise the financial health and resilience of the Council and as a consequence jeopardise the future of Council Services.
253. The robustness of the Budget and Adequacy of Reserves is described in the section entitled "Statement of the Section 151 Officer in Accordance with the Local Government Act 2003".
254. Key risks relating to the Capital Programme are any amendments to the proposed programme to:
- Delete or reduce operationally essential schemes which have the potential to compromise IT system integrity and support and create serious disruption to Council Services
 - Delete or reduce operationally essential schemes which have the potential to close buildings from which Council Services operate
 - Delete or reduce schemes which are of a critical Health & Safety nature
 - Delete or reduce schemes of a cost avoidance, income generating or regeneration nature which could compromise the future financial viability of the Council and delivery of essential services
 - Delete or reduce Coastal Defence schemes, jeopardising external investment from the Environment Agency and therefore place homes and businesses at risk.

EVALUATION

255. Option **A (i)** and **B (i)** are recommended. The Budget and Council Tax proposals set out in this report are part of a cohesive plan which conforms to the Council's approved Medium Term Financial Strategy (MTFS) and is consistent with the Council's Corporate Plan. In particular:
- It proposes a Budget that is in "Structural Balance"
 - It provides £11.9m of additional funding for Adult Social Care and Children's Services, bringing financial stability to those essential services at a critical time
 - It provides a Covid Contingency expected to be sufficient to cover the financial impact of the pandemic over the next 3 years, providing financial resilience through an uncertain period and therefore a good degree of confidence in the sustainability of essential Council Services
 - It provides for a "smoothing" and "spreading" of savings over a planned period enabling the Council to maximise its operational capacity to implement initiatives aimed at increasing income / funding and reducing costs and providing time for the "alternative to cuts" initiatives to take effect

- It maintains the overall Savings Requirements for future years at £2.0m per and evenly phased
- Improves the overall financial resilience of the Council at a time of financial and economic volatility and unprecedented uncertainty in terms of both future cost and funding, enabling the Council to guard against more immediate and deeper savings
- An increase in Council Tax of 4.99% avoids further cuts to essential services to residents and improves the funding base for the future
- Ensures that sufficient funding is available to enable, or "pump prime" Spend to Save (Revenue) and Invest to Save (Capital) schemes as one of the primary vehicles to address future savings requirements
- Provides £15m Capital Investment, which in particular, will enable the Council to improve school facilities, provide further support to vulnerable residents to stay in their home safely and increase the level of temporary accommodation to Island residents.

RECOMMENDATION

256. It is recommended that the Council approve the following:

- (a) The revised Revenue Budget for the financial year 2022/23 and the Revenue Budget for the financial year 2023/24 as set out in the General Fund Summary (Appendix 1) which includes:
 - (i) Additional spending in Adult Social Care of £7.6m and Children's Services of £4.3m
 - (ii) No Revenue Contribution to Capital in 2022/23 or 2023/24
 - (iii) The Covid Contingency estimated at £4.2m, to guard against continuing and legacy risks
- (b) Any variation arising from the Local Government Finance Settlement 2023/24 or any further savings made in 2022/23 arising at the year-end (after allowing for specific carry forward requests) be transferred to the Revenue Reserve for Capital, Covid Contingency, Transformation Reserve, and General Reserves with the level of each transfer to be determined by the S.151 Officer.
- (c) That the level of Council Tax be increased by 2.99% for general purposes in accordance with the referendum threshold⁴ for 2023/24 announced by Government (as calculated in Appendix 2)
- (d) That the level of Council Tax be increased by a further 2.0% beyond the referendum threshold (as calculated in Appendix 2) to take advantage of the flexibility offered by Government to implement a "Social Care Precept"; and that in accordance with the conditions of that flexibility, the full amount of the associated sum generated of £1,872,500 is passported direct to Adult Social Care
- (e) That the amounts set out in Appendix 2 be now calculated by the Council for the financial year 2023/24 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992
- (f) The S.151 Officer be given delegated authority to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Police & Crime Commissioner, Hampshire & Isle of Wight Fire & Rescue Authority and Parish and Town Council precepts, and amend the calculations set out in Appendix 2 accordingly
- (g) The savings proposals for each Portfolio amounting, in total, to £3.895m for 2023/24 and continuing into future years as set out on the next page:

⁴ Council Tax increases beyond the referendum threshold can only be implemented following a "Yes" vote in a local referendum

Portfolio	Controllable Budget	Savings Proposal	
	£	£	%
Adult Social Care & Public Health*	54,438,981	1,243,500	2.3%
Children's Services, Education & Lifelong Skills*	28,695,978	299,000	1.0%
Climate, Environment, Heritage, HR, Legal & Democratic Services	7,812,210	128,000	1.6%
Community Protection, Regulatory & Waste	9,471,672	430,000	4.5%
Digital Transformation, Housing, Homelessness & Poverty	9,306,890	255,000	2.7%
Infrastructure, Highways PFI & Transport **	12,658,707	536,600	4.2%
Leader & Strategic Oversight	732,911	150,000	20.5%
Levelling Up, Regeneration, Business Development & Tourism	4,816,254	130,000	2.7%
Planning & Enforcement	2,646,087	45,000	1.7%
Strategic Finance, Transformational Change & Corporate Resources	9,339,164	677,900	7.3%
Grand Total	139,918,854	3,895,000	2.8%

* Excludes the additional funding passported through to Adult Social Care of £7.6m (which if included would result in an overall increase of 11.6%) and the additional funding for Children's Services, Education & Lifelong Skills of £4.3m (which if included would result in an overall increase of 14.0%)

** Excludes £19.4m of PFI grant funding, on a gross expenditure basis the saving amounts to 1.7%

- (h) Directors be instructed to start planning how the Council will achieve the savings requirements of £6.0m for the 3 year period 2024/25 to 2026/27 and that this be incorporated into Service Business Plans
- (i) The minimum level of Revenue Balances as at 31 March 2024, predicated on the approval of £3.895m savings in 2023/24 and the retention of the Covid Contingency of £4.2m, be set at £8.0m to reflect the known and expected budget and financial risks to the Council
- (j) Members have regard for the "Statement of the Section 151 Officer in accordance with the Local Government Act 2003"
- (k) The new Capital Investment Proposals ("New Starts") - 2023/24 set out in Appendix 4 be reflected within the recommended Capital Programme 2022/23 to 2027/28 and be funded from the available Capital Resources
- (l) The Capital Programme 2022/23 to 2027/28 set out in Appendix 5 which includes all additions, deletions and amendments for slippage and re-phasing

- (m) The allocation of Disabled Facilities Grants be made to the Better Care Fund, and reflected within the recommended Capital Programme 2022/23 to 2027/28
- (n) The S.151 Officer be given delegated authority to determine how each source of finance is used to fund the overall Capital Programme and to alter the overall mix of financing, as necessary, to maximise the flexibility of capital resources used and minimise the ongoing costs of borrowing to the Council
- (o) That the S.151 Officer in consultation with the Leader of the Council be given delegated authority to release capital resources held back for any contingent items that might arise, and also for any match funding requirements that may be required of the Council in order to secure additional external capital funding (e.g. bids for funding from Government or any other external source).
- (p) The Capital Strategy 2023/24, including the Minimum Revenue Provision Statement contained therein (Appendix 6)
- (q) The Investment Strategy 2023/24 (Appendix 7)

257. It is recommended that the Council note the following in respect of the Council's Budget:

- (a) The Revenue Budget 2023/24 as set out in Appendix 1 has been prepared on the basis of a 4.99% increase in Council Tax, any reduction from the overall 4.99% Council Tax increase proposed will require additional savings of £936,300 for each 1% reduction in order for the Budget 2023/24 to be approved
- (b) The Revenue Forecasts for 2024/25 onwards as set out in the section entitled "Revenue Forecasts 2024/25 to 2026/27" and Appendix 1
- (c) The estimated Savings Requirement of £6.0m for the three year period 2024/25 to 2026/27, for financial and service planning purposes, be phased as follows:

Financial Year	In Year Savings Requirement £m	Cumulative Saving £m
2024/25	2.0	2.0
2025/26	2.0	4.0
2026/27	2.0	6.0

- (d) The Transformation Reserve held to fund the upfront costs associated with Spend to Save Schemes and Invest to Save Schemes holds a very modest uncommitted balance of £3.2m and will only be replenished from

contributions from the Revenue Budget and an approval to the transfer of any further savings at year end

- (e) Should the Council elect to reduce the level of savings below £3.895m in 2023/24 (and £2.0m p.a. thereafter), the Council's financial risk will increase and therefore the minimum level of General Reserves held will also need to increase in order to maintain the Council's financial resilience
- (f) The Council Tax base for the financial year 2023/24 will be 54,087.0 [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the "Act")].
- (g) The Council Tax element of the Collection Fund for 2022/23 is estimated to be in deficit by £848,700* which is shared between the Isle of Wight Council (85.4%) and the Police & Crime Commissioner (11.1%) and the Hampshire & Isle of Wight Fire & Rescue Authority (3.5%)
- (h) The Business Rate element of the Collection Fund for 2022/23 is estimated to be in deficit by £334,500 of which is shared between the Isle of Wight Council (49%), the Hampshire & Isle of Wight Fire & Rescue Authority (1%) and the Government (50%)
- (i) The Retained Business Rate income⁵ for 2023/24 based on the estimated Business Rate element of the Collection Fund deficit as at March 2023, the Non Domestic Rates poundage for 2023/24 and estimated rateable values for 2023/24 has been set at £41,958,105.
- (j) The Equality Impact Assessment (attached at Appendix 8)

*Includes a deficit of £578,900 which under regulation was allowed to be spread over 3 years and is shared on a different basis

⁵ Includes Retained Business Rates of £16,994,458, "Top Up" of £12,028,784, S.31 Grants of £13,098,779 a Collection Fund deficit of £163,916

APPENDICES ATTACHED

258. The following appendices are attached:

- Appendix 1 - General Fund Summary
- Appendix 2 - Council Tax 2023/24 (calculated by the Council for the financial year 2023/24 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992, and to be updated for Town and Parish Precepts once they are available)
- Appendix 3 - Indicative Savings 2023/24
- Appendix 4 - New Capital Schemes starting in 2023/24
- Appendix 5 - Capital Programme 2022/23 to 2027/28
- Appendix 6 – Capital Strategy 2023/24
- Appendix 7 – Investment Strategy 2023/24
- Appendix 8 – Equality Impact Assessment

BACKGROUND PAPERS

259. The following background papers have been relied upon in preparing this report.

- (a) The Council's approved Medium Term Financial Strategy can be found at:
<https://www.iwight.com/Meetings/committees/mod-council/19-10-16/Paper%20B.pdf>

Contact Point: Chris Ward, Director of Finance, ☎ 023 9283 4423 e-mail chris.ward@portsmouthcc.gov.uk

CHRIS WARD
Director of Finance (S.151 Officer)

COUNCILLOR LORA PEACEY-WILCOX
Leader of the Council

COUNCILLOR CHRIS JARMAN
Strategic Finance, Transformational Change and Corporate Resources

GENERAL FUND SUMMARY - 2022/23 TO 2026/27

NET REQUIREMENTS OF PORTFOLIOS	REVISED BUDGET 2022/23 £	ORIGINAL BUDGET 2023/24 £	FORECAST 2024/25 £	FORECAST 2025/26 £	FORECAST 2026/27 £
Adult Social Care & Public Health	57,301,725	56,127,609	58,264,982	61,125,044	63,968,887
Children's Services, Education & Lifelong Skills	32,130,952	32,894,702	33,985,750	35,983,301	37,521,652
Climate, Environment, Heritage, HR, Legal & Democratic Services	7,130,784	7,318,082	7,537,064	7,705,389	7,900,126
Community Protection, Regulatory & Waste	5,247,249	5,418,282	5,846,461	6,266,266	6,665,127
Digital Transformation, Housing, Homelessness & Poverty	9,791,155	9,589,204	9,517,745	9,612,200	9,731,413
Infrastructure, Highways PFI & Transport	16,182,200	16,136,482	16,822,398	17,352,096	17,915,398
Leader & Strategic Oversight	1,323,941	1,055,550	1,087,023	1,110,689	1,135,588
Levelling Up, Regeneration, Business Development & Tourism	2,063,249	718,232	815,387	898,801	983,323
Planning & Enforcement	1,143,307	589,505	642,045	688,523	735,702
Strategic Finance, Transformational Change & Corporate Resources	28,291,561	48,955,141	55,742,987	54,762,704	53,850,770
Savings to be identified			(2,000,000)	(4,000,000)	(6,000,000)
Portfolio Expenditure	160,606,123	178,802,789	188,261,840	191,505,012	194,407,984
FUNDED BY:					
Contribution (to)/from Balances & Reserves	126,766	(7,347)	(514,125)	179,102	(26,509)
Revenue Support Grant	4,757,433	5,356,976	5,596,610	5,596,610	5,550,644
Business Rates Retention	30,453,547	41,958,105	44,438,732	43,438,732	42,994,345
Other General Grants	31,497,188	33,910,935	35,315,045	35,554,670	35,847,371
Collection Fund (Council Tax)	93,771,189	97,584,120	103,425,578	106,735,898	110,042,133
Total Financing	160,606,123	178,802,789	188,261,840	191,505,012	194,407,984
BALANCES & RESERVES					
Balance brought forward at 1 April	12,057,637	11,930,871	11,938,218	12,452,343	12,273,241
(Deficit)/Surplus for year	(126,766)	7,347	514,125	(179,102)	26,509
Balance carried forward at 31 March	11,930,871	11,938,218	12,452,343	12,273,241	12,299,750
Minimum level of balances	7,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Underlying Budget Deficit/(Surplus) - assuming future savings are met	126,766	(7,347)	(514,125)	179,102	(26,509)

This page is intentionally left blank

Calculation of the Council Tax for the Financial Year 2023/24

(In accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992)

1. The S.151 Officer has determined that the Council Tax base for the financial year 2023/24 will be **54,087.0** [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the “Act”)].
2. The Council calculates that the Council Tax requirement for the Council's own purposes for 2023/24 (excluding Parish and Town Council precepts) is **£98,309,072**.
3. That the following amounts be now calculated by the Council for the financial year 2023/24 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

(a)	To be determined by the S.151 Officer following notification of the final Parish and Town precepts	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish and Town Councils.
(b)	To be determined by the S.151 Officer following notification of the final Parish and Town precepts	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	To be determined by the S.151 Officer following notification of the final Parish and Town precepts	Being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(1) of the Act.
(d)	To be determined by the S.151 Officer following notification of the final Parish and Town precepts	Being the amount at 3(c) above (Item R), all divided by Item 1 above (Item T), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish and Town Council precepts).
(e)	To be determined by the S.151 Officer following notification of the final Parish and Town precepts	Being the aggregate amount of all special items (Parish and Town Council precepts) referred to in Section 34(1) of the Act
(f)	£1,817.61	Being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by 1 above (Item T) calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year (excluding Parish and Town Council precepts)

(g) Valuation Bands (Isle of Wight Council)

A £	B £	C £	D £	E £	F £	G £	H £
1,211.74	1,413.70	1,615.65	1,817.61	2,221.52	2,625.44	3,029.35	3,635.22

Being the amounts given by multiplying the amount at 3(f) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings in different valuation bands.

4. That it be noted that for the financial year 2023/24 the Hampshire Police & Crime Commissioner is consulting upon the following amounts for the precept to be issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire Police & Crime Commissioner)

A £	B £	C £	D £	E £	F £	G £	H £
167.64	195.58	223.52	251.46	307.34	363.22	419.10	502.92

5. That it be noted that for the financial year 2023/24 for the Hampshire and Isle of Wight Fire & Rescue Authority it is estimated that the following amounts for the precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire and Isle of Wight Fire & Rescue Authority)

A £	B £	C £	D £	E £	F £	G £	H £
53.62	62.56	71.49	80.43	98.30	116.18	134.05	160.86

6. That having calculated the aggregate in each case of the amounts at 3(g), 4 and 5 above, the Council, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992 as amended, hereby sets the following amounts as the amounts of Council Tax for the financial year 2023/24 for each of the categories of dwellings shown below:

Valuation Bands (Total Council Tax)

A £	B £	C £	D £	E £	F £	G £	H £
1,433.00	1,671.84	1,910.66	2,149.50	2,627.16	3,104.84	3,582.50	4,299.00

7. The Council determines in accordance with Section 52ZB of the Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2023/24, which represents a 4.99% increase, is not excessive in accordance with the principles approved by the Secretary of State under Section 52ZC of the Act: and it be noted that:
 - i) The 4.99% increase includes a 2.0% increase to support the delivery of Adult Social Care
 - ii) As the billing authority, the Council has not been notified by a major precepting authority (the Police and Crime Commissioner for Hampshire or the Hampshire and Isle of Wight Fire & Rescue Authority) that its relevant basic amount of Council Tax for 2023/24 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK of the Local Government Finance Act 1992.

8. The S.151 Officer be given delegated authority to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Police & Crime Commissioner and Hampshire and Isle of Wight Fire and Rescue Authority precepts.

This page is intentionally left blank

INDICATIVE SAVINGS PROPOSALS 2023/24

Saving Number	Service Area	Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2023/24 £
ADULT SOCIAL CARE & PUBLIC HEALTH				
1.	Adult Social Care	Restructure of department admin functions	No direct impact on front line or service users.	130,000
2.	Adult Social Care	Removal of Falls prevention co-ordinator funding to NHS Trust	No direct impact on front line or service users.	67,000
3.	Adult Social Care	Renegotiation of social care stroke support contract	Potential reduction in service capacity and/or location	70,000
4.	Adult Social Care	Reduce level of Cross Solent Travel Grant to NHS - to provide grant funding at a level that matches actual spend	No direct impact on front line or service users.	30,000
5.	Adult Social Care	Home care visits for specific non-hands on tasks replaced with digital support	Greater flexibility for people drawing on care and support in terms of time and convenience of access.	6,000
6.	Adult Social Care	Increase focus on telecare/assistive technology deployment within independent living service	Increase access to assistive technology supporting people to live independently	10,000
7.	Adult Social Care	Review of frontline social work service and process	Improve access to social work support	500,000
8.	Adult Social Care	Review of Community Equipment Services functions and processes	Improved access for local people and professionals	50,000
9.	Adult Social Care	10% reduction in total contract price for community occupational therapy	Encouraging service efficiencies with no impact on local people	50,000
10.	Adult Social Care	Restructuring funding for Voluntary and Community Sector infrastructure support contract.	Ability to shape support at more local level for Voluntary Sector organisations	28,000
11.	Adult Social Care	Review of market supplements in payment across the department	No direct impact on front line or service users.	57,000
12.	Adult Social Care	Review of background support provision at Brooklime House	More personalised care and support through Personal Budgets and Direct Payments	12,000
13.	Adult Social Care	Transformation of Independent Living support	More accessible community based and mobile support through the Living Well Service	15,000
14.	Adult Social Care	Income and cost reduction measures for Wightcare Service	Change in service delivery including a new schedule of charges in order to move towards a breakeven position over a 24 month period (approved by Cabinet in November 2022)	150,000
15.	Adult Social Care	Restructure of non-statutory management activity	No direct impact on front line or service users.	68,500
			Sub-total	1,243,500

INDICATIVE SAVINGS PROPOSALS 2023/24

Saving Number	Service Area	Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2023/24 £
CHILDREN'S SERVICES, EDUCATION & LIFELONG SKILLS				
16.	Children & Families	Beaulieu House Sale of second residential bed to another local authority. Beds are currently occupied but one particular step down could release a bed by April 2023.	Committing bed to another LA may impact future availability of as yet unknown IOW placement requirements.	166,000
17.	Children & Families	Post-Mosaic Implementation Admin Review Review of business hub, team administrators and social work personal assistant roles to identify efficiencies as a result of the new social care recording system.	No direct impact on front line or service users.	45,000
18.	Children & Families	Short Breaks Grants – to offer a flexible and targeted range of activities that offer parents and carers a break from caring, which meet the needs of children and which is responsive to need, acknowledging that these needs may change over time.	Scope and scale of some activities may change, and/or reduce. Activities that do not offer a break to parents/carers or which can be delivered through other means may no longer be a priority for funding. Changes to the short break activities programme, and the introduction of electronic gateway cards would aim to achieve a more equitable approach to awarding funding to service providers and would offer opportunities to shape provision to meet the needs of parents, carers and children across the Island, whilst minimising bureaucracy and back office processes	18,000
19.	Children & Families	Youth Offending Team (YOT) Potential for efficiencies from joint board arrangements with HCC	Opportunity to streamline the structure of the service to release small amount of savings.	20,000
20.	Education & Inclusion	Skills & Participation Team This team discharges the statutory duty to ensure all children progress into employment, education and training. The Island performs well on this measure above both regional and national benchmarks. The proposal is to removal a long term vacant post (3 years) and review of non-pay budgets	No direct impact on front line or service users.	50,000
			Sub-total	299,000
CLIMATE, ENVIRONMENT, HERITAGE, HR, LEGAL & DEMOCRATIC SERVICES				
21.	Human Resources	Vacancy management - unused provision for pension not taken up and posts not at top of grade	No direct impact on front line or service users.	10,000
22.	Learning & Development	Vacancy management - unused provision for pension not taken up and posts not at top of grade	No direct impact on front line or service users.	10,000
23.	Legal Services	Vacancy management - unused provision for pension not taken up and posts not at top of grade	No direct impact on front line or service users.	10,000
24.	Democratic Services	Vacancy management - unused provision for pension not taken up and posts not at top of grade	No direct impact on front line or service users.	10,000
25.	Corporate Leadership Team	Vacancy management - unused provision for pension not taken up and posts not at top of grade	No direct impact on front line or service users.	20,000
26.	Heritage	Dinosaur Island catering concession	Secure a catering concession to operate from March to October annually	10,000
27.	Heritage	Dinosaur Island review of admission fees	Increase in ticket costs: Adults from £6.00 to £8.00; family group 1 from £17 to £19; family group 2 from £17.50 to £20 and family group 3 from £20.50 to £24. No change to child admission charges.	33,000
28.	Libraries	Reduction in the book replacement fund which is currently budgeted at £96k for 22/23	Book replacement to be managed to minimise impact on library book stock.	10,000
29.	Grounds Maintenance	Reduce the frequency of maintenance activities in Cemeteries and Parks	Impact on physical appearance of parks and cemeteries.	15,000
			Sub-total	128,000

INDICATIVE SAVINGS PROPOSALS 2023/24

Saving Number	Service Area	Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2023/24 £
COMMUNITY PROTECTION, REGULATORY & WASTE				
30.	Bereavement Services	Bereavement Services - Review the Fees and Charges due to inflation and energy costs	Increase in fees and charges	300,000
31.	Registration Service	Registrars - Review of fees and charges to allow for inflation	Increase in fees and charges based on overall 10% increase	15,000
32.	Regulatory Services	Regulatory Services - funding for additional staffing resource removed	No direct impact on front line or service users.	115,000
			Sub-total	430,000
DIGITAL TRANSFORMATION HOUSING, HOMELESSNESS & POVERTY				
33.	ICT	Contract re-negotiations/data communications network re-design	No direct impact on front line or service users.	56,000
34.	ICT	Reduction in computer maintenance budget	No direct impact on front line or service users.	20,000
35.	ICT	Reduction in spend on multifunction printer devices	No direct impact on front line or service users.	10,000
36.	ICT	Reduction in mobile phones contract/spend	No direct impact on front line or service users.	50,000
37.	ICT	Vacancy management - unused provision for pension not taken up and posts not at top of grade	No direct impact on front line or service users.	20,000
38.	Housing Renewal	Regulatory Services (Housing) - funding for additional staffing resource removed	No direct impact on front line or service users.	35,000
39.	Housing	Housing Needs - review team management structure	No direct impact on front line or service users.	64,000
			Sub-total	255,000
INFRASTRUCTURE, HIGHWAYS PFI & TRANSPORT				
40.	Parking	Tariff increase of 25p per hour across all tariffs (implemented from 1st July 2023; savings net of implementation costs)	Increase in car parking tariffs across the Island	195,000
41.	Parking	Increase overnight parking charges (charges in place 1st November and 31 March)	Increased overnight parking fees.	36,600
42.	Parking	Increase cost of All Island Permits by 20% (implemented from 1st July 2023)	Monthly payments to increase by £10 per month; annual payments to increase by £110.	60,000
43.	Parking	Increase in cost of Tourist permits (implemented 1st July 2023)	Increase in cost for visitors and tourists	11,000
44.	Parking	Increase in cost of 200m resident permits (implemented 1st July 2023)	Increase of 20% for those purchasing these permits.	12,000
45.	Parking	Increase enforcement patrols across the Island	Visible enforcement activity	24,000
46.	Floating Bridge	Vehicle fees to return to pre-covid fee levels of £2.50 and £3.00	Current subsidy removed	98,000
47.	Transport	Reduced Concessionary Fares Budget - A prudent reduction in the concessionary fares budget for reimbursement due to weaker than forecast uptake of free travel of concessionary card holders	No direct impact on front line or service users.	100,000
			Sub-total	536,600

