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Monitoring Officer
Christopher Potter

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

Agenda

Name of meeting	FULL COUNCIL
Date	WEDNESDAY 24 FEBRUARY 2021
Time	5.00 PM
Venue	VIRTUAL (MS TEAMS)
Members of the committee	All Members of the council

Democratic Services Officer: Marie Bartlett
democratic.services@iow.gov.uk

PRAYERS led by Archdeacon Peter Leonard

1. **Minutes** (Pages 9 - 16)

To confirm as a true record the Minutes of the meeting held on 20 January 2021.

2. **Declarations of Interest**

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



To observe the meeting as a member of the public/press please use the link provided . This link will be made available 24 hours prior to start of the meeting. Please ensure you access the meeting in good time. Guidance on how to access the public meeting can be found [HERE](#). Committee members and pre-arranged attendees will be contacted by Democratic Services to supply the appropriate link to participate in the meeting.

Details of this and other Council committee meetings can be viewed on the Isle of Wight Council's Committee [website](#). This information may be available in alternative formats on request.

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

Questions must be delivered in writing or by electronic mail to Democratic Services at democratic.services@iow.gov.uk no later than Friday, 19 February 2021.

4. **Chairman's Official Announcements (Pages 17 - 18)**

To receive the Chairman's official announcements.

5. **Leaders Update Report (20 minutes) (Pages 19 - 24)**

a) To receive the Leader's update report (5 minutes maximum).

b) Members questions on the Leaders update report (15 minutes maximum).

6. **Budget and Council Tax Setting 2021-2022 and Future Years Forecasts (Pages 25 - 150)**

RECOMMENDATION

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

(a) The revised Revenue Budget for the financial year 2020/21 and the Revenue Budget for the financial year 2021/22 as set out in the General Fund Summary (Appendix 1) which includes:

- (i) The establishment of a COVID-19 Fund estimated at £14.2m
- (ii) A Revenue Contribution to Capital of £2.0m
- (iii) A contribution to the Transformation Reserve of £1.0m.

(b) Any variation arising from the Local Government Finance Settlement 2021/22 or any further savings made in 2020/21 arising at the year-end (after allowing for specific carry forward requests) be transferred to the COVID-19 Fund, Transformation Reserve, Revenue Reserve for Capital 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 1.99% for general purposes in accordance with the referendum threshold for 2021/22 announced by Government (as calculated in Appendix 2)

(d) That the level of Council Tax be increased by a further 3.0% 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 £2,558,500 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 2021/22 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 £3.5m for 2021/22 and continuing into future years as set out:

Portfolio	Controllable Budget	Savings Proposal	
	£	£	%
Adult Social Care, Public Health & Housing Needs*	52,885,965	1,567,000	3.0%
Children's Services, Education & Skills	25,799,771	481,000	1.9%
Community Safety & Digital Transformation	8,939,086	175,800	2.0%
Environment, Heritage & Waste Management	8,826,020	308,400	3.5%
Infrastructure & Transport**	11,637,618	101,000	0.9%
Leader & Strategic Partnerships	822,326	0	0.0%
Planning & Housing Renewal	2,410,804	8,500	0.4%
Regeneration & Business Development	5,146,580	137,500	2.7%
Resources	10,935,643	720,800	6.6%
Grand Total	127,403,813	3,500,000	2.7%

*Excludes the additional funding passported through to Adult Social Care of £4.4m (which if included would result in an overall increase of 5.4%) and the additional funding for Children's Services, Education & Skills of £1.6m (which if included would result in an overall increase of 4.4%)

** Excludes £19.4m of PFI grant funding, on a Gross expenditure basis the savings amounts to 0.3%

- (h) Directors be instructed to start planning how the Council will achieve the savings requirements of £9.0m for the 3 year period 2022/23 to 2024/25 and that this be incorporated into Service Business Plans
- (i) The minimum level of Revenue Balances as at 31 March 2022, predicated on the approval of £3.5m savings in 2021/22 and the establishment of a COVID-19 Fund of £14.2m, be set at £7.0m 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 Capital Programme 2020/21 to 2025/26 set out in Appendix 5 which includes all additions, deletions and amendments for slippage and re-phasing
- (l) The new Capital Investment Proposals ("New Starts") - 2021/22 set out in Appendix 4 be reflected within the recommended Capital Programme 2020/21 to 2025/26 and be funded from the available Capital Resources