INDICATIVE SAVINGS PROPOSALS 2023/24

Saving Number	Service Area	Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2023/24 £
LEADER & STRATEGIC OVERSIGHT				
48.	Asst. CX	Deletion of the Asst Chief Executive role which is currently vacant.	No direct impact on front line or service users.	150,000
			Sub-total	150,000
LEVELLING UP, REGENERATION, BUSINESS DEVELOPMENT & TOURISM				
49.	Regeneration	Cease use of external property advice	No direct impact on front line or service users.	50,000
50.	Regeneration	Branstone Farm Phase 1- income from business units	None	75,000
51.	Regeneration	Leed Street Flats (Shanklin Spa property Swap)- rental income	None	5,000
			Sub-total	130,000
PLANNING & ENFORCEMENT				
52.	Planning & Enforcement	Reduce budget allocation for consultants fees and legal fees for policy development	No direct impact on front line or service users.	45,000
			Sub-total	45,000
STRATEGIC FINANCE, TRANSFORMATIONAL CHANGE & CORPORATE RESOURCES				
53.	Strategic Assets	Jubilee Stores- lease ended and property vacated	None	80,000
54.	Strategic Assets	Civic Centre/Barrack Block Sandown- cost reduction	None	35,000
55.	Revenues	Court Costs - To increase council tax and business rates admin fees to ensure that the councils' costs are met.	The increased costs will be met by the debtor. The fees are representative of the additional activities undertaken to recover unpaid tax	16,000
56.	Facilities Management	Increase fees for customer storage from £150 per pallet to £175	Increase in fees for customers	2,000
57.	Ryde Help Centre	Ryde Help Centre - Ryde Town Council to provide funding (Caveat: subject to Ryde Town Council agreeing their budget on 30th January 2023, without amendment - in which this contribution is proposed)	None	16,000
58.	Strategy - all areas	Vacancy management - unused provision for pension not taken up and posts not at top of grade	No direct impact on front line or service users.	4,000
59.	Council Wide	Organisational Re-design (6 month saving assumed in 2023-24) This will include all service areas, focusing on discretionary service areas and back-office support, seeking to implement proposals through vacancy management and voluntary redundancies in the first instance.	Re-design to be managed to mitigate impact on frontline services or service users.	524,900
			Sub-total	677,900
			Grand Total	3,895,000

NEW CAPITAL SCHEMES FOR APPROVAL IN 2023/24						
			RESOURCES ALLOCATED FROM			
REF NO	SCHEME DESCRIPTION	SCHEME DETAIL	CORPORATE RESOURCES	RINGFENCED GRANTS AND CONTRIBUTIONS	PRUDENTIAL BORROWING	TOTAL
			£	£	£	£
Children's Services, Education and Lifelong Skills						
12	24/25 Schools capital programme	Annual programme of capital maintenance		2,178,034		2,178,034
11	24/25 Devolved formula capital	Grant allocation passported to schools		263,456		263,456
19	Queensgate MUGA	Resurfacing of Queensgate Multi Use Games Area		94,534		94,534
		Sub-Total	0	2,536,024	0	2,536,024
Digital Transformation, Housing, Homelessness and Poverty						
39	Fuel Poverty Grant Scheme	Aimed at addressing fuel poverty for vulnerable residents		548,266		548,266
29	Disabled facilities Grants	Adaptations to support individuals in their own homes		1,000,000		1,000,000
40	Data Centre Infrastructure	Key hardware and software to maintain connectivity and cyber security	661,750			661,750
33	Equipment Programme	Replacement programme for laptops etc	1,595,900			1,595,900
36	Data Communications access points and switches	Replacement of wireless access point and network switches	498,400			498,400
38	Cyber security	Back up and security systems	648,000			648,000
20	Howard House	Office and client space to support Homelessness	60,000			60,000
41	Emergency Housing HMO	Purchase of property to provide an alternative to Bed and Breakfast	29,290	650,710		680,000
		Sub-Total	3,493,340	2,198,976	0	5,692,316
Climate Change, Environment, Heritage, Resources and Legal and Democratic Services						
60	Ryde cultural venue	Development of a cultural venue in Ryde in partnership with Shademakers		1,969,458		1,969,458
62	Appley Tower	Match funding to support Heritage Lottery Fund bid		40,000		40,000
61	Cothey Bottom Roof	Replacement of roof and cladding	250,000			250,000
59	Whitegates Pontoon	Replacement of pontoon in partnership with Cowes Harbour	85,000			85,000
45	Rights of Way	Annual rights of way capital maintenance programme	90,000			90,000
52	Lord Louis library roof phase 2	Phase 2 of works to library roof	300,000			300,000
54	Coastal Protection	Capital maintenance of coastal protection structures	420,000			420,000
		Sub-Total	1,145,000	2,009,458	0	3,154,458

			RESOURCES ALLOCATED FROM			
REF NO	SCHEME DESCRIPTION	SCHEME DETAIL	CORPORATE RESOURCES	RINGFENCED GRANTS AND CONTRIBUTIONS	PRUDENTIAL BORROWING	TOTAL
			£	£	£	£
Infrastructure, Highways PFI and Transport						
82	A3056 Safety Scheme	Grant funded scheme to improve stretch of road between A3020 and A3055 near Sandown		2,140,000		2,140,000
83	Advanced design works	Advanced design works		33,000		33,000
		Sub-Total	0	2,173,000	0	2,173,000
Strategic Finance, Transformational Change and Corporate Resources						
107	Decarbonisation/energy management	Continuing works to council properties in conjunction with Salix grant funding	200,000	701,767		901,767
101	Fleet vehicles	Continuing phasing to electric fleet where possible	450,000			450,000
108	Electric vehicle charging points	Roll out of charging points at key council locations	125,000			125,000
						0
		Sub-Total	775,000	701,767	0	1,476,767
	Total New Programme		5,413,340	9,619,225	0	15,032,565

COMPLETE CAPITAL PROGRAMME INCLUDING NEW SCHEMES

CAPITAL SUMMARY 2022/23 to 2027/28	FORECAST 2022/23 £	ESTIMATE 2023/24 £	ESTIMATE 2024/25 £	ESTIMATE 2025/26 £	ESTIMATE 2026/27 £	ESTIMATE 2027/28 £	ESTIMATE TOTAL £
Summary Programme							
Adult Social Care and Public Health	247,246	3,157,372	1,092,421	0	0	0	4,497,039
Children's Services, Education and Lifelong Skills	8,529,282	6,933,889	2,441,490	0	0	0	17,904,661
Digital Transformation, Housing, Homelessness and Poverty Climate Change, Environment, Heritage, Resources and Legal and Democratic Services	2,859,802	16,596,723	17,273,050	20,148,450	815,000	738,400	58,431,426
Community Protection, Regulatory Services and Waste	652,529	6,430,360	1,424,000	5,875,000	32,300,000	0	46,681,888
Infrastructure, Highways PFI and Transport	2,084,217	2,340,943	2,808,418	0	0	0	7,233,578
Levelling Up, Regeneration, Business Development and Tourism	9,568,126	11,253,869	877,320	1,093,210	1,557,840	0	24,350,365
Strategic Finance, Transformational Change and Corporate Resources	5,993,587	4,829,520	12,918,381	6,250,000	0	2,194,000	32,185,488
	2,077,613	2,223,655	860,000	0	0	0	5,161,268
Total capital programme	32,012,400	53,766,331	39,695,080	33,366,660	34,672,840	2,932,400	196,445,711
Summary of Capital Resources							
Unsupported borrowing	2,547,287	11,194,157	32,523,468	27,376,966	0	0	73,641,878
Corporate Resources (including capital receipts)	9,848,919	20,136,053	5,147,404	5,989,694	2,372,840	2,932,400	46,427,309
Ringfenced Grants	18,731,530	21,071,848	2,024,207	0	32,300,000	0	74,127,585
External Contributions	884,665	1,364,274	0	0	0	0	2,248,939
Total resources available	32,012,400	53,766,331	39,695,080	33,366,660	34,672,840	2,932,400	196,445,711

REF NO	CAPITAL PROGRAMME 2022/23 to 2027/28	FORECAST 2022/23 £	ESTIMATE 2023/24 £	ESTIMATE 2024/25 £	ESTIMATE 2025/26 £	ESTIMATE 2026/27 £	ESTIMATE 2027/28 £	ESTIMATE TOTAL £
	Adult Social Care and Public Health							
1	Residential and Community Care equipment	32,964	80,000	50,000	0	0	0	162,964
2	Gouldings	82,000	2,018,000	0	0	0	0	2,100,000
3	Adelaide	0	0	331,964	0	0	0	331,964
4	LD homes lease obligations	14,000	0	0	0	0	0	14,000
5	Supported independent living	0	689,543	710,457	0	0	0	1,400,000
6	Carisbrooke House	0	54,918	0	0	0	0	54,918
7	Brooklime House, Bluebell Meadows	0	177,354	0	0	0	0	177,354
8	Wightcare Digital switch over	118,282	100,000	0	0	0	0	218,282
9	St Lawrence water supply	0	37,558	0	0	0	0	37,558
	Total	247,246	3,157,372	1,092,421	0	0	0	4,497,039

	Children's Services, Education and Lifelong Skills							
10	Priority Schools Building Programme	4,461,774	327,682	0	0	0	0	4,789,455
11	Devolved formula capital	646,192	822,186	263,456	0	0	0	1,731,835
12	Capital Maintenance Programme	2,873,952	4,334,294	2,178,034	0	0	0	9,386,280
13	Healthy Pupils Capital Fund	3,268	0	0	0	0	0	3,268
14	SEND	454,326	1,076,807	0	0	0	0	1,531,133
15	Foster care grant scheme	0	163,970	0	0	0	0	163,970
16	Beaulieu House	78,568	114,415	0	0	0	0	192,983
17	East Cowes Family Centre	8,836	0	0	0	0	0	8,836
18	New Island Learning Centre	2,367	0	0	0	0	0	2,367
19	Queensgate MUGA	0	94,534	0	0	0	0	94,534
	Total	8,529,282	6,933,889	2,441,490	0	0	0	17,904,661

	Digital Transformation, Housing, Homelessness and Poverty							
20	Howard House	19,027	60,000	0	0	0	0	79,027
21	RSAP purchase of flats	409,218	100,000	0	0	0	0	509,218
22	Equity capital for new housing co	0	1,315,000	0	0	0	0	1,315,000
23	Community housing fund	316,000	1,094,204	0	0	0	0	1,410,204
24	Sandham Middle School Regeneration	0	47,404	0	0	0	0	47,404
25	Revolving Housing loans	0	1,200,000	1,200,000	0	0	0	2,400,000
26	Medina Avenue	0	629,340	0	0	0	0	629,340
27	Affordable Housing	0	5,000,000	15,000,000	20,000,000	0	0	40,000,000
28	Brownfield Land Release Fund	0	1,149,765	0	0	0	0	1,149,765
29	Disabled Facilities Grants	1,293,773	2,100,000	0	0	0	0	3,393,773

REF NO	CAPITAL PROGRAMME 2022/23 to 2027/28	FORECAST 2022/23 £	ESTIMATE 2023/24 £	ESTIMATE 2024/25 £	ESTIMATE 2025/26 £	ESTIMATE 2026/27 £	ESTIMATE 2027/28 £	ESTIMATE TOTAL £
30	Compulsory Purchase Orders	0	750,000	0	0	0	0	750,000
31	Housing Renewal and Well Being Grants	160,084	189,916	0	0	0	0	350,000
32	GSCx Govt security requirements	87,656	100,000	0	0	0	0	187,656
33	ICT equipment programme	315,458	1,047,150	620,300	28,450	450,000	0	2,461,358
34	Back up server/storage and firewall replacement	236,380	0	0	0	0	0	236,380
35	Corporate applications update	18,654	100,000	0	0	0	0	118,654
36	Switches in data centre	0	318,000	0	0	190,000	290,400	798,400
37	Lord Louis Library Circuits move	3,551	0	0	0	0	0	3,551
38	Cyber security	0	78,678	0	0	175,000	448,000	701,678
39	Fuel Poverty Grant Scheme	0	548,266	0	0	0	0	548,266
40	Data Centre Infrastructure	0	89,000	452,750	120,000	0	0	661,750
41	Emergency Housing HMO	0	680,000	0	0	0	0	680,000
	Total	2,859,802	16,596,723	17,273,050	20,148,450	815,000	738,400	58,431,426

	Climate Change, Environment, Heritage, Resources and Legal and Democratic Services							
42	West Wight Coastal defences match funding	9,800	241,833	0	0	0	0	251,633
43	EA Coastal defences match funding	0	1,600,000	1,300,000	5,500,000	32,300,000	0	40,700,000
44	West Wight Greenway	0	480,558	0	0	0	0	480,558
45	Rights of Way	199,150	117,000	75,000	75,000	0	0	466,150
46	England Coastal Path Establishment	173,509	67,531	0	0	0	0	241,040
47	Active Travel Mew Lane	132,213	0	0	0	0	0	132,213
48	Active Travel - Scarrots Lane	0	79,200	0	0	0	0	79,200
49	Public Realm	77,045	220,766	0	0	0	0	297,811
50	Cowes - The Cut	0	60,000	0	0	0	0	60,000
51	Wootton Rec Multi Use Path	0	15,000	0	0	0	0	15,000
52	Lord Louis Library	561	299,439	0	300,000	0	0	600,000
53	New cultural centre	10,000	150,000	0	0	0	0	160,000
54	Coastal defences	16,250	504,574	49,000	0	0	0	569,824
55	Shanklin cliff lift painting and canopy	0	170,000	0	0	0	0	170,000
56	Downside recreation ground drainage	12,085	0	0	0	0	0	12,085
57	East Cowes Community Library	15,000	0	0	0	0	0	15,000
58	Beach Huts	6,916	80,000	0	0	0	0	86,916
59	Whitegates Pontoon	0	85,000	0	0	0	0	85,000
60	Ryde Cultural Centre	0	1,969,458	0	0	0	0	1,969,458
61	Cothey Bottom Roof	0	250,000	0	0	0	0	250,000
62	Appley Tower	0	40,000	0	0	0	0	40,000
	Total	652,529	6,430,360	1,424,000	5,875,000	32,300,000	0	46,681,888

REF NO	CAPITAL PROGRAMME 2022/23 to 2027/28	FORECAST 2022/23 £	ESTIMATE 2023/24 £	ESTIMATE 2024/25 £	ESTIMATE 2025/26 £	ESTIMATE 2026/27 £	ESTIMATE 2027/28 £	ESTIMATE TOTAL £
--------	-----------------------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	------------------------

Community Protection, Regulatory Services and Waste								
63	Crematorium refurbishment	0	98,309	0	0	0	0	98,309
64	Waste contract capital payments	2,083,330	1,892,634	2,808,418	0	0	0	6,784,382
65	Garden waste vehicle	0	350,000	0	0	0	0	350,000
66	ASB and Community safety CCTV	887	0	0	0	0	0	887
	Total	2,084,217	2,340,943	2,808,418	0	0	0	7,233,578

Infrastructure, Highways PFI and Transport								
67	Pre 2020/21 ITB projects	0	58,086	0	0	0	0	58,086
68	Solent Transport	223,560	111,780	0	0	0	0	335,340
69	Highways PFI additional street lighting	95,000	0	0	0	0	0	95,000
70	PFI contract costs	884,660	766,310	852,320	1,093,210	1,557,840	2,194,000	7,348,340
71	Newport junctions	45,000	1,100,804	0	0	0	0	1,145,804
72	Network Integrity Report Schemes	808,097	1,780,551	0	0	0	0	2,588,648
73	Binstead flood alleviation	0	170,000	0	0	0	0	170,000
74	Car parking contactless	68,452	137,000	0	0	0	0	205,452
75	Safety schemes	781,010	636,120	0	0	0	0	1,417,131
76	Transforming Cities Fund Ryde	6,478,621	3,691,373	0	0	0	0	10,169,994
77	FB6	59,901	15,200	25,000	0	0	0	100,101
78	Newport Harbour Walls emergency works	12,065	613,644	0	0	0	0	625,709
79	Car Park cameras and counting machine	20,000	0	0	0	0	0	20,000
80	Safer Street Ryde CCTV	42,306	0	0	0	0	0	42,306
81	Dark Skies Initiative	49,453	0	0	0	0	0	49,453
82	Safer Roads Scheme	0	2,140,000	0	0	0	0	2,140,000
83	Advanced design	0	33,000	0	0	0	0	33,000
	Total	9,568,126	11,253,869	877,320	1,093,210	1,557,840	2,194,000	26,544,365

Levelling Up, regeneration, Business Development and Tourism								
84	East Cowes landslip	100,092	13,899	0	0	0	0	113,991
85	BAE ERDF Regeneration	828,710	0	0	0	0	0	828,710
86	Medina Valley Venture Quays East Cowes	2,853,374	3,436,464	5,000,000	5,000,000	0	0	16,289,838
87	Branstone Farm	1,480,444	0	0	0	0	0	1,480,444
88	Nicolson Road Ryde	3,441	49,999	0	0	0	0	53,440
89	Newport Harbour Regeneration	0	0	3,750,000	1,250,000	0	0	5,000,000
90	Pier Street Toilets	0	0	1,558,000	0	0	0	1,558,000
91	Medina Valley (KMP)	0	0	500,000	0	0	0	500,000

REF NO	CAPITAL PROGRAMME 2022/23 to 2027/28	FORECAST 2022/23 £	ESTIMATE 2023/24 £	ESTIMATE 2024/25 £	ESTIMATE 2025/26 £	ESTIMATE 2026/27 £	ESTIMATE 2027/28 £	ESTIMATE TOTAL £
92	Heritage High Street (Ryde/Newport)	130,000	816,580	0	0	0	0	946,580
93	Other Regeneration Schemes	0	0	2,110,381	0	0	0	2,110,381
94	Camp Hill Infrastructure	388,169	325,000	0	0	0	0	713,169
95	Changing Places	76,000	0	0	0	0	0	76,000
96	AONB Removing Barriers	56,445	0	0	0	0	0	56,445
97	Heights and medina pools dosing units	19,000	0	0	0	0	0	19,000
98	Heights pool filters	0	32,160	0	0	0	0	32,160
99	Medina Leisure Combined Heat and Power systems	53,112	85,418	0	0	0	0	138,530
100	Sales and marketing equipment	4,800	70,000	0	0	0	0	74,800
	Total	5,993,587	4,829,520	12,918,381	6,250,000	0	0	29,991,488

	Strategic Finance, Transformational Change and Corporate Resources							
101	Fleet vehicle replacement	7,000	489,316	450,000	0	0	0	946,316
102	Strategic assets	326,486	278,537	250,000	0	0	0	855,023
103	County hall CCTV and security	0	17,500	0	0	0	0	17,500
104	County hall windows, toilets and lifts	0	676,302	0	0	0	0	676,302
105	County Hall UPS and generator	203,000	47,000	0	0	0	0	250,000
106	Server Room Air Con	0	250,000	0	0	0	0	250,000
107	Salix Decarbonisation/Energy Management	1,541,126	400,000	100,000	0	0	0	2,041,126
108	Electric Vehicle Charging Points	0	65,000	60,000	0	0	0	125,000
	Total	2,077,613	2,223,655	860,000	0	0	0	5,161,268

	Total	32,012,400	53,766,331	39,695,080	33,366,660	34,672,840	2,932,400	196,445,711
--	--------------	-------------------	-------------------	-------------------	-------------------	-------------------	------------------	--------------------

This page is intentionally left blank

Isle of Wight Council Capital Strategy

2023-24

1. Document Information

Title:	Isle of Wight Council Capital Strategy 2023-24
Review frequency:	Annual
Next Review:	February 2024
Approval Date:	February 2023
Status:	DRAFT
Current Version:	February 2022
Author:	Becky Horn
Sponsor:	Chris Ward
Consultation:	Financial Services
Approved by:	Full Council

2. Contents

1.	Document Information.....	2
2.	Contents	2
3.	Context and Purpose of Policy	3
4	Driving our Capital Investment Ambition	4
5	Balancing Priorities and Resources	5
6	Planned Capital Investments	7
7	Financing the Capital Programme.....	8
8	Minimum Revenue Position Statement	9
9	Links to Treasury Management.....	11
9.1	Borrowing.....	11
9.2	Treasury Investments.....	12
10	Non Treasury Service Investments	12
11	Non Treasury Commercial Investments	13
12	Liabilities.....	14
13	Revenue Budget Implications	14
14	Risk Management.....	14

3. Context and Purpose of Policy

In October 2021, the Council's Alliance Administration published [the new corporate plan](#) outlining its strategic priorities and direction for the period 2021 to 2025. The Alliance priorities are set against a clear aim to work together openly and with our communities to support and sustain our economy, environment, and people. The key areas of activity that will be our main focus for the lifetime of the plan and which will need to be central to everything we do as a Council are:

Provision of affordable housing for island residents - We will work to increase the rate of affordable housing. We will need to use public and private assets to increase the availability of housing across the Island. We will work to bring empty properties back into use, including compulsory purchases, encourage housing associations to increase their rate of delivery of new homes and we will look to secure investment that will allow the Council to promote the delivery of affordable homes.

Responding to climate change and enhancing the biosphere - In 2019 the council declared a climate emergency and committed to working towards achieving a net-zero carbon status for the Isle of Wight by 2030. Following further work the climate change strategy, which came into effect in 2021, revised these targets to be net-carbon zero as a council by 2030, across the school estate by 2035 and as an Island by 2040. An action plan has been introduced to guide the work needed to achieve these targets. Over and above this, going forward, every decision taken must have regard to the need to reduce the council's and the Island's carbon footprint.

We will need to both support and exploit our position as a UNESCO Biosphere Reserve to lever in funding and support for the work we must do, including achieving our net zero aspirations. We will work closely with town, parish, and community councils to support them in helping to deliver our aspirations and we will challenge the utility companies and our partners to support us in making the Island a sustainable place to live and work. In so doing we will look to also address issues of fuel poverty and health inequalities by making homes more energy efficient and by creating new opportunities for local people to make better use of the landscape to support their health and wellbeing.

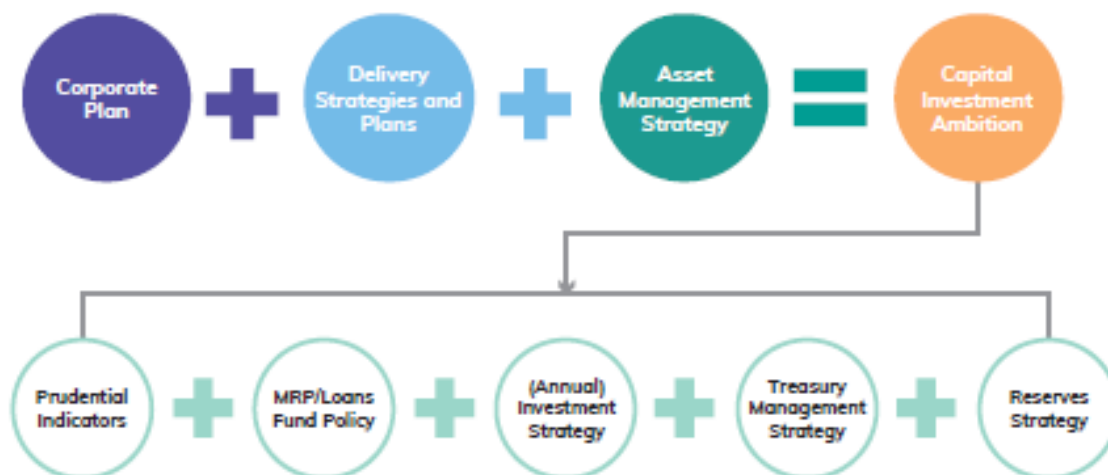
As such, every decision we take will not only need to have regard to our climate change strategy but must also have regard to supporting, sustaining, and enhancing our biosphere status.

Economic recovery - The core strengths of the Island economy remain as a platform for recovery, the investment in high speed broadband, the increased interest in the quality of life, open green space and the highly connected attractions of island life all combine to enable continued promotion of the Isle of Wight as great place for business. Having good premises and a strong local skills pool are also key factors in helping realise our regeneration ambitions. Our investments with partners in the provision of high-quality business accommodation, which reflects the new more flexible requirements of a post pandemic workplace, further supports the Island's "offer". Growing our skills base and retaining our workforce in key sectors, such as hospitality and social care will be a key challenge for the next five years as will helping those who have lost time from education to recover and achieve their personal goals. These will be key aspects of our Island skills plan.

Progressing this ambitious agenda will require investment if the administration is to deliver on its major commitments. In such a diverse environment and with so many competing needs, there will be pressure on the resources available to deliver our priorities. It is therefore crucial that, when capital investment decisions are made, decision makers have a clear and informed view of the resources available, any long term affordability implications and any potential risks to which the Council is exposed. The capital strategy aims to present that information in a clear and accessible format to support transparent decision making.

4 Driving our Capital Investment Ambition

Capital investment is investment that will result in the acquisition, creation, or enhancement of fixed assets that will yield benefits to the Council for a period of more than one year. As well as our corporate plan, our wider framework of internal strategies and plans play a fundamental role in driving our capital investment ambitions. These strategies and plans are under constant review as needs change with the current environment but are summarised in the diagram below:



Projects for inclusion in the capital programme also arise from a variety of other sources, some of them internally generated and some arising from external factors. The more significant of these external and internal drivers are summarised below:

Internal	External
Regular, programmed works required to property assets like schools, leisure centres, libraries and Council run care facilities which ensures they remain fit for purpose and ensure service continuity.	Government funded programmes e.g. Disabled facilities grants where the Government provides the funding to meet the costs of this activity
Vehicle, plant and equipment replacements that enable us to continue to provide services or respond to changing service needs	Government and Regional policies and plans which aren't directly or fully funded but which Councils are expected to fund and implement
ICT investment as a result of technological progress and in reaction to external factors such as cybercrime	Public expectation that works should be carried out or services should be provided
Invest to save projects which may generate income or efficiencies which support the Council's financial position	Works required to Council property to comply with legislation like disabled access and health and safety
Unforeseen emergency works like coastal protection and land movement	Projects resulting from partnership activity

5 Balancing Priorities and Resources

Given the uncertainty around resources and the number of factors influencing capital investment priorities, it is not surprising that investment proposals may find themselves competing for limited resources, and priorities may not always line up. In an ideal world, we would base the capital strategy on evidence of need as expressed by all the influencing factors outlined in the previous sections, but this would almost certainly exceed the available resources, making it unaffordable and creating expectations which cannot be met.

Indeed, the pace and scale of recent economic events originating in the current year has led the Council to experience estimated unplanned cost pressures of circa £20m, representing over 12% of its overall net Budget and a ten-fold increase in the level of planned savings for 2023/24 (originally £2m).

The Council's costs rose at a pace that without Central Government intervention in the Autumn Statement and the Local Government Finance Settlement would have exhausted all of the Council's financial resilience and leaving the Council exposed to a "Structural Budget Deficit" (i.e. in year underlying spending exceeding in year underlying funding) that would have required immediate and drastic cuts to services.

The seriousness of the situation exposed the Council's vulnerability to a financial shock necessitating the Council's S.151 Officer advising the Council in the following terms on 28 November 2022:

"The Council should not implement any new Policy Decision that increases the Financial Burden on the Council or draws on Revenue or Capital Reserves" and further that "The Council should take decisions that improve the Council's financial position"

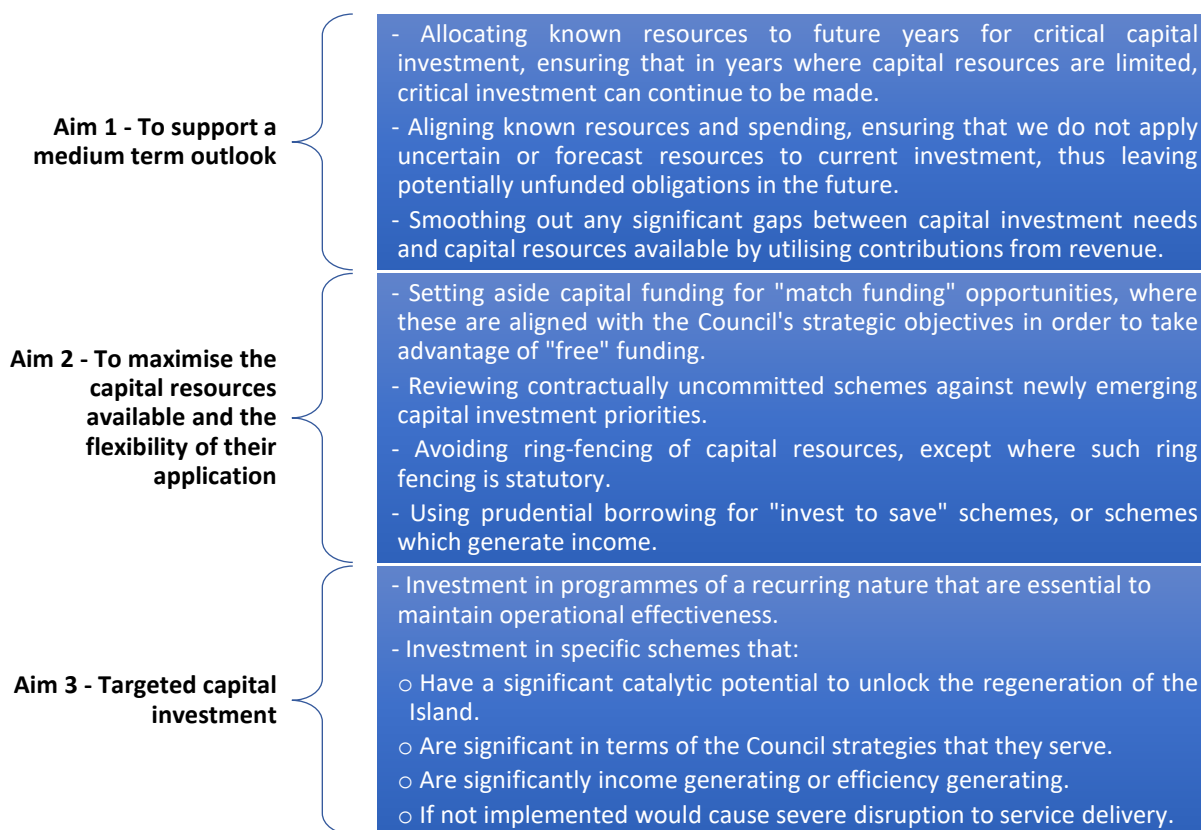
This advice was provided in order to protect the ongoing delivery of vital Council Services on a sustainable basis. It was also provided to demonstrate that the Council could evidence rationality in its decisions in that any decision was being taken in the context of the wider cost and demand pressures that the Council had yet to resolve.

Capital funding is therefore particularly constrained for 2023/24, previously relying on contributions from the Revenue Budget which have been unavailable due to the imperative to meet the substantial cost of inflationary pressures experienced during the year. The challenge presented by these inflation driven cost pressures, exacerbated by the legacy impact of the Covid pandemic when combined with an uncertain funding environment represent the greatest risks to the delivery of sustainable public services on the Island.

The Council will also inevitably face future obligations of a statutory nature as well as wish to further develop its priorities and aspirations for future capital investment. The scale of the funding required for these obligations and aspirations is such that it far outstrips the annual capital funding which may be available.

Given the scale of the "Capital Gap" described above, the necessity to supplement the Capital Resources available remains an explicit feature of the Council's approved MTFs so that the Council can continue to fund essential services but also fund Regeneration and Income Generation schemes aimed at improving the overall financial sustainability of the Council and the economy of the Island. For this reason, it is recommended that the S.151 Officer be given delegated authority to transfer all or part of any further savings made in 2022/23 arising at the year-end to supplement the Capital Resources available for future years.

Balancing the wish to deliver the agenda and provide support to residents in such difficult times and operating in the financial environment as outlined above continues to be a challenge, but the Council's approach to planning tries to ensure we are still able to respond to opportunities when they present themselves and we can still plan for the longer term. Our approach to our capital planning therefore continues to have 3 core aims:



In order to achieve these aims the capital planning process begins early in each financial year and works through a timeline involving Councillors, services and other stakeholders to review and prioritise proposals before bringing a set of recommendations to Full Council each February for approval.



6 Planned Capital Investments

The [overall Capital Programme recommended to Full Council](#) for approval includes all existing schemes which have been reviewed and considered as a continuing priority, and the [proposed 'new start' schemes](#) to comprise a balanced set of proposals which:

- Ensure the medium term resilience of essential core services and facilities
- Supports the delivery of the council's key areas of activity focusing on the provision of housing affordable to Island residents, responding to climate change and enhancing the biosphere and economic recovery.
- Complements the existing capital programme and further supports the council's financial viability for the medium term.
- Invests in Schools
- Invests in care facilities including adaptations to peoples' homes
- Invest in highways network integrity priority works, the public realm and rights of way

The Council does not plan to undertake any investments for the primary purpose of financial return. Further details on investments are in the appendices and report on budget setting taken to Full Council.

Table 1 - Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2022/23 forecast	2023/24 estimate	2024/25 estimate	2025/26 estimate	2026/27 estimate	2027/28 estimate	Total
Adult Social Care and Public Health	0.25	3.16	1.09	0	0	0	4.5
Children's Services, Education & Lifelong Skills	8.53	6.93	2.44	0	0	0	17.9
Digital Transformation, Housing, Homelessness and Poverty	2.86	16.6	17.27	20.15	0.82	0.74	58.43
Climate Change, Environment, Heritage, Human Resources and Legal and Democratic Services	0.65	6.43	1.42	5.88	32.3	0	46.68
Community Protection, Regulatory Services and Waste	2.08	2.34	2.81	0	0	0	7.23
Infrastructure, Highways PFI and Transport	9.57	11.25	0.88	1.09	1.56	0	24.35
Levelling Up, Regeneration, Business Development and Tourism	5.99	4.83	12.92	6.25	0	2.19	32.19
Strategic Finance, Corporate Resources and Transformational Change	2.08	2.22	0.86	0	0	0	5.16
TOTAL	32.01	53.77	39.7	33.37	34.67	2.93	196.45

7 Financing the Capital Programme

All capital investments must be financed, and the Council has several funding streams available to do this:

Capital Grants – Most capital grants are ‘ringfenced’ meaning they can only be spent on delivering the projects for which they were awarded. This leaves us very little choice in how we spend this funding. Our policy is that where grants aren’t ringfenced they will be available to finance the overall capital programme in order to achieve maximum flexibility.

Other external contributions - the Council may be able to deliver its priorities and better manage its risks by entering into partnerships or joint ventures where the Council can provide land or buildings, with other parties contributing funding. Wherever possible and subject to the usual risk assessments, the Council looks for innovative ways of extending the number of capital schemes which are completed on a jointly funded or partnership basis.

Capital Receipts – the Council may be able to generate funding for its priorities by selling surplus assets and generating capital receipts. Once an asset is deemed to be surplus to requirements, the Council’s policy is to evaluate, through an options appraisal, whether to transfer, sell or re-develop the site seeking to find the optimum balance between the economic and social return to the Island and the financial return to the Council. The Council’s policy is to allocate any capital receipts from sales of assets to the financing plan for capital investments, and should receipts exceed that amount in year, the Council will consider extending the capital programme or using the opportunity to reduce prudential borrowing and make revenue savings. The Council does not plan to utilise the new flexibility around use of capital receipts to fund transformational revenue projects, but will keep this under review.

Reserves or Revenue contributions - the Council has historically funded some capital expenditure from the Revenue Budget in order to meet any "gap" arising between needs and the financing available. Additionally, invest to save bids are built around additional income generation or savings which pay for the capital investment and a Reserve (built up from Revenue Budget allocations) has been established to facilitate this and can be used to contribute towards capital investment. Finally, a Revenue Reserve for Capital has been established as approved in the MTFs and the Section 151 Officer has delegated authority to transfer year end savings to this reserve which is available to finance new capital investment.

Borrowing – Prudential Borrowing is only available for a Council's "Primary Purpose for Investment" which must be "consistent with statutory provisions, proportionate to service and revenue budgets and consistent with effective treasury management practice".

The arrangements for Prudential Borrowing were strengthened following growing concerns over Local Government commercial property investments and taking on disproportionate levels of commercial debt to generate yield. Borrowing for "debt-for-yield investment" is not permissible under the Prudential Code, as it does not constitute the primary purpose of investment and represents unnecessary risk to public funds.

Prudential Borrowing is only available for schemes where savings or revenue returns accrue directly to the Council on a sustained basis. Business cases in line with the Government’s Green Book and 5 case model, are prepared for any investments which require borrowing and the Section 151 Officer makes an assessment of the overall prudence, affordability and sustainability of the total borrowing requested. The impact of this borrowing is reported in the Treasury Management Strategy alongside the Prudential Indicators required by CIPFA’s Prudential Code for Capital Finance.

The planned financing of our capital investments is as follows:

Table 2 - Capital financing in £ millions

	2022/23 forecast	2023/24 estimate	2024/25 estimate	2025/26 estimate	2026/27 estimate	2027/28 estimate	Total
Unsupported borrowing/debt	2.55	11.19	32.52	27.38	0.00	0.00	73.64
Corporate Resources (including capital receipts)	9.85	20.14	5.15	5.99	2.37	2.93	46.43
Ringfenced Grants	18.73	21.07	2.02	0.00	32.30	0.00	74.13
Other External Contributions	0.88	1.36	0.00	0.00	0.00	0.00	2.25
TOTAL	32.01	53.77	39.70	33.37	34.67	2.93	196.45

8 Minimum Revenue Policy Statement

Where the Council finances capital expenditure by debt, it must put aside revenue resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as the Minimum Revenue Provision (MRP). The Local Government Act 2003 requires the Council to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The Council has changed the basis of MRP from a straight line to an annuity basis for capital expenditure funded by borrowing to March 2016. The total overpayment at March 2016 was £39.9 million and this reduced MRP in later years. The final £3.9 million of this overpayment was drawn down in 2021/22.

The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends several options for calculating a prudent amount of MRP. The Council has adopted the following principles for the charging of the Minimum Revenue Provision (MRP):

- The annuity method for capital expenditure will ensure the repayment of the debt better reflects the consumption of these assets financed. MRP will be determined by charging the expenditure over the expected useful life of the relevant asset. This being equal to the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- For finance leases and the Highways PFI contract, the MRP charge will be equal to the repayment of the liability in year, in line with the Council's accounting policy.
- For all historical Investment Properties, MRP will be provided where the current market value falls below the unfinanced capital cost of property. MRP will be determined by charging the unfinanced capital cost over the

remainder holding period of the relevant asset; calculated using the annuity method with an annual interest rate equal to the PWLB rate at start of financial year. Upon sale of a property, the capital receipt received will be used to repay any outstanding debt; where there is a shortfall, MRP will be charged for the difference.

- For capital expenditure loans to third parties and subsidiaries, no MRP will be charged as the principal repayments will be used to repay outstanding debt. The Council estimates impairments annually to determine if there is a likelihood of loans not being repaid in full. Where the impaired loan value falls below borrowing undertaken, MRP will be provided for the unfinanced cost over the remaining term of loan using annuity method with an interest rate equal to the relevant PWLB rate at the start of year.

Based on the Council's latest estimate of its Capital Financing Requirement (CFR), the budget for MRP has been set as follows:

Table 3 – Estimate of MRP in £ millions

	31.03.2024 estimated CFR	2023-24 estimated MRP
Capital expenditure before 01.04.2008	146.1	1.8
Capital expenditure after 01.04.2008	161.3	4.2
Leases and Private Finance Initiative	87.4	5.1
Loans to other bodies repaid in instalments	1.0	0.0
Total General Fund	395.8	11.1

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other funding, usually from revenue (MRP). Alternatively, capital receipts may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 4: Replacement of prior years' debt finance in £ millions

	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Capital resources	0.0	0.0	0.0	0.0
Revenue resources	10.7	11.1	12.6	13.4
TOTAL	10.7	11.1	12.6	13.4

The CFR measures the Council's cumulative need to borrow for capital purposes, i.e. its borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 5: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
General Fund services	393.4	384.6	383.2	402.3
Capital investments	2.5	11.2	32.5	27.4
TOTAL CFR	395.8	395.8	415.7	429.7

The Council will adopt the new IFRS 16 Leases accounting standard with effect from April 2024. The main impact on lessees is to remove the distinction between finance leases and operating leases and requires all substantial leases to be accounted for as finance leases. This means that most existing operating leases will need to be brought onto the Council's balance sheet as an asset, together with a liability to pay for the asset acquired.

9 Links to Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. Cash surpluses can be offset against capital financing shortfalls to reduce overall borrowing.

9.1 Borrowing

Due to decisions taken in the past, the Council currently (26/01/2023) has £186.7m borrowing at an average interest rate of 3.05% and £26.5m treasury investments at an average rate of 3.23%.

The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between low cost short-term loans and long-term fixed rate loans where the future cost is known but higher.

Statutory guidance is that debt (which comprises borrowing, Private Finance Initiative (PFI) liabilities, leases and transferred debt) should remain below the capital financing requirement, except in the short-term. As can be seen from table 6 below, the Council expects to comply with this in the medium term.

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Debt (incl. PFI & leases)	233.9	230.4	237.5	230.8
Capital Financing Requirement	395.8	395.8	415.7	429.7

To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end, as required by the Treasury Management Strategy to maintain sufficient liquidity and minimise credit risk. This benchmark is currently £151.4m and is forecast to increase to £158.08m over the next three years. Table 7 below shows that the Council expects to remain borrowed below its liability benchmark.

Table 7: Borrowing and the Liability Benchmark in £ millions

	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
Outstanding borrowing	141.4	135.1	148.4	148.0
Liability benchmark	151.4	145.1	158.4	158.0

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt in £millions

	2022/23 limit	2023/24 limit	2024/25 limit	2025/26 limit
Authorised limit – borrowing	420.0	410.0	430.0	430.0
Authorised limit – PFI and leases	130.0	130.0	120.0	110.0
Authorised limit – total external debt	550.0	540.0	550.0	540.0
Operational boundary – borrowing	334.0	324.0	343.0	344.0
Operational boundary – PFI and leases	102.0	105.0	98.0	91.0
Operational boundary – total external debt	436.0	429.0	441.0	435.0

Further details on borrowing will be updated in the Treasury Management Strategy which goes to Audit Committee for approval.

9.2 Treasury Investments

Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management. The Council’s policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

The effective management and control of risk are prime objectives of the Council’s treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks. The treasury management indicators will be updated in the Treasury Management Strategy which goes to Audit Committee for approval.

10 Non Treasury Service Investments

Local Authorities have the powers to make investments to assist local public services, including making loans to, and buying shares in local service providers, local small businesses to promote economic growth, and the Council’s subsidiaries that provide services. In light of the public service objective, the Council is willing to consider such investments based on a business case and risk assessment looking particularly at affordability, prudence, and proportionality in respect of the Council’s overall financial capacity (ie whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services). The Council would

expect such investments to break even or generate a profit after all costs. Most loans and shares are capital expenditure and purchases will therefore be proposed, assessed and approved as part of the capital programme.

Existing investments for service purposes are currently valued at £1.3m which relates mainly to the Council's investment under a loan agreement in Perpetuus Tidal Energy Centre Ltd (PTEC). In September 2020, the Council agreed to authorise PTEC to raise funds required to renew consenting licences by selling up to two thirds of the Council's shareholding in the company. In addition, the Council's original loan term was extended for 5 years, and is now repayable alongside the other loan which capitalised the company and the Council released its position on the PTEC Board. Although this means that the Council will be foregoing its ability to 'direct' the work of the company and also the benefit of any future dividends from its shares, the Council recognised that there is no likelihood of any dividend should the project fail at this juncture. These changes were also made in the spirit of the original intent for PTEC to create jobs and investment and put the Isle of Wight at the forefront of the renewable energy agenda.

Further details on service investments can be found in the [investment strategy](#) approved by Full Council.

11 Non Treasury Commercial Investments

The Council's medium-term financial strategy, which was designed to help improve the Council's financial sustainability, made provision for up to £100 million to be available for a commercial property acquisition fund, subject to the approval of a commercial property acquisition strategy. This was approved by Full Council at its meeting on 20 September 2017 and has been used as the framework for all acquisitions. The strategy included strict criteria to be used when determining which properties to acquire. Those criteria included the following:

- a balanced commercial property portfolio that provided long term rental returns and growth;
- a portfolio of property assets with a view to diversification on individual assets by sector (industrial, offices and retail), location and risk;
- core assets being the best property for the sector in an ideal location with long term income to high quality tenants;
- all investments must initially provide income (yield) equal to, or above, the Council's required rate of return;
- priority to be given to properties that yield optimal rental growth and a stable income;
- protect capital invested in acquired properties; and
- location to be dictated by opportunity to acquire investments that meet the strategy, with proximity to the Isle of Wight being a deciding factor when all other attributes are equal.

In 2018, the fund acquired four separate property investments comprising thirteen lettable units with nine tenants. Portsmouth City Council (PCC), as commissioned by Isle of Wight Council (IWC), was managing the property investment fund since its inception until 1 April 2021, after which time responsibility for management of the properties transferred to IWC's Property Services department. The fund has now settled into a management phase and in line with changes to the Prudential Code the Council is not able to invest for the primary purpose of financial return.

The primary objective for the Council is to protect its capital base where possible, maximise income and create a long-term sustainable income stream. As the fund matures over the coming years and rental income grows, the impact of initial acquisition costs on overall performance should decrease. The fund is valued annually on 31 March by an external valuer. A [regular report on returns and values](#) is made to the Council's Audit Committee.

12 Liabilities

In addition to debt of £186.7 million detailed above, the council is committed to making future payments to cover its PFI liabilities and finance leases. Any new liabilities will be approved by full council. Further details on liabilities and guarantees can be found in the [council's annual statement of accounts](#).

13 Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs. This is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Financing costs (£millions)	11.5	16.1	18.5	21.2	22.4
Proportion of net revenue stream	7.26%	10.02%	10.35%	11.26%	11.70%

14 Risk Management

Major regeneration and school's projects constitute the majority of the Council's medium term capital portfolio with significant longer-term investment in coastal protection projects which will be delivered by external agencies. These inherently carry risk, most of which is outside of the Council's control. The Council's planning and governance processes are developed and implemented in such a way as to mitigate these risks. This table sets out the key risks and mitigations:

Risk	Mitigation
Revenue budget	The cost of borrowing is an element of the revenue budget that we are committed to before we have delivered any services or incurred any other costs. As the Council's revenue budget reduces, the Council seeks to ensure that the ratio of capital financing to available revenue resources doesn't become disproportionate.
Inflation	Capital delivery costs are vulnerable to inflation. In costing the projects, a level of contingency has been built into each scheme to mitigate this risk as well as negotiating fixed price contracts wherever possible. Close monitoring of the programme seeks to ensure that inflationary pressures are identified early on and can be managed within the overall financial provisions.
Legislative	Changes in statute and regulations will impact on both the scope and costs of capital projects as they must comply with legislation. The Council must horizon scan and remain aware of any changes in the pipeline which might affect projects and makes amendments accordingly.
Procurement	The Council's procurement strategy ensures that the principles and practices associated with procuring works, goods and services consistently achieves value for money and actively contributes to the Council's priorities. It also ensures that legislative requirements are met.
Market	The programme is complex, and the successful delivery of various aspects depends to a large extent on the commercial market. In particular, income from capital investments

	and capital receipts may be affected. Professional advice and valuations are sought to mitigate this risk.
Externally Led Projects	Increasingly, major projects are funded, led and delivered by or in partnership with developers, neighbouring authorities, or Government departments. Whilst such funding and projects can support the delivery of our objectives, the Council strives to ensure that any commitment to such projects does not detract from our ability to fund and prioritise smaller local investment on the Island.
Internal capacity	The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field to ensure that the Council has access to knowledge and skills commensurate with its risk appetite. For large complex projects, professional external advice and services including project management, surveyors and valuers are used to undertake due diligence to understand risks and inform decision making.
Contractor capacity	It is recognised that the capacity of Island based contractors is limited and the delivery of one significant project can often impact on capacity to deliver others. Similarly, off island contractors can be unwilling to commit to relocating or accommodating staff, transport of goods and materials etc, or they may price contracts to reflect these resulting in significantly higher costs. These issues have been well documented as the 'island factor' and the Council continues to argue its case for differential funding to account for this.
Contractor Failure	Our reliance on a limited number of contractors either based on the island or willing to work on the island, could lead to project delays or additional and abortive costs should a contractor fail. This is particularly the case where works or materials are of a specialist nature. The Council's procurement process seeks to ensure that suitable financial checks are completed before contract award, but the current financial climate impacts on the reliability of any such information.
Pandemic	The Council seeks to build in contingencies for such events into timescales but recognises that such factors may ultimately lead to delays and additional costs.