- (m) The allocation of Disabled Facilities Grants be made to the Better Care Fund, and reflected within the recommended Capital Programme 2020/21 to 2025/26
- (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 the Solent Local Enterprise Partnership)
- (p) The Capital Strategy 2021/22 to 2024/25, including the Minimum Revenue Provision Statement contained therein (Appendix 6)
- (q) The Investment Strategy 2021/22 (Appendix 7)

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

- (a) The Revenue Budget 2021/22 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 £852,900 for each 1% reduction in order for the Budget 2021/22 to be approved
- (b) The Revenue Forecasts for 2022/23 onwards as set out in the section entitled "Revenue Forecasts 2022/23 to 2024/25" and Appendix 1
- (c) The estimated Savings Requirement of £9.0m for the three year period 2022/23 to 2024/25, for financial and service planning purposes, be phased as follows:

Financial Year	In Year Savings Requirement £m	Cumulative Saving £m
2022/23	3.0	3.0
2023/24	3.0	6.0
2024/25	3.0	9.0

- (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 £2.0m 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 £3.0m in 2022/23 (and £3.0m 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 2021/22 will be **53,279.6** [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 2020/21 is estimated to be a deficit of £2,438,510 which is shared between the Isle of Wight Council (86.0%) and the Police & Crime Commissioner (10.8%) and the Hampshire & Isle of Wight Fire & Rescue Authority (3.2%)
- (h) The Business Rate element of the Collection Fund for 2020/21 is estimated to be a deficit of £12,448,733
- (i) The Retained Business Rate income for 2021/22 based on the estimated Business Rate element of the Collection Fund deficit as at March 2021, the Non Domestic Rates poundage for 2021/22 and estimated rateable values for 2021/22 has been set at £23,978,748
- (j) The Equality Impact Assessment (attached at Appendix 8)

7. **Report of the Monitoring Officer**

- (a) Independent Remuneration Panel - establishment and appointment of members and the Scheme of Members' Allowances for 2021/22 and its review. (Pages 151 - 164)

8. **Motions Submitted under Part 4A, Procedure Rule 9 of the Council's Constitution**

- (a) By Councillor Dave Stewart

The fragility of the Isle of Wight's economy, characterised by low paid and seasonal job opportunities, has been deeply exposed by the impact of the coronavirus pandemic from which it is likely to take many years to recover without significant external intervention and support. However the Island does have a great strength in its people and communities whose will and determination to succeed is second to none.

Keeping the community safe has and remains an absolute priority.

The council recognises that it does not have the resources to fund the recovery itself but it does have a sound and robust, risk based approach to financial management and a growing strength in its regeneration activities, which will be essential in helping the Island to recover from the pandemic.

Economic recovery is essential to the Islands future

Therefore this council resolves to align its regeneration activities with the strength of the Isle of Wight's local community to rebuild the Island's fortunes, support its economic, social and environmental recovery and to

work closely with government and the Local Enterprise Partnership to secure levelling up funding and support from the UK prosperity fund as part of the national recovery from the pandemic.

9. **Member Question Time of the Leader (30 minutes)**

To receive a reply to a question asked during questions to the Leader, a question must be submitted in writing or by electronic mail to Democratic Services no later than 5pm on Thursday, 18 February 2021. 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, 16 February 2021

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.

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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.

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

Due to Coronavirus, it is not possible to ask an oral question in person, all questions must be submitted in writing by the date shown on the agenda please see Part 4B - Procedure rules Governing how Full Council, Cabinet, Committees, Sub-Committees and Boards Operate – [Remote Meetings](#)



Minutes

Name of meeting	FULL COUNCIL
Date and Time	WEDNESDAY 20 JANUARY 2021 COMMENCING AT 5.00 PM
Venue	VIRTUAL (MS TEAMS)
Present	Cllrs G Cameron (Chairman), S Smart (Vice-Chairman), D Andre, A Axford, R Barry, P Bertie, M Beston, P Brading, G Brodie, C Chapman, V Churchman, R Downer, P Fuller, A Garratt, S Hastings, S Hendry, J Hobart, R Hollis, J Howe, S Hutchinson, J Jones-Evans, J Kilpatrick, M Lilley, K Love, J Medland, C Mosdell, M Murwill, J Nicholson, T Outlaw, G Peace, L Peacey-Wilcox, G Perks, M Price, C Quirk, I Stephens, D Stewart, B Tyndall, I Ward and W Whittle
Apologies	Cllr B Abraham

30. Minutes

RESOLVED:

That the minutes of the meeting held on 18 November 2020 be approved.