This page is intentionally left blank

Isle of Wight Council
**INVESTMENT
STRATEGY
2023-24**

Document Information

Title:	Investment Strategy 2023-24
Status:	Draft
Current Version:	1.3
Author:	Jo Cooke, Pension Fund & Treasury Management Accountant Financial Management ✉ jo.cooke1@iow.gov.uk ☎ (01983) 821000 ext. 6397
Sponsor:	Chris Ward, Director of Finance and Section 151 Officer Financial Management ✉ chris.ward@portsmouthcc.gov.uk ☎ (01983) 821000
Consultation:	<i>Finance Director & S151 Officer, Assistant Director of Finance, Strategic Manager – Corporate & Technical Finance</i>
Approved by:	<i>Full Council</i>
Approval Date:	<i>22 February 2023</i>
Review Frequency:	Annual
Next Review:	February 2024

Version History		
Version	Date	Description
1.0	25 January 2023	First draft – template review
1.1	31 January 2023	Post review by DL
1.2	01 February 2023	For review by KH
1.3	10 February 2023	For review by CW

Contents

Document Information.....	2
Contents	3
1 Introduction.....	4
2 Treasury Management Investments.....	4
3 Service Investments: Loans	4
4 Service Investments: Shares.....	5
5 Commercial Investments: Property	7
6 Loan Commitments and Financial Guarantees	8
7 Proportionality	8
8 Borrowing in Advance of Need.....	9
9 Capacity, Skills and Culture	9
10 Investment Indicators.....	10

1 Introduction

- 1.1 The council invests its money for three broad purposes:
- 1.1.1. because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
 - 1.1.2. to support local public services by lending to or buying shares in other organisations (service investments), and
 - 1.1.3. to earn investment income (known as commercial investments where this is the main purpose).
- 1.2 This investment strategy meets the requirements of statutory guidance on local authority investments issued by the government in January 2018 and focuses on the second and third of these categories.

2 Treasury Management Investments

- 2.1 The council typically receives its income in cash (e.g., from taxes and grants) before it pays for its expenditure in cash (e.g., through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to average £14.5 million during the 2023/24 financial year.
- 2.2 **Contribution:** The contribution that these investments make to the council's objectives is to support effective treasury management activities.
- 2.3 **Further details:** Full details of the council's policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the treasury management strategy.

3 Service Investments: Loans

- 3.1 **Contribution:** The council lends money to local businesses to support local public services and stimulate local economic growth, and in the past small loans have been made to local residents. These include loans for, but are not limited to, a sustainable energy generation scheme, the promotion and development of housing affordability, the promotion of tourism, and the development of local employment and regeneration.
- 3.2 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes

Category of Borrower	31.03.2022 actual			31.03.23	2023/24
	Balance Owing £m	Loss Allowance £m	Net Figure in Accounts £m	Forecast Net Figure £m	Approved Limit £m
Subsidiaries	-	-	-	-	25.0
Local Businesses	1.3	-	1.3	1.3	10.0
TOTAL	1.3	-	1.3	1.3	35.0

- 3.3 Accounting standards require the council to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the council's statement of accounts are shown net of this loss allowance. However, the council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
- 3.4 **Risk assessment:** The council assesses the risk of loss before entering into and whilst holding service loans by ensuring that all loan applications are subject to a business case review which assesses how it contributes to the council's corporate plan objectives and then it is presented to Cabinet for their approval. Whilst the council does not have any explicit credit criteria, once this approval of the business case has been obtained, proper due diligence is undertaken, using third party external advisors if there is insufficient staff knowledge and skills. That due diligence will include an evaluation of the company's financial standing using standard ratio analysis as well as an in-depth analysis of future financial forecasts using principles such as Debt Service Cover Ratios and other techniques such as sensitivity analyses. Finally, following the completion of the due diligence the Director of Finance and Section 151 Officer will confirm whether the loan will proceed.

4 Service Investments: Shares

- 4.1 **Contribution:** The council invests in the shares of local organisations that meet the council's strategic objectives, especially in the areas of sustainable energy and social housing.
- 4.2 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows.

Table 2: Shares held for service purposes

Category of Company	31.03.2022 actual			31.03.2023	2023/24
	Balance Owing £m	Loss Allowance £m	Net Figure in Accounts £m	Forecast Net Figure £m	Approved Limit £m
Subsidiaries	-	-	-	-	10.0
Suppliers	-	-	-	-	2.0
Local businesses	-	-	-	-	2.0
TOTAL	-	-	-	-	14.0

- 4.3 **Risk assessment:** The council assesses the risk of loss before entering into and whilst holding shares by applying the following procedure. All investments in shares are subject to a business case which assesses how it contributes to the council's corporate plan objectives and then it is presented to Cabinet for their approval. Whilst the council does not have any explicit credit criteria, once this approval to the business case has been obtained, proper due diligence is undertaken, using third party external advisors if there is insufficient staff knowledge and skills. That due diligence will include an evaluation of the company's financial standing using standard ratio analysis as well as an in-depth analysis of future financial forecasts using principles such as Debt Service Cover Ratios and other techniques such as sensitivity analyses. Finally, following the completion of the due diligence the Director of Finance and Section 151 Officer will confirm whether the investment will proceed.
- 4.4 **Liquidity:** Any investment in shares would be undertaken for the purpose of regeneration, the provision of additional employment or affordable housing which are all for long term investment and are not subject to liquidity considerations.
- 4.5 **Specified investments:** The council defines these as being sterling investments of a maturity period of not more than 364 days, or those which could be for a longer period but where the Council has the right to be repaid within 364 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. These include investments with:
- The UK government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity).
 - Supranational bonds of less than one year's duration.
 - A local authority, parish council or community council.
 - An investment scheme that has been awarded a high credit rating by a credit rating agency (this covers a money market fund rated by Standard and Poor's, Moody's or Fitch rating agencies).
 - A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society). The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

- 4.6 **Non-specified Investments:** Any investment not meeting the definition of a specified investment is classed as a non-specified investment. The council does not intend to make any investments denominated in foreign currencies.
- 4.7 Shares or investments with high credit quality, as defined by specified investments above, are the only non-specified investment type that has been identified by the council that it is proposed to undertake. The limits above on share investments are therefore also the council's upper limits on non-specified investments. The council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

5 Commercial Investments: Property

- 5.1 **Contribution:** The council invests in UK commercial property with the intention of making a return that will be spent on local public services.

Table 3: Property held for investment purposes

Property	Actual	31.03.2022 Actual		31.03.2023 Expected	
	Purchase Cost £m	Gains or (Losses) £m	Value in Accounts £m	Gains or (Losses) £m	Value in Accounts £m
Salford	11.4	1.9	13.7	-	13.7
Aylesford	9.2	1.6	10.7	-	10.7
Oxford	10.6	2.0	12.2	-	12.2
Southampton	3.9	0.8	4.8	-	4.8
TOTAL	35.1	6.3	41.4	-	41.4

The properties were all acquired during the year 2018-19. These assets are required to be valued annually in accordance with CIPFA Code of Practice, with the next valuation in March 2023. Although the value of investments are likely to change, there is no indication currently that the value is expected to change.

- 5.2 **Security:** In accordance with government guidance, the council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.
- 5.3 A fair value assessment of the council's investment property portfolio has been made in the past twelve months, and the underlying assets provide security for capital investment. Should the 2022-23 year-end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council as part of the annual review of the investment strategy.
- 5.4 **Risk assessment:** The council assesses the risk of loss before entering into, and whilst holding, property investments by applying the principles laid out in [TMP13 Non-Treasury Investment Practices](#). These include the assessment of the financial strength of any tenants and good portfolio management in order to mitigate the risks.
- 5.5 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed,

for example to repay capital borrowed, the council has produced a commercial investment strategy which can be found [here](#) which details the procedures to mitigate this risk.

6 Loan Commitments and Financial Guarantees

- 6.1 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the council and are included here for completeness.
- 6.2 The council has not held any loan commitments or financial guarantees since April 2019 and has no plans to undertake any new commitments or guarantees in the period of this strategy.

7 Proportionality

- 7.1 The council plans that profit generating investment activity will assist in achieving a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Strategy.

Table 4: Proportionality of Investments

	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
Net Service expenditure	158.5	160.6	178.8	188.3	191.5
Gross Investment income	1.6	1.8	1.9	1.9	1.9
Proportion	1.01%	1.12%	1.06%	1.06%	0.99%

- 7.2 Should the council fail to achieve the expected net profit, the council has contingency plans for continuing to provide these services as described below, recognising however at these low proportions any service impact is likely to be small:
- In general, the council undertakes a review of all financial risks facing the council on an annual basis and plans its overall level of Corporate Contingency and General Reserves accordingly; this enables the council to be able to continue services as planned in the short-term whilst any other remedial or mitigating actions are implemented e.g. such as increasing the council's savings requirements in future years
 - The council maintains a specific earmarked reserve which is being built over time to a level sufficient to provide a safeguard against any difference in the fair value of the assets versus acquisition cost, any potential loss of rental income and future improvement works to properties.

8 Borrowing in Advance of Need

- 8.1 The Government guidance is that council's must not borrow more than, or in advance of, their needs purely to profit from the investment of the extra sums borrowed.
- 8.2 The council had previously approved the purchase of commercial investments within a £100 million portfolio, but since the issue of the updated Government guidance the council does not intend to increase the size of its commercial property investment portfolio beyond the current holdings detailed above.
- 8.3 An earmarked reserve will exist to guard against any reduction in the fair value of the property assets and to cover the costs of rental voids.
- 8.4 The council maintains general reserves and contingencies at levels that have been based on all known and expected financial risks and their likelihood of occurrence.

9 Capacity, Skills and Culture

- 9.1 **Elected members and statutory officers:** The Full Council agreed to the establishment of a commercial [property](#) fund in September 2017. The authorisation of expenditure from this fund was delegated by the council to the Chief Executive, the Section 151 Officer and the Cabinet Member for Strategic Finance, Corporate Resources and Transformational Change and any decisions will only be made once the due diligence has been carried out and reviewed.
- 9.2 All investments considered for purchase will have to undergo both qualitative and quantitative appraisal in order to determine whether they are suitable to be included into the portfolio. The portfolio was created through an agreement with Portsmouth City Council to provide the services of their property investment team. This team has private sector fund investment experience and has a network of specialists that are able to provide advice as and when required.
- 9.3 All property acquisitions required a business case which included a full financial appraisal. The detailed business case and financial appraisal included building surveys, environmental surveys and valuations in accordance with the Red Book. In addition, properties continue to be revalued on an annual basis.
- 9.4 There are no further planned commercial property acquisitions and the fund has now settled into a management phase for which responsibility has transferred from a contractual arrangement with Portsmouth City Council to the IWC's in-house Property Services department who have the necessary knowledge and training.
- 9.5 **Corporate governance:** The council has established a set of Practices ([TMP13 Non-Treasury Investment practices](#)) that detail out how the investment in other financial assets and property is to be undertaken.
- 9.6 On an annual basis the Full Council will receive a Capital Strategy as well as this Investment Strategy, which will detail all the non-treasury investments.
- 9.7 On an annual basis the Audit Committee receives a report from the property services team in which they provide details of the current investment property portfolio including the current performance as well as looking at the medium to long-term strategy.

- 9.8 Service investments are not provided with financial performance targets directly. These will contribute towards council objectives such as the provision of affordable housing and additional employment. There will be an inherent benefit in that these will alleviate pressures on other council services such as homelessness which can contribute towards savings targets and/or avoid costs.

10 Investment Indicators

- 10.1 The council has set the following quantitative indicators to allow elected members and the public to assess the council's total risk exposure as a result of its investment decisions
- 10.2 **Total risk exposure:** The first indicator shows the council's total exposure to potential investment losses. This includes amounts the council is contractually committed to lend but have yet to be drawn down and guarantees the council has issued over third-party loans.

Table 5: Total investment exposure

Total investment exposure	31.03.2022 Actual £m	31.03.2023 Forecast £m	31.03.2024 Forecast £m
Treasury management investments	50.5	10.0	10.0
Service investments: Loans*	1.3	1.3	1.3
Service investments: Shares**	-	-	-
Commercial investments: Property	35.1	35.1	35.1
TOTAL INVESTMENTS	86.9	46.4	46.4
Commitments to lend	-	-	-
Guarantee issued on loans	-	-	-
TOTAL EXPOSURE	86.9	46.4	46.4

* As per Table 1 above

** As per Table 2 above

- 10.3 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the council's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing

Investments funded by borrowing	31.03.2022 Actual £m	31.03.2023 Forecast £m	31.03.2024 Forecast £m
Service investments: Loans	1.3	1.3	1.3
Service investments: Shares	-	-	-
Commercial investments: Property	35.1	35.1	35.1
TOTAL FUNDED BY BORROWING	36.4	36.4	36.4

- 10.4 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2021/22 Actual	2022/23 Forecast	2023/24 Forecast
Treasury management investments	0.10%	3.23%	3.33%
Service investments: Loans	1.08%	2.92%	2.94%
Commercial investments: Property	2.30%	2.60%	2.72%
TOTAL INVESTMENTS	1.47%	2.86%	4.75%

- 10.5 **Other investment Indicators:** Other indicators that explain the extent to which the Council is exposed to the cost of servicing the debt associated with its investments and the value of debt compared to the value of property assets are described below:

Debt to Net Service Expenditure

An indicator of the financial strength and ability of the Council to repay its debts. This ratio is falling over time, as the council plans to repay some of its current outstanding debt using existing short term invested cash.

Commercial Income to Net Service Expenditure Ratio:

Represents the reliance by the Council on commercial income to fund services.

Interest Cover Ratio:

Indicates the extent to which the net income from investment properties will cover the debt that financed the properties.

Loan to Value Ratio:

Indicates whether the market value of the properties is likely to be sufficient to repay the debt that financed them.

Table 8: Other investment indicators

Indicator	2021/22 Actual	2022/23 Forecast	2023/24 Forecast
Debt to net service expenditure	126.7%	126.2%	101.0%
Commercial income to net service expenditure ratio	0.98%	1.03%	0.99%
Interest cover ratio	258.3%	275.0%	295.0%
Loan to value ratio	84.9%	84.9%	84.9%

Assessor(s) Name(s):	Chris Ward / Kerry Hubbleday
Directorate:	Council wide
Date of Completion:	February 2023

Name of Policy/Strategy/Service/Function Proposal
Budget and Council Tax setting 2023/2024 and Future Years Forecasts

The Aims, Objectives and Expected Outcomes:

The revenue and capital budget and council tax for 2023/2024 will be set at the Council meeting on 22 February 2023.

The key proposals within this report are for a balanced Budget for 2023/24 which provides for: the full financial impact of the extra-ordinary inflation and associated demand related cost pressures experienced over the past year and extending into 2023/24; The ongoing impact of the Covid Pandemic in the current year and its expected ongoing legacy over the next 3 years; A Council Tax increase of 4.99% (2.0% of which is raised specifically to be passported to Adult Social Care); Increased spending in Adult Social Care of £7.6m being greater than the funding provided by the Adult Social Care precept and the additional Social Care Grant from Central Government; Increased spending in Children's Services of £4.3m

£3.9 of savings in 2023/24 are required in order to meet: The Council resolution of 23 February 2022 - £2m; The extra-ordinary Budget Pressures that have not been met through additional Government Funding or Council Tax and that the Council has been unable to mitigate - £1.6m; The financial impact of the Council's preference to increase the maximum support to the Council's Local Council Tax Support Scheme - £0.3m

A forecast for the 3 year period beyond 2023/24 will require a further £6.0m in savings or £2.0m p.a. (remaining the same as the Council's previous forecast)

To achieve "Structural Balance" a need to implement a substantial Organisational Re-design during 2023/24 with a consequent reduction in Council activity and therefore a substantial rationing of the Council's priorities set out in the Corporate Plan

Future years' deficits arise mainly from forecast demographic and inflationary pressures in Care Services not matched by funding increases

The budget provides for a level of General Reserves over the period of the 3 year forecast above £11.9m (but recognising the substantial uncertainty faced by the Council over that period).

Local Government Funding Reform has been delayed once again and will now not take place until the financial year 2025/26 at the earliest, this was intended to be Government's vehicle

for evaluating and allocating funding for the "Island Deal" in respect of annual funding for Council Services.

Government have confirmed that the additional £1m allocated to the Isle of Wight Council in the current year in respect of the costs of physical separation from the mainland will continue into 2023/24.

The most significant risks to the Forecast Deficit of £6.0m (for the three year period 2024/25 to 2026/27) are the extent to which: Elevated levels of inflation will persist and the consequent price and demand pressures that result; Unavoidable cost pressures may arise, particularly in Care Services; The level of successful business rate appeals arising from the revaluation in 2023/24; The impact of the Local Government Funding Reform described above (and the extent to which it accommodates any "Island Deal").

Taking these risks together, the Forecast Deficit has the potential to vary by between +/- £5m, which when spread over 3 years, would vary the annual savings requirements by +/- £1.67m per annum.

During this unprecedented level of uncertainty, it is imperative that the Council continues to plan for savings of £2.0m per year in the future, retaining the Covid Contingency and General Reserves at the levels proposed in the Budget Report so as to retain the necessary financial resilience to be able to respond in all circumstances.

The Council's proposed Budget for 2023/24 will inevitably carry substantial risk as the uncertain inflationary environment continues and the demands on Council Services, particularly in the Housing and Health and Care sectors remain. The current financial environment and the pace at which £20m of unplanned Budget Pressures arose has exposed the inadequacy of Council's overall financial resilience, making the compelling case for an increase in both General Reserves of at least £1m and an increase in the Council's Corporate Contingency of £0.5m. It has also highlighted the importance of the Council's MTFS that seeks to gently increase General Reserves over time.

Since 2011/12, savings of £93m will have already been made (over 40% of controllable spend) due to the combination of government funding reductions and increasing demographic cost pressures.

As in previous years, the Medium Term Financial Strategy (MTFS) has advocated an "Avoidance to Cuts" approach wherever possible. The Administration are committed to maximising this approach and with a very strong emphasis on income generation going forward. The exceptional circumstances currently being experienced have required a much heavier reliance of service reductions for the coming year.

In overall terms, 84% of the proposed £3.9m of savings are delivered through Efficiencies and Income Generation and 16% achieved through service reductions.

It is important to note that it is the responsibility of the Council to approve the overall Budget and the associated cash limits of its Portfolios; it is not the responsibility of the Council to approve any individual savings or additions within those Portfolios, that responsibility is reserved for Cabinet Members. The budget savings are indicative only. It is therefore a matter for the Portfolio Holder and Service to have due regard to the equality duties as set out in the Equalities Act 2010 and where required to undertake an EIA assessment to determine the impact of each saving as they are taken forward.

Please delete as appropriate:

This is a proposal for the budget and council tax setting for 2023/24.

Key Questions to Consider in Assessing Potential Impact	
Will the policy, strategy, service or council function proposal have a negative impact on any of the protected characteristics or other reasons that are relevant issues for the local community and/or staff?	This will be determined by separate EIAs as actual savings items are taken forward
Has previous consultation identified this issue as important or highlighted negative impact and/or we have created a “legitimate expectation” for consultation to take place? A legitimate expectation may be created when we have consulted on similar issues in the past or if we have ever given an indication that we would consult in such situations	An overarching Budget consultation through an on-line survey took place between the 22 December 2022 and 30 January 2023 with 1092 responses. The results of the Budget Consultation are set out in the body of the report and the recommendations are broadly aligned with the consultation response. The need for additional consultation will be considered as each savings item is taken forward
Do different groups of people within the local community have different needs or experiences in the area this issue relates to?	This will be determined by separate EIAs as actual savings items are taken forward
Could the aims of these proposals be in conflict with the council’s general duty to pay due regard to the need to eliminate discrimination, advance equality of opportunity and to foster good relations between people who share a protected characteristic and people who do not?	This will be determined by separate EIAs as actual savings items are taken forward
Will the proposal have a significant effect on how services or a council function/s is/are delivered?	This will be determined by separate EIAs as actual savings items are taken forward
Will the proposal have a significant effect on how other organisations operate?	This will be determined by separate EIAs as actual savings items are taken forward
Does the proposal involve a significant commitment of resources?	This will be determined by separate EIAs as actual savings items are taken forward
Does the proposal relate to an area where there are known inequalities?	This will be determined by separate EIAs as actual savings items are taken forward

If you answer **Yes** to any of these questions, it will be necessary for you to proceed to a full Equality Impact Assessment after you have completed the rest of this initial screening form.

If you answer **No** to all of these questions, please provide appropriate evidence using the table below and complete the evidence considerations box and obtain sign off from your Head of Service.

Protected Characteristics	Positive	Negative	No impact	Reasons
Age				This will be determined by separate EIAs as actual savings items are taken forward
Disability				This will be determined by separate EIAs as actual savings items are taken forward
Gender Reassignment				This will be determined by separate EIAs as actual savings items are taken forward
Marriage & Civil Partnership				This will be determined by separate EIAs as actual savings items are taken forward
Pregnancy & Maternity				This will be determined by separate EIAs as actual savings items are taken forward
Race				This will be determined by separate EIAs as actual savings items are taken forward
Religion / Belief				This will be determined by separate EIAs as actual savings items are taken forward
Sex (male / female)				This will be determined by separate EIAs as actual savings items are taken forward
Sexual Orientation				This will be determined by separate EIAs as actual savings items are taken forward

Are there aspects of the proposal that contribute to or improve the opportunity for equality?	
This will be determined by separate EIAs as savings items are taken forward	

Evidence Considered During Screening
The Budget consultation survey, information provided by services and the budget information

Head of Service Sign off:	Chris Ward
Advice sought from Legal Services (Name)	Chris Potter
Date	February 2023

A signed version is to be kept by your team and also an electronic version should be published on the council's website (follow the link from the EIA page on the intranet)
Summary

Date of Assessment:	February 2023
Signed off by Head of Service/Director	Chris Ward

This page is intentionally left blank



Full Council Report

Date	22 FEBRUARY 2023
Title	DISCRETIONARY RATE RELIEF SCHEMES 2023/24
Report of	CABINET MEMBER FOR STRATEGIC FINANCE, TRANSFORMATIONAL CHANGE AND CORPORATE RESOURCES

EXECUTIVE SUMMARY

1. At the Autumn statement 2022 the Chancellor announced a number of measures, as detailed below, to support businesses throughout 2023/24 to make high streets and town centres a success and to help them adapt to changing consumer demands made worse by the war in Ukraine, with shops and businesses facing these costs head on, the Chancellor announced a number of measures, as detailed in paragraphs four, five and six below.
2. As committed to in the governments review of business rates and following new valuations of their properties to reflect more recent market conditions, from 1 April 2023, many businesses will be facing new business rates bills.
3. In light of both of these, the government is taking a number of steps to help rate payers as detailed below and passed legislation to take effect on and from the 1 April 2023.
4. The 2023/24 Retail, Hospitality and Leisure Business Rates Relief scheme will provide eligible, occupied, retail, hospitality and leisure properties with a 75 per cent relief, up to a cash cap limit of £110,000 per business.
5. The 2023 Supporting Small Business (SSB) scheme will cap bill increases at £600 per year for any business losing eligibility for some or all Small Business Rate Relief or Rural Rate Relief at the 2023 revaluation. SSB was first introduced at the 2017 revaluation to support ratepayers facing bill increases greater than the Transitional Relief caps due to loss of Small Business Rate Relief or Rural Rate Relief.
6. Transitional Relief has existed for a number of years. It starts at the beginning of a revaluation period and remains in place for up to five years. As the revaluation was delayed last year, that scheme was extended. However, because there is a new revaluation in 2023, the Transitional Relief scheme starts again in 2023.
7. Therefore, on and from 1 April 2023 the Transitional Relief scheme will be implemented to provide support to businesses affected by the 2023 revaluation which is worked out on the rateable value of the business and applied over the course of the next three years.