31. Declarations of Interest

Councillor Lilley declared an interest in minute 35.1 as his wife was an employee of the Isle of Wight Council, he also declared an interest in minute 37.1 as he was the Chairman of the Voluntary Sector Forum.

Councillor Stewart declared an interest in minute 35.1 as he had a family member working at a school on the Island.

32. Public Question Time

Name	Subject	Comment
Mr G Wilks	What steps would the Isle of Wight Council take to ensure Island Roads adopted the Government's Local	The Cabinet Member provided a written response (PQ 10/21)

	Transport Note 120 and the Gear Change guidelines, to promote walking and cycling?	
Mr P Couselant	How many prospective partners remain involved in the Dinosaur Isle procurement process	The Cabinet Member provided a written response (PQ 11/21)
Mr B Blezzard	The upcoming local elections, would postal vote applications be sent out with council tax letters and what safety measures are proposed to protect the public and staff	The Cabinet Member provided a written response (PQ 12/21)

33. **Chairman's Official Announcements**

A written report had been circulated for information. The Chairman advised of an error contained within the report, he clarified that Island Roads had donated £73,000 in community grants.

34. **Leaders Update Report**

The Leader expressed his thanks to the Island community for their response to the pandemic.

A new Coastal community Strategy was being developed, this would encompass the Island's holiday tourism offer to enhance beach safety and using government funding to protect our coastal community from flooding. The procurement process for Dinosaur Isle was in the final stages.

Questions were raised regarding the ferry companies' operation, the Leader advised that government funding had been extended to include the ferry companies, dialogue was ongoing with these companies these conversations would continue.

The Leader advised that government had decided to change timetable for the fair funding review to 2023/24. It was acknowledged that there was a significant challenge in funding, reserves had helped in recent times, and keeping people safe had been a priority. A letter had been sent to government regarding the Island deal, the Island's MP had asked a question in the House of Commons, and a meeting would be arranged.

A question was asked if now was the time to provide more focus on new small businesses and focus regeneration rather than the larger schemes which could take longer periods of time to achieve. The Leader advised that small business funding grant money had been successfully distributed as quickly as possible and the investment made in Venture Quays had proved successful in recent months.

The Leader informed members that an update on the current reserves the authority had would be contained within the budget report due to be considered next month.

RESOLVED:

THAT the Leaders update report be noted.

35. Report of the Cabinet Member for Corporate Resources

35.1 Pay Policy

The Cabinet Member for Corporate Resources presented the report to adopt the pay policy for the financial year 2021-2022 prior to its publication. A number of amendments since the previous pay policy had been agreed, these were outlined in the report and the policy attached.

Concern was raised during the debate regarding the difference in salary between the higher and lower paid staff within the authority and the duty to ensure people could achieve a reasonable way of life. The Cabinet Member suggested that if one went to any major business where the number of employees were such as the councils the spread would probably be the same and stated that the number of part time employees were not shown. A vote was taken and the result of which were as follows:

RESOLVED:

THAT the Pay Policy be adopted as drafted.

35.2 Local Council Tax Support

The Cabinet Member for Corporate Resources presented the report on the Local Tax Support Scheme and outlined the proposed changes, 286 residents had responded to the consultation. There had been no increase in the amount of funding received by the authority. There was a hardship scheme available for residents to apply for.

The following amendment to the motion was presented by Cllr Garratt and duly seconded.

That Full Council agree the following:

- A local scheme that is the same as the existing scheme currently in place for 2020/21 and to bridge the level of funding gap currently estimated at £3.23 million, which will need to be met from reducing other council services.
- To implement a local scheme that varies certain elements of the existing scheme so that the CTS scheme continues to bring the working age CTS scheme in line with housing benefit and the pensionable age CTS scheme changes proposed by central government.

And agrees that:

- The Local Council Tax Reduction (Support) Scheme for 2021/2022 be adopted as set out from a combination of changes contained as option two and six of the report and the LCTS scheme policy as set out in Appendix 4 as follows:
 - (i) To retain a LCTS scheme for working age council taxpayers that is deemed affordable.
 - (ii) To maintain the current maximum support at 70 per cent.
 - (iii) To remove the blanket protection given to applicants with certain benefits and other forms of income and to treat these the same as other working age applicants while still ignoring these benefits but allowing for a £50 income disregard from the calculation.
 - (iv) To continue to ignore carer's allowance in the calculation for those looking after a person who is ill or disabled.
 - (v) To continue to provide the current level of earnings disregarded of £25.
 - (vi) To continue to provide the current non-dependant deduction rate of £2 for each non-dependant in a household.
 - (vii) Disregarding the housing element of Universal Credit to bring this in line with housing benefit cases which would treat both in the same way.
 - (viii) Continue to provide an exceptional hardship fund that would require individual applications and take into account individual circumstances including the claimant's income and essential outgoings to assist those that are deemed to be in 'genuine hardship' and receive additional assistance based on need.
- That given the overall additional cost of circa £28,000, the recommendations be referred back to Cabinet to determine if savings of an equivalent sum can be made

Following debate, a vote was taken on the amendment the result of which was that the amendment fell.

Following debate on the substantive motion, a vote was taken and it was:

RESOLVED:

THAT Council agreed to the following:

To implement a local scheme that varies certain elements of the existing scheme so that the CTS scheme continues to bring the working age CTS scheme in line with housing benefit and the pensionable age CTS scheme changes proposed by central government.

And agrees that:

The Local Council Tax Reduction (Support) Scheme for 2021/2022 be adopted as set out from a combination of changes contained as option one, two and six of the report and the LCTS scheme policy as set out in Appendix 4 as follows:

- (i) To retain a LCTS scheme for working age council taxpayers that is deemed affordable.
- (ii) To reduce the current maximum support from 70 per cent to 65 per cent.
- (iii) To remove the blanket protection given to applicants with certain benefits and other forms of income and to treat these the same as other working age applicants while still ignoring these benefits but allowing for a £50 income disregard from the calculation.
- (iv) To continue to ignore carer's allowance in the calculation for those looking after a person who is ill or disabled.
- (v) To continue to provide the current level of earnings disregarded of £25.
- (vi) To continue to provide the current non-dependant deduction rate of £2 for each non-dependant in a household.
- (vii) Disregarding the housing element of Universal Credit to bring this in line with housing benefit cases which would treat both in the same way.
- (viii) Continue to provide an exceptional hardship fund that would require individual applications and take into account individual circumstances including the claimant's income and essential outgoings to assist those that are deemed to be in 'genuine hardship' and receive additional assistance based on need.

36. **Appointments to Committees**

The Cabinet Member for Corporate Resources advised that a revision to Appendix A had been circulated prior to the meeting. The report was to confirm and appoint members and substitutes to Committees.

The Monitoring Officer informed members that a Final Appendix A was also circulated replacing the revised version. Attached and forming part of these minutes.

It was felt important to have the right councillors with the right skills on the right committees and some concern was raised regarding the rules around allocating members especially to the Audit Committee.

RESOLVED:

- I. THAT those nominated by the respective political groups to their allocated seats as contained in Final Appendix A be confirmed and appointed.
- II. THAT any unallocated seats those named ungrouped councillors as contained in Final Appendix A be confirmed and appointed.
- III. THAT named substitutes as contained in Final Appendix A be confirmed and appointed.

37. **Motions Submitted under Part 4A, Procedure Rule 9 of the Council's Constitution**

37.1 **By Councillor Michael Lilley**

Cllr Lilley moved the following motion which was duly seconded:

“This Council recognises the huge commitment by residents Island-wide in volunteering to support the community and most vulnerable in 2020 during and through out Covid-19.

In recognition of this important community involvement the Council will work Islandwide with Town and Parish Councils, voluntary sector and the 26 IW Covid19 Community Response Hubs in establishing an IW 100 Citizens’ assembly to discuss the recovery and rebuilding of the Island post Covid19. This assembly to be truly representative of the diverse Island community representing age, gender, geography, diversity, disability and social-economic sections of our community.”

Please note there will be minimal if any financial implications as there is existing funding through a community resilience network with a network of community resilience coordinators at Community Action IW (CAIW).

A vote was taken and the results were as follows:

RESOLVED:

THAT the motion fell.