8. To maximise the benefit to businesses of this additional support, the Government anticipates that local authorities will include details of the relief to be provided to eligible ratepayers for 2023/24 in their bills for the beginning of the 2023/24 billing cycle.

RECOMMENDATION

9. That Council adopt the discretionary rate relief schemes as outlined in the Autumn statement 2022 and to ensure that the reliefs are applied to eligible accounts for the financial year 2023/24.

That Council delegate authority be granted to the Cabinet Member for Strategic Finance, Transformational Change and Corporate Resources to agree further legislative changes to the discretionary rates relief scheme.

BACKGROUND

10. The original purpose of discretionary relief was to provide assistance where a property does not qualify for mandatory relief, or to 'top up' cases where ratepayers already receive mandatory relief.
11. Over recent years and particularly since 2011, the discretionary relief provisions have been amended to allow authorities the flexibility to provide assistance to businesses and organisations. Central Government have also allowed for relief:
 - to be targeted to certain business ratepayers.
 - to encourage building of business premises even though the developer may not be able to sell or let the premises immediately.
 - to alleviate the effects of the recession; and
 - to encourage the use of retail premises which have been unoccupied for a period of time.
12. The Isle of Wight Council has a duty to consider requests for discretionary rate relief or remission of Non-Domestic Rates in relation to the circumstances of the organisation or individual ratepayer.
13. The primary provision underpinning a billing authority's discretionary power to grant relief is contained in the Local Government Finance Act (LGFA) 1988, which allows billing authorities to have discretion to grant relief to certain ratepayers for all or part of the amount of Non-Domestic Rates payable.
14. The Non-Domestic Rating (Discretionary Relief) Regulations 1989 further allow a billing authority to restrict discretionary rate relief to a fixed period and to deal with the notice that must be given if such relief is varied or revoked.
15. The government over recent years has increasingly used discretionary relief to support businesses and the Isle of Wight Council will promote and maximise take up of current and any new initiatives introduced by government where funding is provided by a section 31 grant under the Local Government Act 2003.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Economic Recovery

16. The core strengths of the Island economy remain as a platform for recovery and restoring Island business growth following the pandemic, war on Ukraine, and subsequent cost of living crisis, as well as existing businesses expanding on the Island to create jobs and wealth for the Island's community as it looks to recover.

Implementing relief provided in legislation will deliver additional support to local business to assist with reduction of business rates.

Responding to climate change and enhancing the biosphere

17. Responding to climate change and enhancing the biosphere by adopting the legislative changes for discretionary rates and transitional relief to businesses will not impact on climate change.

Economic Recovery and Reducing Poverty

18. The Council will take full advantage of their powers within the legislation changes to support local business which take effect on and from the 1 April 2023.

Impact on Young People and Future Generations

19. Any provision under the schemes being introduced will provide support to local business and in turn to their workforce and families.

CONSULTATION

20. There is no requirement for any consultation as this change is subject to a change in legislation.

FINANCIAL / BUDGET IMPLICATIONS

21. Because this is a government-led initiative, central government will fully reimburse billing authorities for relief for 2023/24, subject to this policy being approved by way of section 31 grants under the Local Government Act 2003.
22. Because the relief is becoming part of the existing discretionary relief legislation on and from 1 April 2023, central government will continue to reimburse billing authorities and major precepting authorities for the actual cost to them.
23. The reimbursement for this relief is made following the return submission of authorities' National Non-Domestic Rates 3 (NNDR3) forms.

LEGAL IMPLICATIONS

24. Billing Authorities provide the discount using the local discount powers contained in Section 47 of the Local Government Finance Act 1988, as amended. The new Non-Domestic Rating (Chargeable amounts) (England) Regulations 2022 which provide the power for the new arrangements if adopted came into force on 22 December 2022. Although the use of the power is entirely discretionary, the

Government will fund the local share discount using a grant under Section 31 of the Local Government Finance Act 2003, subject to the new subsidy control regime.

EQUALITY AND DIVERSITY

25. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
26. An Equality Impact assessment has been completed as a background paper. It shows that the implementation of this policy does not affect any of the protected characteristics.

OPTIONS

27. The options for consideration are as follows:

Option 1:

That Cabinet adopt the discretionary rate relief schemes as outlined in the Autumn statement 2022 and to ensure that the reliefs are applied to eligible accounts for the financial year 2023/24

That Cabinet delegate authority be granted to the Cabinet Member for Strategic Finance, Transformational Change and Corporate to agree further legislative changes to the discretionary rates relief scheme

Option 2:

That Cabinet does not adopt the discretionary rate relief schemes as outlined in the Autumn Statement 2022.

RISK MANAGEMENT

28. As with the granting of other discretionary reliefs the revenues team will only apply the reliefs described at points 4,5 and 6 in-line with the specific eligibility criteria on and from the 1 April 2023 and will review the relief annually to ensure that the business remains eligible.
29. Regular monitoring of cases and close working with the Valuation Office Agency (VOA) to identify businesses to confirm eligibility will ensure that the relief is paid correctly to those entitled.
30. Because the reliefs will be fully funded through section 31 grant from central government, there is no risk to the council's finances.

EVALUATION

31. Adopting this policy under Option 1 provides additional support to eligible local businesses.
32. By not adopting this scheme on and from 1 April 2023, the Council will not be supporting local eligible businesses for that year and given that the cost of this is reimbursed by central government, there would be no direct cost to the Council.

BACKGROUND PAPERS

33. An Equality Impact Assessment has been completed separately to this report.

APPENDICES ATTACHED

Appendix 1 - Discretionary Rate Relief Policy

Contact Point: Debbie Vallas, Benefits Operational Manager – Tel (01983) 823950
e-mail debbie.vallas@iow.gov.uk

SHARON BETTS
Director of Corporate Services

(CLLR) CHRIS JARMAN
*Cabinet Member for Strategic Finance,
Transformational Change and Corporate
Resources*

This page is intentionally left blank

Isle of Wight Council Policy for the granting of Discretionary Non-Domestic Rate Relief

Version Control

<i>Version</i>	<i>Version date</i>	<i>Revised by</i>	<i>Description</i>
1	27 th December 2016	LM	Policy
2	7 th January 2017	DA	Revisions
3	May / June 2017	LM	Revisions to include new reliefs
4	July 2017	LM	Amendments
5	July 2017	DA	Sign off
6	August 2017	LM	Revisions VG
7	August 2017	LM	Revisions VG
8	August 2017	LM	Revisions VG
9	September 2017	LM	Revisions VG
10	October 2017	LM	Revisions VG
11	August 2018	LM	Revisions to Policies
12	December 2018	LM	Adjustment to Finance (Business Rates Retention)
13	February 2019	LM	Full revision of Policy
14	February 2019	LM	Revisions
15	February 2020	LM	Revisions to include all new reliefs
16	March 2020	LM	Revisions VG
17	June 2020	DA	Revision due to COVID-19
18	March 2021	DA/LM	Revisions for 2021
19	June 2021	DA/LM	Revisions for 2021 Public Convenience relief
20	December 2022	DA/LM	Revisions for 2022 and 2023

Contents

1.0 Purpose of the Policy4

2.0 Mandatory Relief - Legislative Background.....5

3.0 Discretionary Relief – Legislative Background.....6

4.0 Effect on the Council’s Finances.....8

5.0 Administration of Discretionary Relief9

6.0 Scheme of Delegation, Reviews and Appeals10

7.0 Reporting changes in circumstances11

8.0 Fraud.....12

Appendix A.....13

Discretionary Relief – Mandatory Relief recipients13

Appendix B.....17

Discretionary Relief – Non-Profit Making Organisations including Recreation17

Appendix C21

Discretionary Relief - Rural Rate Relief – Mandatory Relief recipients.....21

Appendix D24

Discretionary Relief – Premises within Rural Settlements24

Appendix E.....26

Discretionary Relief – Localism Act 201126

Appendix F.....29

Local Newspaper Relief29

Appendix G31

Supporting Small Businesses Relief31

(1 April 2017 to 31 March 2023)31

Appendix H35

Supporting Small Businesses Relief35

(1 April 2023 to 31 March 2026)35

Appendix I.....39

Retail Hospitality and Leisure Business Rates Scheme (2022/23).....39

Appendix J45

Retail Hospitality and Leisure Business Rates Scheme (2023/24).....45

Appendix K.....52

Hardship Relief – S49 Reduction of remission of rate liability.52

Section 49 – Hardship Relief53

1.0 Purpose of the Policy

- 1.1 The purpose of this policy is to determine the level of discretionary relief and related areas to be granted to certain defined ratepayers within the Council's area. The policy includes all changes effective from 1 April 2023 and includes all reliefs due to the costs of living crisis. The Council is keen to support businesses during the crisis, as far as possible
- 1.2 The Local Government Finance Act 1988 and subsequent legislation requires the Council to grant mandatory relief for premises occupied by Charities and similar organisations that own or occupy them wholly or mainly for charitable purposes. Likewise, certain premises situated within a rural settlement area will be eligible for mandatory relief. Powers have also been granted under the Localism Act 2011, which allow for the granting of discretionary rate relief to any premises where the Council feels the granting of such relief would be of benefit to the local community.
- 1.3 Whilst the Council is obliged to grant relief to premises, which fall within the mandatory category, the Council also has powers to grant discretionary relief and reductions to ratepayers subject to certain criteria being met. In the case of new reliefs, guidance has been issued by Central Government outlining actions expected to be taken by local authorities.
- 1.4 This document outlines the following areas:
 - Details of the criteria for receiving Discretionary Reliefs for all relevant areas;
 - The Council's policy for granting of all types of Discretionary Reliefs;
 - Guidance on granting and administering the reliefs and reductions; and
 - The Council's Scheme of Delegation.
- 1.5 This document covers all aspects of discretionary rate relief (subject to changes in legislation). Where organisations apply for relief, they will be granted (or not granted) relief or reductions in line with the following policy.

2.0 Mandatory Relief - Legislative Background

Charity Relief

- 2.1 The powers relating to the granting of mandatory¹ and discretionary relief are given to the Council under the Local Government Finance Act 1988². Charities and Trustees for Charities are only liable to pay one fifth of the Non-Domestic Rates that would otherwise be payable where property is occupied and used wholly or mainly for charitable purposes. This amounts to mandatory relief of 80%. For the purposes of the Act a charity is an organisation or trust established for charitable purposes, whether or not it is registered with the Charity Commission. The provision has recently been extended under the Local Government Act 2003 (effective from 1st April 2004) to registered Community Amateur Sports Clubs (CASCs).
- 2.2 The Council has discretion to grant relief of up to a further 20% for these cases under the discretionary provisions.

Rural Rate Relief

- 2.3 From 1st April 1998, under powers originally granted to the Council under the Local Government and Rating Act 1997³, certain types of business in rural settlements, with a population below 3000 may qualify for mandatory rate relief of 50 per cent. Businesses that qualify for this relief are the sole general store and the sole post office in the village, provided it has a Rateable Value of up to £8500; any food shop with a Rateable Value of up to £8500; and the sole pub and the sole petrol station in the village provided it has a Rateable Value of up to £12500.
- 2.4 From 1 April 2017, Central Government has indicated that it wants all authorities to give 100% relief to premises that receive mandatory rural rate relief. The legislation enabling this has not been forthcoming and therefore it has indicated that where the additional 50% is granted, a section 31 grant will be made available to the Council. This is dealt with further within this policy and the Council will automatically grant the additional 50% discretionary relief where appropriate.
- 2.5 In addition to this, the Council may decide to give up to 100 per cent relief to any other business (not in receipt of mandatory relief) in such a rural settlement, with a Rateable Value of up to £16,500, if it is satisfied that the business is of benefit to the community and having regard to the interests of its Council Taxpayers.⁴

¹ S43 & S45 Local Government Finance Act 1988

² S47 & S48 Local Government Finance Act 1988

³ LGFA 1988, s.47, as amended by Sch. 1 to the Local Government and Rating Act 1997

⁴ The Rateable Value figures in italics may be subject to change from 1 April 2023, due to the 2023 revaluation

Mandatory Relief – Public Lavatories

- 2.6 The Non-Domestic Rating (Public Lavatories) Act 2021 (which received Royal Assent on 19th April 2021) has enabled mandatory relief of 100 per cent to be granted for all premises which consist *wholly or mainly* of public lavatories.
- 2.7 As with other areas of Non- Domestic Rating, '*wholly*' means 100 per cent and '*mainly*' means that at least 51 per cent of the hereditament consists of public lavatories.
- 2.8 For any day that the conditions are met, the charge shall be zero.
- 2.9 The mandatory relief can be awarded with effect from 1st April 2020, and as it is granted as a mandatory relief, rather than a discretionary relief, it can be awarded to all ratepayers including both Billing and Precepting Authorities.
- 2.10 Funding for the relief is provided by Central Government by means of a Section 31 grant.

3.0 Discretionary Relief – Legislative Background

Introduction

- 3.1 The original purpose of discretionary relief was to provide assistance where the property does not qualify for mandatory relief, or to 'top' up cases where ratepayers already receive mandatory relief.
- 3.2 Over recent years and particularly since 2011, the discretionary relief provisions have been amended to allow authorities the flexibility to provide assistance to businesses and organisations.
- 3.3 The range of bodies, which are eligible for discretionary rate relief, is wide and not all of the criteria laid down by the legislation will be applicable in each case.
- 3.4 Unlike mandatory relief, ratepayers are obliged to make a written application to the Council.
- 3.5 The Council is obliged to carefully consider every application on its merits, taking into account the contribution that the organisation makes to the amenities of the Island. There is no statutory appeal process against any decision made by the Council although as with any decision of a public authority, decisions can be reviewed by Judicial Review.
- 3.6 Granting of the relief falls broadly into the following categories:
 - (a) Discretionary Relief – Charities who already receive mandatory relief.
 - (b) Discretionary Relief – Premises occupied by organisations not established or conducted for profit whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts **or** premises occupied by organisations not established or conducted for profit and wholly or mainly used for purposes recreation;

- (c) Discretionary Relief – Rural Rate relief - premises that already receive mandatory relief;
- (d) Discretionary Relief – Rural Rate relief - premises not receiving mandatory relief but of benefit to the local community and less than £16,500 RV;
- (e) Discretionary Relief – Granted under the Localism Act 2011 provisions;
- (f) Local Newspaper Relief (from 1st April 2017 until 2025);
- (g) Supporting Small Businesses Relief (from 1st April 2017 for a period of five years or until business pay their full rate charge or their transitional rate charge (calculated in accordance with the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016));
- (h) Supporting Small Business Relief (from 1st April 2023 until 31st March 2026)
- (i) Retail Hospitality and Leisure Relief (from 1st April 2022 until 31st March 2023 for a period of one year);
- (j) Retail Hospitality and Leisure Relief (from 1st April 2023 until 31st March 2024 for a period of one year);
- (k) Hardship Relief – Granted under Section 49 of the Local Government Finance Act 1988.

3.7 The decision to grant or not to grant relief is a matter purely for the Council.

The Council's approach to granting Discretionary Relief

3.8 In deciding which organisations should receive discretionary Rate relief, the Council has taken into account the following factors and priorities:

- (a) The policy should support business, charities, organisations, and groups that help to retain services in the Island and not compete directly with existing businesses in an unfair manner;
- (b) Help and encourage business, charities, organisations, groups and communities to become self-reliant;
- (c) Awarding discretionary relief should not distort competition or significantly change the provision of services within the Island;
- (d) Every business/ organisation should contribute something towards the provision of local services within the Island;
- (e) Local organisations will be given priority over national organisations. In particular the organisation will need to supply the Council with clear evidence of the amounts of monies raised and used / invested locally within the Island. This will be particularly important where the organisation is national in nature.
- (f) To support appropriate organisations that deliver outcomes to the community which relate to the priorities of the Council;
- (g) To enable appropriate organisations to start, develop or continue their activities, which deliver outcomes to the community that also relate to the priorities of the Council, which without granting discretionary relief they would be unable to do;
- (h) To support and enable appropriate businesses to start, develop and continue with their operations that deliver outcomes directly related to the Council's Economic Development Delivery Action Plan; and
- (i) To ensure that the financial impact of awarding discretionary business rate relief is justified in terms of the local outcomes achieved by the organisation receiving it.

3.9 Where any reduction or remission is granted to a ratepayer under S49 Local Government Finance Act 1988 where hardship is proven to the Council, then there will be no requirement to grant Discretionary Rate Relief for that amount.

4.0 Effect on the Council's Finances

- 4.1 The granting of discretionary relief will, in the main, involve a cost to the Council. Since the change to the funding for Non-Domestic Rating in April 2013, the effect of the relief is complex.
- 4.2 Any amounts granted prior to 1st April 2013 and continuing since that date will be included in the Council's baseline within the Business Rates Retention Scheme. For any amounts granted for similar cases after 1st April 2013, the costs of the relief will be borne in accordance with the Business Rates Retention Scheme share namely 50% borne by Central Government and 50% by the Council. This also applies where mandatory relief is granted.
- 4.3 Where Central Government leads an initiative, grants are often available through section 31 of the Local Government Act 2003. This is not automatic and Central Government will look to the Council to adopt the recommended approach when granting in these areas
- 4.4 The financial effects of discretionary reliefs covered by this policy are as follows:

Appendix	Relief Type	Granted after 1 st April 2023 (Effective from 1 st April 2023)
	Charity Relief	
A	Discretionary relief granted to Mandatory Relief recipients	50% borne by the Council
B	Non-profit Making Organisations including Sports Clubs and societies	50% borne by the Council
	Rural Rate Relief	
C	50% Discretionary relief granted to Mandatory Rural Relief recipients	Section 31 Grant
D	Other premises within a rural settlement under £16500 RV	50% borne by the Council
	Localism	
E	Discretionary Relief granted to ratepayers generally and not covered by any other section	50% borne by the Council
	Local Newspaper Relief	
F	Discretionary Relief granted to local newspapers meeting the criteria (From 1 st April 2017 until 2025)	Section 31 Grant
	Supporting Small Business Relief	
G	Supporting Small Businesses Relief (from 1 st April 2017 for a period of up to five years if conditions are met)	Section 31 Grant
H	Supporting Small Businesses Relief (from 1 st April 2023 for a period of up to three years if conditions are met)	Section 31 Grant

Appendix	Relief Type	Granted after 1 st April 2023 (Effective from 1 st April 2023)
	Retail, Hospitality and Leisure Relief	
I	Retail, Hospitality and Leisure Relief (from 1 st April 2022 for a period of one year)	Section 31 Grant
J	Retail, Hospitality and Leisure Relief (from 1 st April 2023 for a period of one year)	Section 31 Grant
	Hardship Relief – Section 49	
K	This is a discretionary relief that can be awarded by the Council where a ratepayer is considered to be suffering hardship.	50% borne by the Council

5.0 Administration of Discretionary Relief

- 5.1 The following section outlines the procedures followed by officers in granting, amending, or cancelling discretionary relief and reduction. This is essentially laid down by legislation⁵

Applications and Evidence

- 5.2 All reliefs must be applied for in writing by the ratepayer. Application forms are available online at www.iow.gov.uk/Businessrates or by request.
- 5.3 Organisations are required to provide a completed application form plus any such evidence, documents, accounts, financial statements etc. necessary to allow the Council to make a decision. Where insufficient information is provided, then no relief will be granted.
- 5.4 Applications should initially be made to the Business Rates Section and will be determined in accordance with Section 6 of this policy.

Granting of relief

- 5.5 In all cases, the Council will notify the ratepayer of decisions made.
- 5.6 Where an application is successful, then the following will be notified to them in writing:
- The amount of relief granted and the date from which it has been granted;
 - If relief has been granted for a specified period, the date on which it will end. (It should be noted that reliefs are granted for the period specified in the appropriate Appendix and may vary from a day to a full financial year);
 - The new chargeable amount;
 - The details of any planned review dates and the notice that will be given in advance of a change to the level of relief granted; and

⁵ The Non-Domestic Rating (Discretionary Relief) Regulations 1989

- A requirement that the applicant should notify the Council of any change in circumstances that may affect entitlement to relief.
- 5.7 Where relief is not granted then the following information is provided, again in writing:
- An explanation of the decision within the context of the Council's statutory duty; and
 - An explanation of the appeal rights (see below).
- 5.8 Discretionary relief is to be granted from the beginning of the financial year in which the decision is made. Since 1997 decisions can be made up to 6 months after the end of the financial year for which the application was made.
- 5.9 A decision to award discretionary relief and how much relief is given is only applicable to the financial year for which the application is made.
- 5.10 A fresh application for discretionary relief will, if required by the Council, be necessary for each financial year.

Variation of a decision

- 5.11 Variations in any decision will be notified to ratepayers as soon as practicable and will take effect as follows:
- Where the amount is to be increased due to a change in rate charge from the date of the increase in rate charge;
 - Where the amount is to increase for any other takes effect at the expiry of a financial year, and so that at least one year's notice is given;
 - Where the amount is to be reduced due to a reduction in the rate charge from the date of the decrease in rate charge;
 - Where the amount is to be reduced for any other reason takes effect at the expiry of a financial year, and so that at least one year's notice is given
- 5.12 A decision may be revoked at any time and the change will take effect at the expiry of a financial year.

6.0 Scheme of Delegation, Reviews and Appeals

Granting, Varying, Reviewing and Revocation of Relief

- 6.1 Under powers given to the Council by section 223 of the Local Government Act 1992, all permissions for the granting, varying, reviewing and revocation of discretionary relief and reductions are given under the Local Government Finance Act 1988, the Local Government and Rating Act 1997, the Local Government Act 2003, and the Localism Act 2011.
- 6.2 An application will need to be submitted to the business rates section who will undertake the initial first stage assessment to confirm it is valid. They will produce an overall decision sheet and submit it to the Revenues Team Leader, who will review applications and supporting documents and recommend awards to the Business Centre Manager. The Business Centre Manager will review and if satisfied will pass the recommendation, award date and amount to the Director of Finance. The Business Centre Manager has authorisation up to a limit of £2,000

per financial year and with a maximum of £6000; any reductions over this amount will be referred to the Director of Finance or Assistant Director of Finance for any award over £6000 for consideration.

- 6.3 Decisions under the current scheme are delegated to the Chief Finance Officer and Section 151 Officer and it is proposed that under the revised scheme a similar delegation is used. Any application which is considered to be of a significant nature will be subject to consultation with the relevant Cabinet member prior to final determination.
- 6.4 Applications that are refused will be reconsidered if additional supporting information is provided or the refusal is subsequently considered to be based on a misinterpretation of the application

Reviews

- 6.5 The policy for granting relief will be reviewed annually or where there is a substantial change to the legislation or funding rules. At such time, a revised policy will be brought before the relevant committee of the Council.
- 6.6 The Director of Corporate Services will submit a report on a six-monthly basis to the Chief Finance Officer and S151 Officer and Executive member for Resources summarising the position on applications received, granted and not granted.

Appeals

- 6.7 Where the Council receives an appeal or request for reconsideration of a decision regarding the granting, non-granting or the amount of any discretionary relief, the case will be reviewed by the Director of Corporate Services. Where a decision is revised then the ratepayer shall be informed, likewise if the original decision is upheld.

7.0 Reporting changes in circumstances

- 7.1 Where any award is granted to a ratepayer, the Council will require any changes in circumstances which may affect the relief to be reported as soon as possible and, in any event, not more than 21 days from the happening of the event. This will be important where the change would result in the amount of the award being reduced or cancelled e.g., where the premises comes unoccupied or is used for a purpose other than that determined by the Council as eligible for relief.
- 7.2 Where a change of circumstances is reported, the relief will, if appropriate be revised or cancelled. Where any award is to be reduced, the Council will look to recover the amount from the date the change of circumstances occurred.

8.0 Fraud

- 8.1 Where a ratepayer falsely applies for any relief, or where the ratepayer provides false information, makes false representation, or deliberately withholds information in order to gain relief, prosecutions will be considered under the Fraud Act 2006.

Appendix A

Discretionary Relief – Mandatory Relief recipients

Discretionary Relief – Mandatory Relief recipients General Explanation

- A.1 S43 of the Local Government Finance Act 1988 allows mandatory relief (80%) to be granted on premises if the ratepayer is a charity or trustees for a charity and the premises are wholly or mainly used for charitable purposes. No charge is made in respect of unoccupied premises where it appears that *when next in use* it will be used wholly or mainly for those purposes.
- A.2 The legislation has been amended by the Local Government Act 2003 (effective from 1 April 2004) to include registered⁶ Community Amateur Sports Clubs (CASC). These organisations can now receive the mandatory (80%) relief.

Charity registration

- A.3 Charities are defined within the legislation as being an institution⁷ or other organisation established for charitable purposes only or by persons administering a trust established for charitable purposes only.
- A.4 The question as to whether an organisation is a charity may be resolved in the majority of cases by reference to the register of charities maintained by the Charity Commissioners under s.4 of the Charities Act 1960. Entry in the register is conclusive evidence. By definition, under the Non-Domestic Rating legislation, there is no actual need for an organisation to be a registered charity to receive the relief and this has been supported by litigation⁸, however in all cases the organisation must fall within the following categories:
- trusts for the relief of poverty;
 - trusts for the advancement of religion;
 - trusts for the advancement of education; and
 - trusts for other purposes beneficial to the community, but not falling under any of the preceding heads.
- A.5 Certain organisations are exempted from registration generally and are not required to make formal application to the Charity Commissioners these are:
- the Church Commissioners and any institution administered by them;
 - any registered society within the meaning of the Friendly Societies Acts of 1896 to 1974;
 - units of the Boy Scouts Association or the Girl Guides Association; and
 - voluntary schools within the meaning of the Education Acts of 1944 to 1980.
- A.6 The Council would consider charitable organisations, registered or not, for mandatory relief.

⁶ Registered with HMRC as a CASC

⁷ S67(10) Local Government Finance Act 1988

⁸ Income Tax Special Commissioners v Pemsell (1891)

Use of Premises – wholly or mainly used

- A.7 Irrespective of whether an organisation is registered as a charity or not, the premises **must** be wholly or mainly used for charitable purposes. This is essential if any relief (either mandatory or discretionary) is to be granted. In most cases this can be readily seen by inspection but on occasions the Council has had to question the actual use to which the premises are to be put. It will be an essential part of the process of the application for the Council to inspect any premises fully.
- A.8 Guidance from the Department for Levelling Up, Communities and Local Government (DLUHC) has stated that in the case of 'mainly', at least 51% must be used for charitable purposes whether of that charity or of that and other charities.
- A.9 The following part of this section gives details on typical uses where relief may be given plus additional criteria that have to be satisfied. The list is not exhaustive but gives clear guidance on premises for which mandatory relief can be granted *and therefore* premises which could be equally considered for discretionary rate relief.

Offices, administration, and similar premises

- A.10 Premises used for administration of the Charity including:
- Offices
 - Meeting Rooms
 - Conference Rooms

Charity shops

- A.11 Charity shops are required to meet additional legislative criteria if they are to receive mandatory relief. Section 64(10) of the Local Government Finance Act 1988 provides that a property is to be treated as being wholly or mainly used for charitable purposes at any time if, at the time, it is wholly or mainly used for the sale of goods donated to a charity and the proceeds of the sale of the goods (after any deduction of expenses) are applied for the purposes of the charity.
- A.12 In order to ascertain whether an organisation meets these requirements, inspections may be made by an officer of the Council when an application is received.

Charity Relief – Mandatory Relief recipients, the Council's Policy for granting discretionary relief.

- A.13 The Council will consider applications for a discretionary rate relief top up from charities based on their own merits, on a case-by-case basis.
- A.14 In determining the application, the following matters will be taken in to consideration:
1. How the charity supports and links into the Council's corporate vision and priorities;
 2. The purpose of the charity and the specific activity carried out within the premises for which the relief is requested;
 3. Whether the charity operates at a local or national level and where appropriate, the local and national funding streams and financial position of the charity;

A15 The Council is keen to support businesses that have a critical role to play in the local economy and which meet the strategic priorities and direction of the council. The vision is for the Isle of Wight to be an inspiring place in which to grow up, work, live and visit and which:

- Create opportunities for all;
- Deliver economic growth and prosperity;
- Preserve our environment;
- Protect our community;
- Plan for our future needs; and
- Provide sound financial management.

A.16 In the case of registered Community Amateur Sports Clubs, the key criteria in determining the application will be:

1. The ratepayer occupies the whole hereditament;
2. Relief cannot be granted in respect of premises that are occupied by the Council or any Town and Parish Council, although the latter could be a minority tenant of such premises;
3. How the CASC supports and links into the Council's corporate vision and priorities;
4. The membership and fee structure and whether the CASC is accessible to all residents, including whether there are concessions for certain groups, for example people on a low income or young people under 18;
5. Membership numbers and the number and percentage of these members that are Island residents;
6. If the CASC has due regard to equality issues and if it actively encourages members from under-represented groups, for example black and minority ethnic residents, people over 50 and people with disabilities;
7. Whether facilities are available to the wider community regardless of ability. We will also require additional financial information including:
8. If the CASC runs a bar or food provision, the level of income from this activity and how this money is used; and whether the CASC operates at a local or national level and where appropriate, the local and national funding streams and financial position of the CASC.

A17 The Council wishes to support and enable appropriate businesses to start, develop and continue with their operations that deliver outcomes directly related to the Council's corporate plan. In the main this will be done through other means rather than granting discretionary relief. There may be occasions where applications are made for such relief or where a package of measures, including discretionary relief, are appropriate in supporting businesses.

Appendix B

Discretionary Relief – Non-Profit Making Organisations including Recreation

Discretionary Relief – Non-Profit Making Organisations including Recreation

General explanation

Non-Profit

- B.1 The legislation⁹ allows the Council to grant discretionary relief where the property is not an *excepted* one and all or part of it is occupied for the purposes of one or more institutions or other organisations none of which is established or conducted for profit and each of whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature, or the fine arts.
- B.2 Relief cannot be granted to any premises occupied by the Council, or any town, parish council or major Precepting Authority (*excepted premises*).
- B.3 A number of issues arise from the term 'not established or conducted for profit'. This requires the Council to make enquiries as to the overall purpose of the organisation although if surpluses and such amounts are directed towards the furtherance or achievement of the objects of the organisation then it does not necessarily mean that the organisation was established or conducted for profit.¹⁰

Recreation Clubs

- B.4 Ideally all recreation clubs should be encouraged to apply for Community Amateur sports Club (CASC) status, which would automatically entitle them to 80% relief. The relief granted to CASCs is covered earlier within this policy.
- B.5 Recreation Clubs can also apply to the Charity Commissioners for registration as a Charity (thereby falling under the mandatory provisions for 80% relief) where they meet the following conditions:
- (a) The promotion of community participation in healthy recreation and by the provision of facilities for the playing of particular sports; and
 - (b) The advancement of the physical education of young people not undergoing formal education.
- B.6 Where sports clubs do not meet the CASC requirement, and are not registered charities, discretionary relief can be granted (0-100%) where the property is not an *excepted* one, it is wholly or mainly used for purposes of recreation and all or part of it is occupied for the purpose of a club, society or other organisation not established or conducted for profit.

Definition of Recreation

- B.7 Recreation is clearly defined by the Sports Council as any of the following¹¹

⁹ S47 Local Government Finance Act 1988

¹¹ Definition last reviewed by Sport England in 2002

Aikido	Croquet	Kabaddi	Real Tennis	Tang Soo Do
American Football	Crossbow	Karate	Roller Hockey	Tenpin Bowling
Angling	Curling	Kendo	Roller Skating	Trampoline
Archery	Cycling	Korfball	Rounders	Triathlon
Arm Wrestling Association	Disability Sport	Lacrosse	Rowing	Tug of War
Association Football	Dragon Boat	Lawn Tennis	Rugby League	Unihoc
Athletics	Racing	Life Saving	Rugby Union	Volleyball
Australian Rules Football	Equestrian	Luge	Sailing	Water Skiing
Badminton	Fencing	Modern Pentathlon	Sand/Land Yachting	Weightlifting
Ballooning	Fives	Motor Cycling	Shinty	Wrestling
Baseball	Flying	Motor Sports	Shooting	Yoga
Basketball	Gaelic Football	Mountaineering	Skateboarding	
Baton Twirling	Gliding	Movement, Dance, Exercise & Fitness	Skiing	
Biathlon	Golf	Netball	Skipping	
Bicycle Polo	Gymnastics	Orienteering	Snowboarding	
Billiards and Snooker	Handball	Parachuting	Softball	
Bobsleigh	Hang/Para	Petanque	Sombo	
Boccia	Gliding	Polo	Wrestling	
Bowls	Highland Games	Pony Trekking	Squash	
Boxing	Hockey	Pool	Skater/Street Hockey	
Camogie	Horse Racing	Quoits	Sub-Aqua	
Canoeing	Hovering	Racketball	Surf Life	
Caving	Hurling	Rackets	Saving	
Chinese Martial Arts	Ice Hockey	Raquetball	Surfing	
Cricket	Ice Skating	Rambling	Swimming & Diving	
	Jet Skiing		Table Tennis	
	Ju Jitsu		Taekwondo	
	Judo			

Access to clubs

- B.8 Guidance issued by the DLUHC also requires the Council to consider access to clubs within the community before granting discretionary relief.
- B.9 Membership should be open to all sections of the community. There may be legitimate restrictions placed on membership which relate for example to ability in sport or to the achievement of a standard in the field covered by the organisation or where the capacity of the facility is limited, but in general membership should not be exclusive or restrictive.
- B.10 Membership rates should not be set at such a high level as to exclude the general community. However, membership fees may be payable at different rates that distinguish the different classes of membership such as juniors, adults, students, pensioners, players, non-players, employed and unemployed. In general, the club or organisation must be prepared to show that the criteria by which it considers applications for membership are consistent with the principle of open access.

- B.11 The Council also asks the following question to help establish the level of access 'Does the organisation actively encourage membership from particular groups in the community e.g., young people, women, older age groups, persons with disability, ethnic minorities' etc.?'

Provision of facilities

- B.12 Clubs which provide training or education are encouraged as are those who provide schemes for particular groups to develop their skills e.g., young people, the disabled, retired people.
- B.13 A number of organisations run a bar. The mere existence of a bar will not in itself be a reason for not granting relief. However, the Council focuses on the main purpose of the organisation. The Council is encouraged to examine the balance between playing and non-playing members.
- B.14 Within this area the Council also considers whether the facilities provided relieve the Council of the need to do so or enhance and supplement those that it does provide.

Discretionary Relief - Non-Profit Organisations including Recreation – the Council's Policy

- B.15 The Council will consider applications for discretionary rate relief from non-profit making organisations on their own merits on a case-by-case basis. In determining the application, the following matters will be taken in to consideration (The list is not exhaustive):
- How the organisation supports and links into the Council's corporate vision and priorities;
 - Whether the facilities provided include education and/or training for members as a whole or for special groups;
 - The extent to which the facilities provided reduce the demand for Council services or produce savings;
 - Any membership and fee structure and whether the facilities are accessible to all residents, including whether there are concessions for certain groups, for example people on a low income or young people under 18;
 - If covered by a membership scheme, membership numbers and the number and percentage of these members that are Island residents;
 - If the organisation has due regard to equality issues and if its facilities are used by all members of the community, for example black and minority ethnic residents, people over 50 and people with disabilities.
- B.16 The Council will also require additional financial information including:
- If the organisation runs a bar or food provision, the level of income from this activity and how this money is used; and
 - Whether the organisation operates at a local or national level and where appropriate, the local and national funding streams and financial position of the organisation.

Appendix C
Discretionary Relief - Rural Rate Relief – Mandatory
Relief recipients

Discretionary Relief - Rural Rate Relief – Mandatory Relief recipients

What are the qualifying criteria for Mandatory Relief?

- C.1 For a Post Office or General Store to be entitled to 50% Mandatory Relief, all the following criteria must be met:
- The Rateable Value of the property must not exceed £8,500 (from 1 April 2023);
 - The property must be used as a Post Office or a General Store (see below for definition), or both;
 - The property must be the only Post Office or the only General Store within the Rural Settlement.
- C.2 For a Public House or Petrol Filling Station to be entitled to 50% Mandatory Relief, all the following criteria must be met:
- The Rateable Value of the property must not exceed £12,500 from 1 April 2023);
 - The property must be used as a Public House (see below for definition) or a Petrol Filling Station (see below for definition); and
 - The property must be the only Public House or the only Petrol Filling Station within the Rural Settlement.
- C.3 For a village food shop to be entitled to 50% Mandatory Relief, all the following criteria must be met:
- The Rateable Value of the property must not exceed £8,500 from 1 April 2023); and
 - The property must be used as a shop selling mainly food (see below for definition).

What rural settlements exist within the Isle of Wight?

- C.4 The following settlements currently exist within the Isle of Wight. Each rural settlement area can be viewed at the Council Offices:
Arreton; Bembridge; Brading; Brighstone; Calbourne; Chale; Freshwater; Gatcombe; Godshill; Gurnard; Nettlestone; Newchurch; Niton and Whitwell; Rookley; Seaview; Shalfleet; Shanklin; Shorwell; St. Helens; Totland; Ventnor; Wroxall; Yarmouth

What is the definition of a General Store?

- C.5 For the purposes of Rural Rate Relief, 'General Store' means a business or trade, which wholly or mainly sells by retail both food (other than confectionery) for human consumption and general household goods. Where there are two or more General Stores within the same Rural Settlement, none can qualify for Mandatory Relief on that basis, although if one of them functions as a Post Office or a Food Shop relief may be claimed independently on that ground. However, both a General Store and a Post Office in the same Rural Settlement will qualify for Mandatory Relief, provided that they both meet the criteria. Although a General Store or a Post Office may not meet the criteria for Mandatory Relief, they may still be eligible to apply for

Discretionary Relief.

What is the definition of a Public House?

- C.6 For the purposes of Rural Rate Relief, 'Public House' means any premises as defined in the Licensing Act 2003, which has a premises license authorising sale by retail of alcohol for consumption on the premises. In addition, the premises must be used principally for retail sales of alcohol to members of the public for consumption on the premises, and sales must not be subject to the condition that buyers reside at or consume food on the premises.

What is the definition of a Petrol Filling Station?

- C.7 For the purposes of Rural Rate Relief, 'Petrol Filling Station' means premises where petrol or other automotive fuels are sold retail to the general public for fuelling motor vehicles intended or adapted for use on roads

What is the definition of a Food Shop?

- C.8 For the purpose of Rural Rate Relief, "Food Shop" means a trade or business consisting wholly or mainly of the sale by retail of food for human consumption (excluding confectionery and catering – in this context catering means any supply of food for consumption on the premises on which it is supplied and any supply of hot food for consumption off the premises). Thus, this definition may also include shops, which sell mainly household foods, and which may partly also sell hot take away food or food consumed on the premises. But shops whose main business is a restaurant, tearoom, take-away, or confectionery sales are not food shops and so will not qualify for Mandatory Relief.

What are the qualifying criteria for Discretionary Relief?

- C.9 The Council may grant up to 50% Discretionary Relief in respect of any property which qualifies for 50% Mandatory Relief and the Council may also grant up to 100% Discretionary Relief to any rural business which does not meet the mandatory provisions.

Rural Rate Relief – Mandatory Relief recipients, the Council's Policy for granting discretionary relief.

- C.10 As Central Government has requested and fully funds any additional relief granted to ratepayers who receive mandatory rural rate relief, the Council will automatically grant the additional 50% until such time as primary legislation is changed.

Appendix D

Discretionary Relief – Premises within Rural Settlements

Discretionary Relief – Premises within Rural Settlements

- D.1 In addition to having the ability to grant discretionary relief to those in receipt of mandatory relief, the Local Government and Rating Act 1997 allows discretionary relief of up to 100% to be granted where the rateable value is £16500 or less and:
- a. Property is used for purposes which are of benefit to the local community, and
 - b. It would be reasonable for the billing authority to award relief, having regards to the Council's Council Taxpayers
- D.2 As with all discretionary relief, part of the cost, is met by Central Government and the balance from local sources.
- D.3 The main criteria for granting discretionary relief in respect of rural rate relief is that premises are used to benefit the local community.

Benefit to the local community

- D.4 Whilst each application for the relief will be considered on its own merits, there are certain factors which weigh heavily in the decision-making process. It is this Council's belief that the spirit of the legislation is to assist businesses and amenities, which contribute significantly to the quality of life of the people who have their main home in the Rural Settlement.
- D.5 To be successful for consideration, a business must show that its existence is a significant benefit to the local community with the majority of local residents directly benefiting from services or facilities provided by that business

Rural Rate Relief – the Council's Policy for granting discretionary relief.

- D.6 The Council will also consider applications for a discretionary rural rate relief from all ratepayers, not entitled to mandatory relief.
- D.7 In determining the application the following matters will be taken in to consideration:
- The granting of any discretionary relief will be essential in ensuring the viability of any business within the rural settlement;
 - The granting of any discretionary relief is proportionate given the level of any business rates charged compared with the overall turnover of the business;
 - The granting of any discretionary relief will assist the business in continuing to be viable and / or prevent the business from failing;
 - The business is considered by the Council to be essential and that any reduction or withdrawal of the business will have a serious detrimental effect on the rural settlement; and
 - The granting of any discretionary relief is reasonable having regard to the effect on taxpayers of the Island.

Appendix E

Discretionary Relief – Localism Act 2011

Discretionary Relief – Localism Act 2011

General explanation

- E.1 Section 69 of the Localism Act 2011 amended Section 47 of the Local Government Finance Act 1988. These provisions allow all Councils to grant discretionary relief in **any** circumstances where it feels fit having regards to the effect on the Council Tax payers of its area.
- E.2 The provisions are designed to give authorities flexibility in granting relief where it is felt that to do so would be of benefit generally to the area and be reasonable given the financial effect to Council Tax payers.

Discretionary Relief – Localism – the Council’s Policy

- E.3 Applications will be considered from any ratepayer who wishes to apply however, where a ratepayer is suffering hardship or severe difficulties in paying their rates liability then relief can be granted under the existing provisions as laid down by Section 49 of the Local Government Finance Act 1988. There will be no requirement to grant relief in such cases under the Council's discretionary relief policy.
- E.4 Any ratepayer applying for discretionary rate relief under these provisions and who does not meet the criteria for existing relief (charities, non-profit making organisations or rural premises) must meet **all** of the following criteria and the amount of relief granted will be dependent on the following key factors:
- (a) The ratepayer **must not** be entitled to mandatory rate relief (Charity or Rural Rate Relief);
 - (b) The ratepayer **must not** be an organisation that could receive relief as a non-profit making organisation or as a sports club or similar;
 - (c) The ratepayer **must** occupy the premises (no discretionary rate relief will be granted for unoccupied premises);
 - (d) The premises and organisation **must** be of *significant* benefit to residents of the Island;
 - (e) The premises and organisation **must** relieve the Council of providing similar facilities;
 - (f) The ratepayer **must**;
 - (i) Provide facilities to certain priority groups such as elderly, disabled, minority groups, disadvantaged groups; **or**
 - (ii) Provide *significant* employment or employment opportunities to residents of the Island; **or**
 - (iii) Provide the residents of the area with such services, opportunities or facilities that cannot be obtained locally or are not provided locally by another organisation;
 - (g) The ratepayer **must** demonstrate that assistance (provided by the discretionary rate relief) will be for a *short time only* **and** that any business / operation is financially viable in the medium and long term; **and**
 - (h) The ratepayer **must** show that the activities of the organisation are consistent with the Council's core values and priorities.

- E.5 Where a ratepayer can demonstrate that **all** the above criteria are met, relief will be considered for initially a short period.

Appendix F Local Newspaper Relief

- F.1 This is a relief that will be awarded until 2025 and the Government is not changing the legislation around the reliefs available to these properties. Central Government will reimburse local authorities that use their discretionary relief powers (under section 47(3)) of the Local Government Finance Act 1988 to grant relief in line with the eligibility criteria set out in this guidance.
- F.2 The Council will be compensated by Central Government through a grant under section 31 of the Local Government Act 2003.

Eligibility criteria

- F.3 The scheme will provide a £1,500 relief for office space occupied by local newspapers up to a maximum of one discount per local newspaper title and per hereditament.

Local Newspapers

- F.4 The relief is to be specifically for local newspapers and by that, the Council means what would be considered a “traditional local newspaper.” The relief will not be available to magazines.

Office Space

- F.5 The hereditament **must** be occupied by a local newspaper and wholly or mainly used as office premises for journalists and reporters.

Amount of Relief

- F.6 The amount of relief is limited to a maximum of one discount per newspaper title (e.g., per newspaper name) **AND** per hereditament.

Local Newspaper Relief – the Council’s policy for granting discretionary relief.

- F.7 The Council has decided to grant relief strictly in accordance with Central Government guidelines.

Appendix G
Supporting Small Businesses Relief
(1 April 2017 to 31 March 2023)

General Explanation

- G.1 Central Government has increased the thresholds for Small Business Rate Relief from 1 April 2017 to £12,000 for the 100% relief and £15,000 for the tapered relief. They have also allowed rural rate relief to be granted up to 100% using S47 of the Local Government Finance Act 1988 as a top up to the mandatory level of 50%, albeit that the rateable value limits have not been changes in respect of rural hereditaments. Unfortunately, despite these changes, some small businesses and businesses in rural areas may lose their entitlement to the relief due to increases in Rateable Value through the revaluation on 1 April 2017.
- G.2 The transitional relief scheme (provided under the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265) does not provide support in respect of changes in reliefs. Therefore, those ratepayers who have lost some or all of their small business or rural rate relief may face large percentage increases in bills from 1 April 2017.
- G.3 In view of this, Central Government announced that a new scheme of relief would be made available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief due to the revaluation. All authorities are encouraged to grant the relief in accordance with the guidelines laid down by Central Government and if granted strictly in accordance with guidance, the Council will be compensated by Central Government through a grant under section 31 of the Local Government Act 2003.
- G.4 The relief is to be known as the 'Supporting Small Businesses Scheme'.

Who is eligible for the relief and how much relief will be available?

- G.5 The Supporting Small Businesses relief will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their small business or rural rate relief and, as a result, are facing large increases in their bills.
- G.6 To support these ratepayers, the Supporting Small Businesses relief will ensure that the increase per year in the bills of these ratepayers is limited **to the greater of:**
- (a) a percentage increase per annum. of 5%, 7.5%, 10%, 15% and 15% 2017/18 to 2021/22 all plus inflation. (Unlike the transitional relief scheme under the Chargeable Amount regulations), for the first year of the scheme the percentage increase is taken against the bill for 31 March 2017 after small business rate relief or rural rate relief; **or**
 - (b) a cash value of £600 per year (£50 per month).
- G.7 This cash minimum increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after small business rate relief are brought into paying something.
- G.8 In the first year of the scheme, this means all ratepayers losing some or all of

their small business rate relief or rural rate relief will see the increase in their bill capped at £600. The cash minimum increase is £600 per year thereafter. This means that ratepayers who in 2016/17 paid nothing under small business rate relief and are losing all of their entitlement to relief (i.e. moving from £6,000 rateable value or less to more than £15,000) would under this scheme be paying £3,000 in year 5.