38. Member Question Time of the Leader

Name	Subject	Comment
Cllr Gary Peace	Were the works carried out at St Mary’s described as a complete success and what were the next steps?	There had been a number of positive feedback regarding the new junction and St George’s was the next step and discussions were already taking place. A presentation to Newport and Carisbrooke Community Council would be made.
Cllr Ian Stephens	Will town and Parish Councils affected by the beach safety measures be awarded more money?	Discussions had taken place with local Town and Parish Councils regarding beach safety and costs were being looked at.
Cllr Ian Stephens	Coastal management and soil erosion what plans for the future	The Leader advised that he would get officers to provide the information
Cllr Julie Jones-Evans	New proposals for permitted development were very worrying. Schools, colleges,	The Leader advised he would provide a written response.

	prisons and hospitals could increase in size by 25% this could be a problem on the Island.	
Cllr Reg Barry	How long before a major road (St Mary's roundabout) is upgraded is it deemed a success or not?	Comments received have indicated residents were satisfied with the improvements.
Cllr Michael Lilley	With the new algorithm taking effect, when will we know the number of housing numbers for the Island?	The Leader advised that the right houses in the right places were needed and would like to see every Islander with their own homes, this was work in progress.

CHAIRMAN

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Chairman's Report February 2021

I would like to start this report by thanking all our NHS staff, along with all the other agency staff, including council staff and volunteers who helped us and others during this difficult time plus delivering the vitally needed vaccine programme. I am overwhelmed by the way the island community pull together to help others in need and I am sure you will join me in thanking them. We are making headwind and if we adhere to the rules, we will see the end of this epidemic soon.

Last month, on the 27th January I attended two virtual Holocaust Memorial Day services. This annual event is gaining a lot of support every year and this is good to see so many people joining this service. On the 4th February I joined the virtual launch of this year's Remembering Srebrenica's theme for 2021 which is "Rebuilding Lives". This year is the 26th anniversary of Remembering Srebrenica and is in honour of the two million people who fled across the world from Bosnia in the 90's to escape genocide and ethnic cleaning.

I have just sent off another parcel to the USA with lots of Isle of Wight goodies and memorabilia, this is requests that I have been getting from school children in different states. I am told this is for school projects and I am glad to be able to help raising the profile of the Isle of Wight and I thank The Needles for their kind donations.

I would like to remind everyone that the national census is taking place on the 21st March this year and encourage councillors to promote this in their communities to make sure every household take part. The census started in 1801 and has been done every decade except from 1941.

Thank you.

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Committee	FULL COUNCIL
Date	24 FEBRUARY 2021
Title:	LEADER'S UPDATE
Report of	LEADER OF THE COUNCIL

INTRODUCTION

1. In my report today I wish to take the opportunity to inform members of a range of activities which we, as a council, have been leading on within our community, not just in terms of covid-19 but also other important activities and decisions which have enabled normal council business to continue.
2. Once again I must begin by saying thank you and well done to all of the council's staff who continue to go above and beyond expectations to respond to the challenges of covid-19, keep our community safe and deliver the best possible services they can under some of the most exacting circumstances local authorities have faced for many years.
3. The government has now made it clear that local government elections will go ahead on Thursday 6 May, and I can report that a significant amount of work has already been undertaken by the Returning Officer and her team in planning for the safe delivery of the elections. It will take a huge effort from all of our staff and partners to help deliver these elections and some things may run a little differently to our previous experiences. Nevertheless, I would encourage people to closely follow the advice and information circulated in the run up to the election.

ISLAND DEAL

4. I am pleased be able to report to Members that I have now received correspondence from the Minister Luke Hall MP confirming that government has awarded the council £50,000 to review and build the, "evidence case on the relative challenges facing the Isle of Wight due to the island's physical separation from the mainland, with a particular focus on how any structural challenges that may result interface with the Local Government Finance system".
5. I am hugely encouraged by this approach as it signals a clear intention of government to engage with the council and create the evidence base which suits its

systems and process. This will help inform any changes that may be proposed as a result of the review of the funding of local government (the 'fair funding review'). It also recognises we have a unique Island Case – and Government intend to help us present this case

COVID 19

6. It has been very pleasing to see the rates of infection of covid-19 continue to fall across the Isle of Wight over the last month. This is to the credit of our community as they have again worked hard to slow down and break the chains of transmission of the virus. We know that the virus mainly spreads by person to person contact and therefore the more people can avoid contact then the better things will become for us all.
7. The council also secured provisions for a community testing programme which commenced on Monday 15 February and will run for an initial six-week period. The testing is available to all frontline workers, unable to work from home, and is intended to identify all of the people that carry the virus but show none of its symptoms. This is another important way to prevent the spread of the virus, bring it and keep it under control and protect our community.
8. I am very grateful to over 60 council staff that have redeployed to deliver the testing programme and make this important contribution to the Island's fight against the virus. As I write testing centres are available in Newport (County Hall), Ryde (Westridge) and Sandown (The Heights) with the possibility of further centres if necessary.
9. I look forward to hearing the Prime Minister's announcements about how the country will exit from the national lockdown provisions, scheduled for the week commencing Monday 22 February. I am already working with council officers and stakeholder groups to identify what these changes might mean for the council and the Island and what actions the council may need to take in response.
10. I understand that the vaccination programme delivered by the NHS is continuing to progress well on the Island and that there is some optimism it will achieve a target of vaccinating the first nine specified cohorts (over 50's, health and social care staff and the clinically vulnerable) by the target date of April 2021.
11. The council continues to work closely with the police in advising on and securing compliance with covid-19 laws and guidelines, its capacity to do so is strengthened by a very active team of covid-19 support officers. An increasing number of calls are being received reporting breaches of the guidance and from businesses about reopening. Further business webinars are being planned from 24th February to provide advice to different sectors on Covid secure management, self-isolation responsibilities, community testing and relaxation of restrictions (pending announcements by the government).
12. We have once again acted quickly to support Island businesses in accessing the grant funding provided by government to support those forced to close as result of the current national lockdown. The Winter Business Support Grant (WBSG) scheme (closed on 5th February) has paid 566 businesses a total of £2,64m and 6,425

individual grant payments worth £12.8m have been made to businesses under the Local Restrictions Support Grant (LSRG).

FIRE AND RESCUE SERVICE

13. This will be the final meeting of the Full Council before the new combined fire authority for Hampshire and the Isle of Wight begins on 1 April. I would invite all Members to celebrate and thank the Isle of Wight's brave firefighters for everything they do and have done whilst in the employ of this council, and to wish them all the very best as they transfer to the new organisation. I am sure it will bring new opportunities for their progression and development.

HOUSING

14. The Administration is determined to bring homes back into use and stop the scandal of landlords leaving homes empty when so many people on the Island need a place to call home. This determination was underlined by the Cabinet's recent decision to compulsorily purchase a property which has been left empty for over 10 years. The budget proposals to be considered at the meeting today will, if agreed, help make this possible.
15. After our successful lobbying on the Homes England method of funding social housing, projects have changed to include the Island enabling our housing association partners to finance more much needed schemes for housing for social rent. This is a really positive step forward and will help us add to the more than 100 affordable homes we have enabled in the last year. Our budget programme will help support this approach.

WASTE AND ENVIRONMENT

16. The Island's Draft Climate Change and Environment Strategy was endorsed by the Regeneration and Neighbourhoods Policy/Scrutiny committee and will be refined before being taken to Cabinet in early summer for adoption.
17. This sets out our ambitions for the council and the Island to meet net-carbon zero aspirations and actions. Our commitment to a low carbon Island has also seen a successful bid for grant funding of over £2.6m that will replace heating systems throughout the council's buildings with low carbon systems, to be installed this year.
18. Our popular green garden waste subscriptions are now open again for renewal. This amazingly successful service has continued collecting garden waste from its 10,000 subscribers throughout this difficult year and provides a really useful alternative to making regular trips to the Household Waste Recycling Centres at Lynbottom and Afton Marsh.

REGENERATION

19. Plans for the regeneration of Newport Harbour received a major boost this month with the confirmation that an order is to be laid before Parliament to confirm the long-awaited Harbour Revision Order. This will enable the regeneration scheme to proceed with its focus on a mix of job creation and housing projects as well as the

future longevity of existing businesses to be secured through granting longer term lease agreements.