- G.9 The Government has also decided that those on the Supporting Small Businesses relief scheme whose 2017 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund small business rate relief while they are eligible for the Supporting Small Businesses relief scheme.
- G.10 Ratepayers will remain in the Supporting Small Businesses relief scheme for either 5 years or until they reach the bill they would have paid without the scheme (this would be the charge payable as their true rates payable or the charge calculated under the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016).
- G.11 A change of ratepayer will not affect eligibility for the Supporting Small Businesses relief scheme, **but** eligibility will be lost if the property falls vacant or becomes occupied by a charity or Community Amateur Sports Club.

Recalculation of relief

- G.13 The amount of relief awarded under the Supporting Small Businesses relief scheme will be recalculated in the event of a change of circumstances including the following:
- This could include, for example, a backdated change to the rateable value or the hereditament; or
 - The awarding of another relief.
- G.14 The Council will, in effect, calculate the award on a daily basis taking into account the above, and the relief will be re-calculated if the rateable value changes.

Other Reliefs

- G.15 Hereditaments eligible for charity or Community Amateur Sports Club relief or hereditaments which are unoccupied are not eligible for Supporting Small Businesses Relief. Likewise, the same principle applies to properties for which a Section 44A certificate has been granted (apportionment of rateable values for partly occupied properties). The presence of a section 44A certificate will not further reduce the bill further under the Supporting Small Business scheme.
- G.16 In accordance with Central Government guidelines, all other discretionary reliefs, will be considered **after** the application of Supporting Small Businesses relief.

Supporting Small Businesses Relief – the Council’s policy for granting discretionary relief.

G.17 The Council has decided to grant relief strictly in accordance with Central Government guidelines.

Appendix H
Supporting Small Businesses Relief
(1 April 2023 to 31 March 2026)

General Explanation

- H.1 For 2023/24 to 2025/26, the Government will, in line with the eligibility criteria set out below, reimburse the Council if it uses its discretionary relief powers under section 47 of the Local Government Finance Act 1988 (as amended), to grant 2023 Supporting Small Business relief.
- H.2 It will be for the Council, which administers the 2023 Supporting Small Business relief, to adopt a local scheme and determine in each individual case when, having regard to this guidance, to grant relief under section 47.
- H.3 Central government will reimburse billing authorities and major precepting authorities for the actual cost to them under the rates retention scheme of the 2023 Supporting Small Business relief that falls within the definitions in this guidance.

Who is eligible for the 2023 Supporting Small Business Relief and how much relief will be available?

- H.4 2023 SSBR will help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their Small Business, Rural Rate Relief or 2017 SSBR and, as a result, are facing large increases in their bills. Charities and Community Amateur Sports Clubs, who are already entitled to mandatory 80% relief, are not eligible for 2023 SSBR.
- H.5 To support these ratepayers, 2023 SSBR will ensure that the increase in the bills of these ratepayers is limited to a cash value of £600 per year. This cash maximum increase ensures that ratepayers do not face large bill increases in 2023/24 after transitional relief and small business rate relief (as applicable) have been applied. In order to simplify the scheme, the 2023 SSBR will not include minimum percentage bill increases (unlike the 2017 scheme).
- H.6 Those on 2023 SSBR whose 2023 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund small business rate relief while they are eligible for 2023 SSBR.
- H.7 The 2017 SSBR scheme was provided to support small and medium ratepayers who had seen large increases in their bills at the 2017 revaluation. They have, therefore, had 6 years of support to allow them to adjust to their full 2017 bills. Therefore, for those ratepayers receiving 2017 SSB relief in 2022/23, any eligibility for 2023 SSBR will end on 31 March 2024.
- H.8 The Council will ensure this eligibility criteria is clear in the scheme approved and that relief for these ratepayers is awarded for one year only so that the relief can then be withdrawn on 31 March 2024 without further notice.

- H.9 A change of ratepayers will not affect eligibility for the Supporting Small Business scheme but eligibility will be lost if the property falls vacant or becomes occupied by a charity or Community Amateur Sports Club.
- H.10 There is no second property test for eligibility for the 2023 SSBR scheme. However, those ratepayers who during 2022/23 lost entitlement to Small Business Rate Relief (because they failed the second property test) but have, under the rules for Small Business Rate Relief, been given a 12 month period of grace before their relief ended - can continue on the 2023 SSBR scheme for the remainder of their 12 month period of grace.

Sequence of reliefs

- H.11 Hereditaments eligible for charity or Community Amateur Sports Club relief or hereditaments which are unoccupied are not eligible for 2023 SSBR. And, for the avoidance of doubt, small business rate relief or rural rate relief should not be applied to further reduce the bill found under 2023 SSBR (to avoid the double counting of relief – see the detailed rules in section 2). For example:
 - a ratepayer eligible for Small Business Rate Relief whose rateable value has increased from £3,000 (paying £0 in 2022/23) to £14,000 would be paying the following in 2023/24 before 2023 SSBR:

Bill before reliefs:	£6,986
<hr/>	
Bill after transitional relief:	£1,572
<hr/>	
Bill after Small Business Rate Relief (@1/3)	£1,048

- After 2023 SSBR the bill for 2023/24 would be reduced to £600. No further Small Business Rate Relief should be applied to the £600 bill.
- H.12 The same principle applies to properties for which a Section 44A certificate has been granted (apportionment of rateable values for partly occupied properties). The presence of a section 44A certificate should not further reduce the bill found under 2023 SSBR.
- H.13 All other discretionary reliefs, including those funded by section 31 grants, should be considered after the application of 2023 SSBR.

Subsidy control

- H.14 The 2023 SSBR is likely to amount to a subsidy. Therefore, any relief provided by the Council under this scheme will need to comply with the UK’s domestic and international subsidy control obligations.
- H.15 To the extent that the Council is seeking to provide relief that falls below the Minimal Financial Assistance (MFA) thresholds, the Subsidy Control Act allows an economic actor (e.g., a holding company and its subsidiaries) to receive up to

£315,000 in a three-year period (consisting of the 2023/24 year and the two previous financial years). MFA subsidies cumulate with each other and with other subsidies that fall within the category of 'Minimal or SPEI financial assistance'. BEIS COVID-19 business grants and any other subsidies claimed under the Small Amounts of Financial Assistance limit of the Trade and Cooperation Agreement should be counted under the £315,000 allowance.

- H.16 In those cases where it is clear to the Council that the ratepayer is likely to breach the MFA limit then the Council will withhold the relief. Otherwise, the Council may include the relief in bills and ask the ratepayers, on a self-assessment basis, to inform the Council if they are in breach of the MFA limit.
- H.17 MFA subsidies above £100,000 are subject to transparency requirements. This is not cumulated per beneficiary but applies per subsidy award. This means that for every individual subsidy provided of more than £100,000, the Council will include details of the subsidy on the subsidy control database.

Recalculations of reliefs

- H.18 As with other reliefs, the amount of SSBR awarded should be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value or to the hereditament. This change of circumstances could arise during the year in question or during a later year.
- H.19 Under regulations made under section 47 of the Local Government Finance Act 1988 authorities must give at least 12 months' notice of a revocation or variation of a rate relief scheme the effect of which would be to increase rate bills. Such a revocation or variation can only take effect at the end of a financial year (other than to comply with international agreements). But within these regulations, the Council may still make decisions which are conditional upon eligibility criteria. If a change in circumstances renders a property ineligible, the relevant bill can be amended in the year to reflect the loss of the relief.
- H.20 Therefore, when making an award for SSBR, the Council will ensure the conditions of the award that the relief are subject to the property's continuing eligibility. If the use of the property changes so that it is no longer eligible, the relevant chargeable amount must be recalculated to reflect that fact.
- H.21 The Council will also ensure that the scheme provides that eligibility for those ratepayers previously in the 2017 SSBR scheme in 2022/23 are eligible for one year of relief only and that the relief will then be withdrawn from those ratepayers on 31 March 2024 without further notice.

Supporting Small Business Rates Relief - the Council's policy for granting discretionary relief.

- H.22 The Council has decided to grant relief strictly in accordance with Central Government guidelines.

Appendix I
Retail Hospitality and Leisure Business Rates Scheme
(2022/23)

General Explanation

- I.1 The 2022/23 Retail, Hospitality and Leisure Business Rates Relief scheme will provide eligible, occupied, retail, hospitality, and leisure properties with a 50% relief, up to a cash cap limit of £110,000 per business.

Who is eligible for the relief?

- I.2 Hereditaments which benefit from the relief will be those which for a chargeable day in 2022/23:
- (a) meet the eligibility criteria and
 - (b) the ratepayer for that chargeable day has not refused the relief for the eligible hereditament. The ratepayer may refuse the relief for each eligible hereditament anytime up to 30 April 2023. The ratepayer cannot withdraw their refusal for either all or part of the financial year.
- I.3 In line with the legal restrictions in section 47(8A) of the Local Government Finance Act 1988, the Council may not grant the discount to themselves or precepting authorities.

How much relief will be available?

- I.4 Subject to the £110,000 cash cap per business, the total amount of government-funded relief available for each property for 2022/23 under this scheme is for chargeable days from 1 April 2022 to 31 March 2023, 50% of the chargeable amount.
- I.5 The relief will be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, but before those where the Council has used their wider discretionary relief powers introduced by the Localism Act 2011, which are not funded by section 31 grants.
- I.6 Subject to the cash cap, the eligibility for the discount and the relief itself will be assessed and calculated on a daily basis. The following formula should be used to determine the amount of relief to be granted for a chargeable day for a particular hereditament in the financial year 2022/23:
- I.7 The amount of relief to be granted = $V \times 0.5$ where:
- V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any certain other discretionary reliefs
- I.8 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties up to the maximum £110,000 cash cap, per business.

The cash cap and subsidy control

- I.9 Under the cash cap, no ratepayer can in any circumstances exceed the £110,000 cash cap across all of their hereditaments in England.
- I.10 Where a ratepayer has a qualifying connection with another ratepayer then those ratepayers should be considered as one ratepayer for the purposes of the cash caps. A ratepayer shall be treated as having a qualifying connection with another:
- (a) where both ratepayers are companies, and
 - (i) one is a subsidiary of the other, or
 - (ii) both are subsidiaries of the same company; or
 - (b) where only one ratepayer is a company, the other ratepayer (the “second ratepayer”) has such an interest in that company as would, if the second ratepayer were a company, result in its being the holding company of the other.
- I.11. Furthermore, the Retail Hospitality and Leisure Scheme is likely to amount to a subsidy. Therefore, any relief provided by the Council under this scheme will need to comply with the UK’s domestic and international subsidy control obligations.
- I.12 To the extent that the Council is seeking to provide relief that falls below the Minimal Financial Assistance (MFA) thresholds, the Subsidy Control Act allows an economic actor (e.g., a holding company and its subsidiaries) to receive up to £315,000 in a three-year period (consisting of the 2023/24 year and the two previous financial years). MFA subsidies cumulate with each other and with other subsidies that fall within the category of ‘Minimal or SPEI financial assistance’. BEIS COVID-19 business grants and any other subsidies claimed under the Small Amounts of Financial Assistance limit of the Trade and Cooperation Agreement should be counted under the £315,000 allowance.
- I.13 In those cases where it is clear to the Council that the ratepayer is likely to breach the MFA limit then the Council will withhold the relief. Otherwise, the Council may include the relief in bills and ask the ratepayers, on a self-assessment basis, to inform the Council if they are in breach of the MFA limit.
- I.14 MFA subsidies above £100,000 are subject to transparency requirements. This is not cumulated per beneficiary but applies per subsidy award. This means that for every individual subsidy provided of more than £100,000, the Council will include details of the subsidy on the subsidy control database.
- I.15 The amount of relief awarded will be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value or the hereditament. This change of circumstances could arise during the year in question or during a later year.

Eligibility for the Retail, Hospitality and Leisure Relief Scheme

I.16 Hereditaments that meet the eligibility for Retail, Hospitality and Leisure scheme will be occupied hereditaments which meet all of the following conditions for the chargeable day:

- (a) they are wholly or mainly being used:
- (i) as shops, restaurants, cafes, drinking establishments, cinemas, or live music venues;
 - (ii) for assembly and leisure; or
 - (iii) as hotels, guest & boarding premises, or self-catering accommodation.

I.17 The Council considers shops, restaurants, cafes, drinking establishments, cinemas, and live music venues to mean:

i. Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Post offices
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Car/ caravan show rooms
- Second-hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

ii. Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hairdressers, nail bars, beauty salons, tanning shops, etc)
- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/ TV/ domestic appliance repair
- Funeral directors
- Photo processing
- Tool hire
- Car hire

iii. Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:

- Restaurants

- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

iv. Hereditaments which are being used as cinemas

v. Hereditaments that are being used as live music venues:

- Live music venues are hereditaments wholly or mainly used for the performance of live music for the purpose of entertaining an audience. Hereditaments cannot be considered a live music venue for the purpose of business rates relief where a venue is wholly or mainly used as a nightclub or a theatre, for the purposes of the Town and Country Planning (Use Classes) Order 1987 (as amended).
- Hereditaments can be a live music venue even if used for other activities, but only if those other activities (i) are merely ancillary or incidental to the performance of live music (e.g., the sale/supply of alcohol to audience members) or (ii) do not affect the fact that the primary activity for the premises is the performance of live music (e.g. because those other activities are insufficiently regular or frequent, such as a polling station or a fortnightly community event).

I.18 The Council considers assembly and leisure to mean:

i. Hereditaments that are being used for the provision of sport, leisure and facilities to visiting members of the public (including for the viewing of such activities):

- Sports grounds and clubs
- Museums and art galleries
- Nightclubs
- Sport and leisure facilities
- Stately homes and historic houses
- Theatres
- Tourist attractions
- Gyms
- Wellness centres, spas, massage parlours
- Casinos, gambling clubs and bingo halls

ii. Hereditaments that are being used for the assembly of visiting members of the public:

- Public halls
- Clubhouses, clubs, and institutions

I.19 The Council considers hotels, guest & boarding premises, and self-catering accommodation to mean:

i. Hereditaments where the non-domestic part is being used for the provision of living accommodation as a business:

- Hotels, guest, and boarding houses
- Holiday homes
- Caravan parks and sites

- I.20 To qualify for the relief the hereditament should be wholly or mainly being used for the above qualifying purposes. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.
- I.21 The list set out above is not intended to be exhaustive as it would be impossible to list the many and varied uses that exist within the qualifying purposes.
- I.22 The list below sets out the types of uses that the government does not consider to be an eligible use for the purpose of this discount.

i. Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Financial services (e.g., banks, building societies, cash points, bureaux de change, short-term loan providers, betting shops)
- Medical services (e.g., vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g., solicitors, accountants, insurance agents/ financial advisers, employment agencies, estate agents, letting agents)
- Post office sorting offices

ii. Hereditaments that are not reasonably accessible to visiting members of the public

Retail Hospitality and Leisure Business Rates Scheme (2022/23) - the Council's policy for granting discretionary relief.

- I.23 The Council has decided to grant relief strictly in accordance with Central Government guidelines.

Appendix J
Retail Hospitality and Leisure Business Rates Scheme
(2023/24)

General Explanation

- J.1. At the Autumn Statement on 17 November 2022 the Chancellor announced the introduction of a new business rates relief scheme for retail, hospitality, and leisure properties worth around £2.1 billion in 2023/24. This will support the businesses that make our high streets and town centres a success and help them to evolve and adapt to changing consumer demands.
- J.2 The 2023/24 Retail, Hospitality and Leisure Business Rates Relief scheme will provide eligible, occupied, retail, hospitality, and leisure properties with a 75% relief, up to a cash cap limit of £110,000 per business.

How will the relief be provided?

- J.3 As this is a temporary measure for 2023/24, Government is not changing the legislation relating to the reliefs available to properties. Instead, Government will, in line with the eligibility criteria set out in this guidance, reimburse the Council if it uses its discretionary relief powers under section 47 of the Local Government Finance Act 1988 (as amended) to grant relief. It will be for the Council to adopt a local scheme and determine in each individual case when, having regard to this guidance, to grant relief under section 47.
- J.4 Government will fully reimburse the Council and major precepting authorities for their loss of income under the rates retention scheme as a result of awarding the relief that falls within the definitions in this guidance, using a grant under section 31 of the Local Government Act 2003.
- J.5 The government expects the Council to apply and grant relief to qualifying ratepayers from the start of the 2023/24 billing year.

Which properties will benefit from relief?

- J.6 Hereditaments which benefit from the relief will be those which for a chargeable day in 2023/24:
- (a) meet the eligibility criteria; and
 - (b) the ratepayer for that chargeable day has not refused the relief for the eligible hereditament. The ratepayer may refuse the relief for each eligible hereditament anytime up to 30 April 2024. The ratepayer cannot subsequently withdraw their refusal for either all or part of the financial year.
- J.7 The Council has decided that, for the purposes of section 47 of the 1988 Act, hereditaments where the ratepayer has refused the relief are outside of the scheme and outside of the scope of the decision of which hereditaments qualify for the discount and are therefore ineligible for the relief.

- J.8 In line with the legal restrictions in section 47(8A) of the Local Government Finance Act 1988, the Council may not grant the discount to themselves or precepting authorities

How much relief will be available?

- J.9 Subject to the £110,000 cash cap per business, the total amount of government-funded relief available for each property for 2023/24 under this scheme is:

- (a) For chargeable days from 1 April 2023 to 31 March 2024, 75% of the chargeable amount.

- J.10 The relief will be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, but before those where the Council has used its wider discretionary relief powers introduced by the Localism Act 2011, which are not funded by section 31 grants. However, as required in the NNDR guidance notes, the former categories of discretionary relief available prior to the Localism Act 2011 (i.e., charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before Retail, Hospitality and Leisure relief. Authorities may use their discretionary powers to, at cost to themselves, offer further discounts outside this scheme or additional relief to hereditaments within the scheme. However, where an authority applies a locally funded relief under section 47, this should be applied after the Retail, Hospitality and Leisure relief.

- J.11 The ordering will be applied in following sequence:

- Transitional Relief
- Mandatory Reliefs (as determined in legislation)
- S.47 Discretionary Relief in the following order:
 - (i) 2023 Supporting Small Business (SSB)
 - (ii) Former categories of discretionary relief available prior to the Localism Act 2011 (i.e., charitable, CASC and rural top up, not for profit) should be applied first in the sequence of discretionary reliefs, after SSB
 - (iii) Other discretionary (centrally funded) including, Freeport relief
 - (iv) 2023/24 Retail Hospitality and Leisure relief scheme
 - (v) Other locally funded schemes (such as hardship)

- J.12 Subject to the cash cap, the eligibility for the discount and the relief itself will be assessed and calculated on a daily basis. The following formula should be used to determine the amount of relief to be granted for a chargeable day for a particular hereditament in the financial year 2023/24:

- Amount of relief to be granted = $V \times 0.75$ where:
- V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any certain other discretionary reliefs in line with the guidance in paragraph 15 above.

- J.13 This will be calculated ignoring any prior year adjustments in liabilities which fall to be liable on the day.

- J.14 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties up to the maximum £110,000 cash cap, per business.

The Cash Cap and Subsidy Control

- J.15 Under the cash cap, no ratepayer can in any circumstances exceed the £110,000 cash cap across all of their hereditaments in England.
- J.16 Where a ratepayer has a qualifying connection with another ratepayer then those ratepayers should be considered as one ratepayer for the purposes of the cash caps. A ratepayer shall be treated as having a qualifying connection with another:
- (a) where both ratepayers are companies, and
 - (i) one is a subsidiary of the other, or
 - (ii) both are subsidiaries of the same company; or
 - (b) where only one ratepayer is a company, the other ratepayer (the “second ratepayer”) has such an interest in that company as would, if the second ratepayer were a company, result in its being the holding company of the other.
- J.17 Furthermore, the Retail Hospitality and Leisure Scheme is likely to amount to subsidy. Any relief provided by the Council under this scheme will need to comply with the UK’s domestic and international subsidy control obligations.
- J.18 To the extent that the Council is seeking to provide relief that falls below the Minimal Financial Assistance (MFA) thresholds, the Subsidy Control Act allows an economic actor (e.g., a holding company and its subsidiaries) to receive up to £315,000 in a 3-year period (consisting of the 2023/24 year and the 2 previous financial years). MFA subsidies cumulate with each other and with other subsidies that fall within the category of ‘Minimal or SPEI financial assistance’. Expanded Retail Discount granted in 2021/22 does not count towards the £315,000 allowance but BEIS COVID-19 business grants and any other subsidies claimed under the Small Amounts of Financial Assistance limit of the Trade and Cooperation Agreement should be counted.
- J.19 In those cases where it is clear to the Council that the ratepayer is likely to breach the cash cap or the MFA limit then the Council will automatically withhold the relief.
- J.20 MFA subsidies above £100,000 are subject to transparency requirements. This is not cumulated per beneficiary but applies per subsidy award. This means that for every individual subsidy provided of more than £100,000, the Council will include details of the subsidy on the subsidy control database.

Splits, mergers, and changes to existing hereditaments

- J.21 The relief will be applied on a day-to-day basis using the formula set out above. A new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the relief on that day.

Recalculations of relief

- J.22 The amount of relief awarded should be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value or the hereditament. This change of circumstances could arise during the year in question or during a later year.
- J.23 Under regulations made under section 47 of the Local Government Finance Act 1988 authorities must give at least 12 months' notice of a revocation or variation of a rate relief scheme the effect of which would be to increase rate bills. Such a revocation or variation can only take effect at the end of a financial year (other than to comply with international agreements). But within these regulations, the Council may still make decisions to ensure the scheme is administered in accordance with the extant rules. If a change in circumstances renders a property ineligible, the relevant bill can be amended in the year to reflect the loss of the relief.

Eligibility for the Retail, Hospitality and Leisure Relief Scheme

Hereditaments that meet the eligibility for Retail, Hospitality and Leisure scheme will be occupied hereditaments which meet all of the following conditions for the chargeable day:

- (a) they are wholly or mainly being used:
- (i) as shops, restaurants, cafes, drinking establishments, cinemas, or live music venues,
 - (ii) for assembly and leisure; or
 - (iii) as hotels, guest & boarding premises, or self-catering accommodation

- J.24 The Council considers shops, restaurants, cafes, drinking establishments, cinemas, and live music venues to mean:

i. Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Post offices
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Car/caravan show rooms
- Second-hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

ii. Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hairdressers, nail bars, beauty salons, tanning shops, etc)
- Shoe repairs/key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/TV/domestic appliance repair
- Funeral directors
- Photo processing
- Tool hire
- Car hire

iii. Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

iv. Hereditaments which are being used as cinemas

v. Hereditaments that are being used as live music venues:

- Live music venues are hereditaments wholly or mainly used for the performance of live music for the purpose of entertaining an audience. Hereditaments cannot be considered a live music venue for the purpose of business rates relief where a venue is wholly or mainly used as a nightclub or a theatre, for the purposes of the Town and Country Planning (Use Classes) Order 1987 (as amended).
- Hereditaments can be a live music venue even if used for other activities, but only if those other activities (i) are merely ancillary or incidental to the performance of live music (e.g., the sale/supply of alcohol to audience members) or (ii) do not affect the fact that the primary activity for the premises is the performance of live music (e.g. because those other activities are insufficiently regular or frequent, such as a polling station or a fortnightly community event).
- There may be circumstances in which it is difficult to tell whether an activity is a performance of live music or, instead, the playing of recorded music. We consider assembly and leisure to mean:

i. Hereditaments that are being used for the provision of sport, leisure and facilities to visiting members of the public (including for the viewing of such activities).

- Sports grounds and clubs
- Museums and art galleries
- Nightclubs
- Sport and leisure facilities
- Stately homes and historic houses
- Theatres
- Tourist attractions
- Gyms
- Wellness centres, spas, massage parlours

- Casinos, gambling clubs and bingo halls
- ii. Hereditaments that are being used for the assembly of visiting members of the public.**
- Public halls
 - Clubhouses, clubs, and institutions
- J.25 The Council considers hotels, guest & boarding premises, and self-catering accommodation to mean:
- i. Hereditaments where the non-domestic part is being used for the provision of living accommodation as a business:**
- Hotels, Guest, and Boarding Houses
 - Holiday homes
 - Caravan parks and sites
- J.26 To qualify for the relief the hereditament should be wholly or mainly being used for the above qualifying purposes. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.
- J.27 The list set out above is not intended to be exhaustive as it would be impossible to list the many and varied uses that exist within the qualifying purposes.
- J.28 The list below sets out the types of uses that the government does not consider to be an eligible use for the purpose of this discount. Again, it is for the Council to determine for themselves whether particular properties are broadly similar in nature to those below and, if so, to consider them not eligible for the discount under their local scheme.

Hereditaments that are being used for the provision of the following services to visiting members of the public

- Financial services (e.g., banks, building societies, cash points, bureaux de change, short-term loan providers, betting shops)
- Medical services (e.g., vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g., solicitors, accountants, insurance agents/ financial advisers, employment agencies, estate agents, letting agents)
- Post office sorting offices

**Appendix K
Hardship Relief – S49 Reduction of remission of rate
liability.**

Section 49 – Hardship Relief

General explanation

K.1 The Council is able to exercise its discretion under Section 49 of the Local Government Finance Act 1988 to provide either partial or full relief for non-domestic rate payments in cases of hardship where it would be reasonable to do so having due regard to the interests of council tax payers in general.

Section 49 Hardship Relief – the Council’s Policy

K.2 The Council will consider applications for hardship relief from individuals and organisations based on their own merits on a case-by-case basis. The Director of Corporate Services will consider applications. Application forms are available from the Council.

K.3 In making decisions on whether to award the relief the Council considers the following criteria (not listed in any priority):

- Any reduction or remission of rates on the grounds of hardship should be made after applying for any other statutory or discretionary reliefs that are available;
- Hardship relief will be considered the exception rather than the rule;
- Any reduction of the rates must be shown to be significant to the future viability of the business;
- The business must continue to trade;
- Cash flow forecasts for a minimum of the next twelve months must be provided together with a comprehensive Business Plan incorporating a brief history of the business. Further details of information to be supplied are also given below;
- The test of "hardship" is not strictly confined to financial hardship and that this, in itself, is not a deciding factor;
- The loss of the business would reduce amenities of an area or the Island in general, if it is the sole provider of a service in the area;
- The loss of the business would worsen the employment prospects in the area or of the Island in general;
- The interests of the Council Tax payers of the area would be best served by awarding the relief (as required by Section 49 of the Local Government Finance Act 1988);
- The business must demonstrate how it is beneficial to the local community or the Island in general and why it is currently suffering financial hardship;
- The business provides employment to local residents in an area, or to the Island in general, where employment opportunities are limited;
- Independent advice given by banks or financial advisors should be sought to demonstrate the future viability of the business;
- The ratepayer will provide additional information as deemed necessary by the Council to be essential in order for a fair evaluation of the application; and
- The amount of relief awarded may be reviewed in year and may be revised depending on the individual circumstances, appeals and reductions in rateable value.

Applications and Decision Making

- K.4 Hardship relief is intended to provide short term assistance to a business suffering unexpected hardship, financial, or otherwise, arising because of exceptional circumstances or short-term crisis beyond the business' control and outside of the normal risks associated with running a business of that type, to the extent that the viability of the business would be threatened if an award were not made. As the Hardship Relief scheme covers unforeseen events, it is not possible to offer precise definitions. However, a 'crisis' would have to result in a serious loss of trade or have a major effect on the services that can be provided.
- K.5 'Exceptional circumstances' will usually be circumstances that came from outside the business or organisation and are beyond the normal risks faced by businesses and cannot be foreseen or avoided. The effect of strikes within a business or organisation, increased running costs and increased competition would not be considered as 'exceptional circumstances' as they are normal business risks.
- K.6 Applications to reduce or remit the business rate charge will only be considered where the Council is satisfied that the ratepayer would otherwise sustain hardship if no award was made and that it is reasonable to grant relief having regard to the interest of council tax payers who are affected by decisions under this section.
- K.7 Applications for hardship will be examined on a case by case basis by the Director of Corporate Services and each application will be assessed on its individual merits. Other issues or requirements will also be considered in relation to the application as they arise including:
- All applications should be made in writing from the ratepayer, their advocate/appointee or a recognised third party acting on their behalf, preferably using the relevant form, and should contain the necessary information to substantiate the request;
 - All applications are only intended as short-term assistance and will not extend beyond the current financial year, and should not be considered as a way of reducing rate liability indefinitely;
 - The financial interests of the council tax payers will not be the sole overriding factor e.g., the impact on employment and amenities provision will also be considered;
 - The test of 'hardship' is not confined strictly to financial hardship - all relevant factors affecting the ability of a business to meet its liability for rates are considered where readily available. Where the granting of relief will have an adverse effect on the financial interests of the council tax payers, relief may still be granted if the case for relief on balance outweighs the costs to taxpayers; and
 - The test of hardship will include an assessment of the ratepayer's individual accounts to verify that the payment of rates would cause hardship.
- K.8 Upon receipt of a written application, all supporting information must be included for consideration.
- K.9 An application will need to be submitted to the business rates section who will undertake the initial first stage assessment to confirm it is valid. They will produce

an overall decision sheet and submit it to the Director of Corporate Services. The Director of Corporate Services will review the application and supporting details and provide a recommendation of award date and amount to the Director of Finance. The Director of Corporate Services has authorisation up to a limit of £2,000 per financial year and with a maximum of £6000; any reductions over this amount will be referred to the Director of Finance or Assistant Director of Finance for any award over £6000 for consideration.

- K.10 Once a decision has been approved the ratepayer will be advised in writing of the decision.

Review of Decision

- K.11 Under the Local Government Finance Act 1988, there is no right of appeal against the Council's use of discretionary powers. However, on individual applications, the Council will accept a request from a ratepayer for a re-determination of its decision. The Council will consider whether the ratepayer has provided any additional information that will justify a change to its original decision.
- K.12 The Council will notify the ratepayer of its decision within 21 days of receiving a request for a redetermination.

Award of Relief and Period of the award

- K.13 Relief will normally only be awarded retrospectively. However, where the ratepayer can show that the circumstances will remain the same for a period up to the end of the current financial year, relief may be award for the remainder of the year.
- K.14 Hardship Relief would not be granted in respect of an empty property or where there is little expectation of economic survival.
- K.15 It is expected that businesses should have taken prompt action to mitigate any factors giving rise to hardship. Examples of mitigating actions may include seeking business advice; discounts and promotions; reviewing pricing; extending the range of stock or services; and negotiating with creditors etc. Applications may be declined in circumstances where the business is unable to demonstrate that it is taking reasonable steps to alleviate the hardship.
- K.16 In all cases relief will end in the following circumstances:
- At the end of a financial year;
 - A change of ratepayer;
 - The property becomes empty, partly empty or is used for a different purpose;
 - The ratepayer enters any form of formal insolvency; or
 - The ratepayer's financial circumstances significantly change.
- K.17 The ratepayer must inform the Council if their circumstances change. Circumstances may also be reviewed by the Council periodically where awards are made to confirm hardship persists.

This page is intentionally left blank



Full Council Report

Date	22 FEBRUARY 2023
Title	COUNCIL TAX SUPPORT GRANT SCHEME
Report of	CABINET MEMBER FOR STRATEGIC FINANCE, TRANSFORMATIONAL CHANGE AND CORPORATE RESOURCES

EXECUTIVE SUMMARY

1. This report is being brought to cabinet to consider the implementation of a new scheme to be put in place for the annual billing exercise in 2023.
2. At Autumn Statement 2022, the government announced its intention to increase referendum principles to 3 per cent for core council tax and up to 2 per cent for the Adult Social Care precept.
3. Recognising the impact of rising bills, the government announced the Council Tax Support Grant scheme as it recognises that council tax increases set by local authorities may mean some individuals may struggle to make council tax payments.
4. The outcome of the recommendation from this report will ensure that the draft scheme can be implemented in time for the annual billing exercise in February 2023 to provide this additional support to eligible Local Council Tax Support (LCTS) claimants.

RECOMMENDATION

- | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none">(a) That the Council adopt the draft Council Tax Support Grant scheme as attached in Appendix 1 to provide additional support to eligible Local Council Tax Support claimants as at 1 April 2023.(b) That a discretionary scheme is developed which awards £25 to newly eligible LCTS claimants after 1 April 2023 and to delegate authority to the Cabinet Member for Strategic Finance, Transformational Change and Corporate Resources to agree further details of the discretionary scheme. |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

BACKGROUND

5. In January 2023, central government announced that £100 million of funding would be provided to local authorities to support the most vulnerable households in England. The funding is being provided to deliver additional support to residents in receipt of LCTS.
6. The expectation is that local authorities will use their grant allocation to fund further reduction in the council tax liability of individuals receiving LCTS with an outstanding council tax liability, by up to £25.
7. Local authorities can use remaining funds to determine their own local approach as they see fit to support vulnerable households with council tax bills.
8. The draft scheme, as at Appendix 1, allows for any LCTS claimant to be awarded up to £25 reduction in their council tax liability if they have a balance to pay once any other discounts have been applied.
9. Central government advises that local authorities should revisit their discretionary approach at intervals during the year to ensure that expenditure for 2023 -2024 remains within their allocation. Therefore, the draft scheme provides for any remaining funds to be allocated to those eligible residents who become entitled to LCTS after the initial grant has been allocated during the year.
10. If the fund is exhausted during this time, the Council will close the scheme. However, if there are remaining funds towards the end of the scheme, the Council will decide how best to distribute the funds depending on the amount remaining.
11. There will be no application process for the scheme. The Council will identify eligible claimants and apply the additional support grant to their council tax liability automatically.
12. Central government has stated that local authorities are required to put a scheme in place for the annual billing exercise. To meet the statutory deadline of 11 March, the Council must undertake this exercise no later than 24 February.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

Provision of affordable housing for Island Residents

13. This scheme assists with the payment of council tax, a housing-related expense, for eligible residents in receipt of Local Council Tax Support and therefore contributes towards the affordability of their housing.

Responding to climate change and enhancing the biosphere

14. This scheme does not impact on climate change or the biosphere.

Economic Recovery and Reducing Poverty

15. The Council intends to take full advantage of powers within legislation to provide additional support to Island residents and reduce poverty. This scheme provides additional financial support to eligible residents in receipt of Local Council Tax

Support who may be vulnerable and are on low incomes to assist with the financial pressure of council tax increases

Impact on Young People and Future Generations

16. The provisions of this scheme do not directly impact young people, however there may be young people or children in the eligible households. The scheme will assist in supporting economically vulnerable households with payment of their council tax.

Corporate Aims

17. This scheme supports the corporate aim to '*Provide greater support to those on low incomes, including through the local council tax support scheme*'. Residents in receipt of LCTS are considered to be 'low-income households' and include those with vulnerabilities.

CONSULTATION

18. There is no requirement for any consultation on this scheme.

FINANCIAL / BUDGET IMPLICATIONS

19. The funding allocation for the Isle of Wight Council's scheme is £265,261.
20. As at 6 January 2023, the Local Council Tax Support caseload was 9977. However, there may be some claimants within this figure who will not be eligible for a grant payment because they do not have any council tax liability left to pay. This is likely to include some pension age claimants who have a reduction of 100 per cent through their LCTS award.
21. If all 9977 claims received the full £25 grant payment, this would use £249,425 of the funding.
22. The proposed discretionary scheme allows remaining funding left over from the initial allocation to be used during 2023 – 2024 to support newly eligible claimants.
23. Central government will also be providing funding for the implementation of the scheme separately to the grant funding. The amount the Council will receive for new burdens is yet to be determined.
24. The spend of the funding will be monitored through the Benefits database system and will be reported on a quarterly basis to central government.
25. Once the fund is exhausted, the scheme will be closed and therefore there will be no cost to the council.

LEGAL IMPLICATIONS

26. Local authorities are expected to deliver this scheme using their discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992.

27. The grant is being funded by central government under s31 of the Local Government Act 2003.

EQUALITY AND DIVERSITY

28. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
29. The Equality Impact Assessment has been completed as a background paper to this report. It shows that there is no impact to any of the protected characteristics based on the proposed scheme. The scheme applies to all eligible Local Council Tax Support claimants from both the working age and the pension age schemes.

OPTIONS

30. Option A:
- (a) That Cabinet adopt the draft Council Tax Support Grant scheme as attached in Appendix 1 to provide additional support to eligible Local Council Tax Support claimants as at 1 April 2023.
 - (b) That a discretionary scheme is developed which awards £25 to newly eligible LCTS claimants after 1 April 2023 and to delegate authority to the Cabinet Member for Strategic Finance, Transformational Change and Corporate Resources to agree further details of the discretionary scheme
31. Option B:
- (a) That Cabinet adopt the statutory Council Tax Support Grants scheme to provide additional support to eligible Local Council Tax Support claimants as at 1 April 2023
 - (b) That a discretionary scheme is adopted which distributes any remaining funds amongst the same group of claimants.
32. Option C:
- (a) That Cabinet adopt the statutory Council Tax Support Grants scheme and a different discretionary scheme to support eligible Local Council Tax Support claimants as at 1 April 2023.
 - (b) That a discretionary scheme is developed based on an application process for residents to apply for a payment if they are experiencing exceptional financial hardship.

RISK MANAGEMENT

33. Based on the attached draft scheme for Option A, the spend of the funding will be regularly monitored, and the scheme provides that once the funding is exhausted, the scheme will close. This means that there is no risk to the council's finances as the scheme is fully funded.

34. Given the time constraints, a scheme must be agreed before the annual billing exercise which takes place 24 February 2023 in order for residents to receive an accurate bill showing their reduced liability. Without this, there is the risk of having to reproduce these bills which would come at a cost and would not be compliant with government's timeframes.
35. It is government's intention that any assistance from this fund will not affect the eligibility of recipients for other benefits, so residents should not be negatively impacted as a result of receiving the support.
36. Where the scheme is open for the 2023 – 2024 year, Option B risks that any claimants who become entitled to LCTS **after** 1 April 2023 will not receive the benefit of a payment under the Council Tax Support Grant because it only makes payment to those entitled **as at** 1 April 2023.
37. Option C risks causing confusion for residents as there are already two exceptional hardship payment schemes in place to assist with council tax liability which require residents to complete application forms for consideration.

EVALUATION

38. Option A is being recommended because it allows for the implementation of a statutory and discretionary scheme which complies with the intentions of central government. It also allows the funding to be closely monitored throughout the year and will ensure the fund is utilised to its potential as much as possible. The administration of this option is possible to achieve given the timeframes involved.
39. Option B is not being recommended because it does not provide the grant to those residents who claim LCTS after 1 April 2023, meaning they will be disadvantaged compared to those who were entitled as at 1 April 2023.
40. Option C is not being recommended as this is an administratively complex scheme to set up and would require a lot of resource to maintain. It would also be considered confusing, as it would be an additional hardship fund to those already in place for assistance with council tax.

BACKGROUND DOCUMENTS

41. The Equality Impact Assessment for this paper has been completed separately to the report.

APPENDICES ATTACHED

42. Appendix 1 – Draft Council Tax Support Grant Policy document

Contact Point: Erin Rhodes, Benefits Assistant Manager, ☎ 823950 e-mail erin.rhodes@jow.gov.uk

SHARON BETTS
Director of Corporate Services

COUNCILLOR CHRIS JARMAN
*Cabinet Member for Strategic Finance,
Transformational Change and Corporate
Resources*

This page is intentionally left blank



Isle of Wight Council Council Tax Support Fund Policy 2023-24

Contents

1. Introduction.....	3
2. Legislation.....	3
3. Finance	4
4. The Council Tax Support Fund	4
The minimum reduction in Council Tax liability for all taxpayers who are in receipt of Council Tax Reduction	4
Discretionary support.....	5
5. The Council’s Policy in respect of the Council Tax Support Fund	5
The minimum reduction in Council Tax liability	5
Discretionary Support.....	6
General requirements in relation to funding	6
6. Payment	6
7. Notification.....	6
8. Appeals.....	6
9. Reductions in Council Tax liability granted in error or incorrectly	7
10. Delegated Powers.....	7
11. Fraud.....	7
12. Complaints.....	7

1. Introduction

- 1.1 The following policy outlines the Council's approach to the recent initiatives by Central Government to assist the most vulnerable taxpayers who are suffering financial hardship due to the cost of living crisis.
- 1.2 This policy has been developed *in addition to* the S13A (1) (c) (Reduction in Liability for Council Tax) policy adopted by the Council.
- 1.3 Central Government have provided funds to the Council under S31 of the Local Government Act 2003 with the proviso that all monies are paid strictly in accordance with S13A (1) (c) of the Local Government Finance Act 1992 and in line guidance issued on 23 December 2022.
- 1.4 The fund, named by Central Government as the 'Council Tax Support Fund' is designed to meet the immediate needs of all taxpayers who are currently claiming Council Tax Reduction (CTR) under S13 A (1) (a) of the Local Government Finance Act 1992. The fund will assist all Council Tax Reduction applicants who will be required to make a payment of Council Tax for the 2023-24 financial year.
- 1.5 Whilst it is essentially down to individual authorities to determine how to use the funds available, Central Government through the Department for Levelling Up, Housing and Communities (DLUHC) states that, in order to retain the funding, Councils must look to use monies as directed by them in their guidance.

2. Legislation

- 2.1 The relevant legislation (S13A of the Local Government Finance Act 1992 as amended by the Local Government Finance Act 2012), states the following:

Reductions by billing authority

(1) The amount of council tax which a person is liable to pay in respect of any chargeable dwelling and any day (as determined in accordance with sections 10 to 13):

- (a) in the case of a dwelling situated in the area of a billing authority in England, is to be reduced to the extent, if any, required by the authority's council tax reduction scheme;
- (b) (not relevant to English Billing Authorities);
- (c) in any case, may be reduced to such extent (or, if the amount has been reduced under paragraph (a) or (b), such further extent) as the billing authority for the area in which the dwelling is situated thinks fit.**

- 2.2 The provisions stated in (c) above, allows the Council to reduce the Council Tax liability for any taxpayer in addition to any application for Council Tax Reduction

under the Council's scheme. This is a general power that has always been available to the Council.

- 2.3 In relation to the 'Council Tax Support Fund', DLUHC have stated that Councils will use the powers given under that act.

3. Finance

- 3.1 Any amounts granted under S13A(1)(c) are normally financed through the Council's general fund and do not form part of the collection fund. However, Central Government has provided funding directly to the Council (amounting to £265,261) to compensate for this particular support package and it strongly expects the Council, wherever possible, to use all of the funds provided as outlined within the Department's guidance
- 3.2 Any additional assistance, outside of the funding, would fall to be paid by the Council itself. In view of this, the Council has determined that once the allocated funds are exhausted, no further reduction in liability will be made under this policy.

4. The Council Tax Support Fund

- 4.1 The Council Tax Support Fund is divided into two distinct elements as follows:
- (a) The minimum reduction in Council Tax liability for all taxpayers who are in receipt of Council Tax Reduction; and
 - (b) Discretionary support.
- 4.2 Each of these elements are detailed in the following paragraphs.
- 4.3 In all cases, Government expects billing authorities to apply the reductions to the 2023-24 Council Tax bills.

The minimum reduction in Council Tax liability for all taxpayers who are in receipt of Council Tax Reduction

- 4.4 In view of the fact that there is a need to support the most vulnerable taxpayers at this time, the Government's strong expectation is that billing authorities will provide all recipients of Council Tax Reduction (both working age and pension age) with a further reduction in their annual council tax bill of up to £25
- 4.5 This reduction will apply to all Council Tax Reduction recipients who have an outstanding liability for the 2023-24 financial year.
- 4.6 For the sake of clarity:

- (a) where the taxpayer's Council Tax liability for 2023-24 (after the application of any relevant discounts, reliefs, and Council Tax Reduction) is £25 or more, then a further reduction in Council Tax liability of £25 will be made;
- (b) where the taxpayer's Council Tax liability for 2023-24 (after the application of any relevant discounts, reliefs and Council Tax Reduction) is greater than nil but less than £25, then a further reduction in Council Tax liability will be made to reduce the liability to nil; and
- (c) where the taxpayers Council Tax liability for 2023-24 (after the application of any relevant discounts, reliefs, and Council Tax Reduction) is nil then **no** further reduction in Council Tax liability will be made.

- 4.7 There will be no requirement for any taxpayer to apply for this reduction and any amount granted will automatically be applied based on the criteria being met on 1 April 2023.
- 4.8 Government has stated that it will be up to individual authorities to decide whether to allow the reduction for taxpayers who become eligible for Council Tax Reduction after 1 April 2023.

Discretionary support.

- 4.9 Where any funds remain available after the awarding the minimum reductions in liability as outlined above, Government expects authorities to determine their own local approaches to supporting economically vulnerable households with Council Tax bills.

5. The Council's Policy in respect of the Council Tax Support Fund

- 5.1 The Council is keen to support all eligible taxpayers within its area and, as such, will implement the scheme strictly in accordance with Central Government guidelines by taking the following actions:

The minimum reduction in Council Tax liability

- 5.2 A reduction of up to £25 will be made to the Council Tax account of taxpayers who are in receipt of Council Tax Reduction **on** 1 April 2023. It should be noted that where the liability of any taxpayer is less than £25 (after taking into account any discounts, reliefs, or reductions) then an amount will be granted to ensure that the liability is reduced to nil. There will be no requirement for any taxpayer to apply for this initial award and it shall be automatically applied to their account.
- 5.3 The reduction in liability will apply to both working age and pension age Council Tax Reduction applicants.

Discretionary Support

- 5.4 It may be that the Council will have remaining funds after applying the reductions to accounts as outlined in 5.2 above, however should any funds remain available the Council will consider introducing a discretionary scheme. This discretionary scheme will apply a reduction of up to £25 to the Council Tax account of taxpayers who become entitled to Council Tax Reduction after 1 April 2023. If there are remaining funds left towards the end of the scheme, a decision will be made as to their distribution in conjunction with the Cabinet Member for Strategic Finance, Transformational Change and Corporate Services.

General requirements in relation to funding

- 5.5 As mentioned previously, the Council has been allocated a limited amount of funding and in view of this, should the allocation be exhausted, the policy of the Council will be to cease any further reductions in liability. Where this occurs, any taxpayer may apply for a reduction under the Council's existing S13A(1)(c) policy and each case will be considered on its merits in line with the legislation.
- 5.6 Any reduction in liability under this policy shall apply for the 2023-24 financial year **only**.

6. Payment

- 6.1 In line with legislation, any award shall be granted as a reduction in the liability of the Council Taxpayer thereby reducing the amount of Council Tax payable.

7. Notification

- 7.1 Eligible taxpayers will be notified of the decision to award any reduction in liability by means of a reduction applied directly to the Council Tax account for the 2023-24 financial year only.

8. Appeals

- 8.1 Appeals against the Council's decision may be made in accordance with Section 16 of the Local Government Finance Act 1992.
- 8.2 **The Council Taxpayer must in the first instance write to the Council outlining the reason for their appeal. Once received the council will then consider whether any additional information has been received which would justify a change to the original decision and notify the Council Tax payer accordingly.**
- 8.3 Where the Council Taxpayer remains aggrieved, a further appeal can then be made to the Valuation Tribunal. This further appeal should be made within 2 months of the decision of the Council not to grant any reductions. Full details can

be obtained from the Council's website or from the Valuation Tribunal Service website.

9. Reductions in Council Tax liability granted in error or incorrectly

- 9.1 Where a reduction in liability has been granted incorrectly or in error, either due to a failure to provide the correct or accurate information to the Council or some other circumstances, the Council Taxpayer's account will be adjusted and the taxpayer will be billed in the normal way.

10. Delegated Powers

- 10.1 The policy for the Council Tax Support Fund has been approved by the Council. However, the Director of Corporate Services is authorised to make technical amendments to ensure it meets the criteria set by Central Government and the Council.

11 Fraud

- 11.1 The Council is committed to protecting public funds and ensuring funds are awarded to the people who are rightfully eligible to them.
- 11.2 An applicant who tries to fraudulently claim a reduction in liability by falsely declaring their circumstances, providing a false statement or evidence in support of their application, may have committed an offence under The Fraud Act 2006.
- 11.3 Where the Council suspects that such a fraud may have been committed, this matter will be investigated as appropriate and may lead to criminal proceedings being instigated.

12. Complaints

- 12.1 The Council's complaints procedure (available on the Council's website) will be applied in the event of any complaint received about this policy.

This page is intentionally left blank