20. I see the government's 'levelling up' fund as a key source of resources to help deliver our regeneration ambitions for the Isle of Wight. Our budget approach will support this approach.
21. A comprehensive bid to the fund is being finalised to support our regeneration programme with funding for underpinning infrastructures which will affect a project's viability. It will be capable of submission as soon as the fund is launched. Enabling the creation of new sustainable jobs and ensuring more provision of affordable housing will continue to be at the centre of our covid-19 recovery and regeneration plans. Seminars such as the highly productive one held in the last month with high street business continue to make an invaluable contribution to the development of our regeneration plans.
22. I have also been pleased to support, on behalf of the council, a freeport bid submitted to government by the Solent Local Enterprise Partnership to government.
23. The bid is in response to a competitive process designed to establish at least ten UK freeports and involves a coalition of businesses, local authorities and other partner organisations. The Isle of Wight would be part of the freeport area and could benefit from tax reliefs, simplified customs procedures and streamlined planning processes to promote regeneration and innovation if the bid is successful. The freeport area will also be able to retain business rate growth to reinvest locally.

PEOPLE

24. As the period of the pandemic continues, our adult and community learning team remain fully engaged in supporting the learning of 76 adults who are working towards their functional skills exams and wherever possible other essential learning programmes including the 28 people who are attending parenting techniques workshops through video conferences.
25. The council's apprenticeship programme continues to go from strength to strength. Not only do we continue to exceed our annual government targets for the number of new starts on apprenticeship programmes, this month we are celebrating the 250th apprenticeship since 2017 when the current scheme was launched.

SCHOOLS

26. During the current lockdown period schools have continued to be open for vulnerable pupils and children of key workers and all of our Island schools have worked hard in this endeavour. Many children have benefited from access to schools whilst all schools have also provided online learning for pupils who have stayed at home. Our children's social care services continue to hold up well and are regularly seeing children in person where necessary to ensure that they are safeguarded.
27. I should like to pay testimony to the wonderful work of everyone involved in looking after the Island's young people during this latest lockdown period. I know that it has

not been easy for any of them, but their work and professionalism is to be admired and applauded. My thoughts are also with all of the parents who have had to juggle their personal and professional lives during these difficult times.

28. Members will be pleased to know that over 4,500 food vouchers have been issued to support vulnerable children during the December and February school holidays under our connect4communities scheme. In addition, 160 care leavers have also been provided financial support through food vouchers.
29. Schools have also been provided with £19,600 to provide additional discretionary financial support to families who are vulnerable, and we are working with schools to ensure they understand how this fund can be used. Over £55,000 has also been issued to community organisations through grants which will provide support to 1,786 households. Our budget approach continues to support this approach.
30. 296 young carers have been provided vouchers through a grant to the YMCA Young Carers Support Service and 114 households have been supported with fuel payments through a grant to Citizens Advice Isle of Wight.

LOOKING AHEAD:

31. This is my final Leader's report to the Council before the May elections.
32. In this report I have again summarised what I hope Council will recognise as the consistent themes of the Conservative Administration. Strong leadership, keeping people safe and reigniting regeneration through our economic recovery.
33. It has had a clear sense of purpose, a vision for the council and a plan for its achievement. It has not been shy of exhibiting strong leadership as required and taking the tough decisions that councils must often make, usually not of their choosing but in respect of the circumstances they face. The covid-19 pandemic is a prime case in point.
34. But let's not also forget our number one objective has been to be a financially sustainable council. We will again achieve this goal if the Council agrees to the proposals made by the Cabinet for a lawful and balanced budget in 2021/22 at the meeting.

COUNCILLOR DAVE STEWART
Leader of the Council and Cabinet Member for Strategic Partnerships

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Committee report

FULL COUNCIL

Date	24 FEBRUARY 2021
Title	BUDGET AND COUNCIL TAX SETTING 2021/22 & FUTURE YEARS FORECASTS
Report of	THE LEADER OF THE COUNCIL AND THE DEPUTY LEADER OF THE COUNCIL

EXECUTIVE SUMMARY

1. The key proposals within this report are for a balanced and responsible Budget for 2021/22 which provides for:
 - The full financial impact of the COVID-19 Pandemic in the current year and its expected ongoing legacy over the next 3 years
 - £3.5m of savings in accordance with the Council resolution of 26 February 2020
 - A Council Tax increase of 4.99% (3.0% of which is raised specifically to be passported to Adult Social Care)
 - Additional funding for Adult Social Care and Children's Services of £6m in total, being far in excess of the funding provided by the Adult Social Care precept and additional Social Care grant from Central Government (£3.4m combined)
 - A forecast for the 3 year period beyond 2021/22 which will require a further £9.0m in savings or £3.0m p.a (from £3.5m p.a previously)
 - Substantial new Capital Investment on the Island of £56.1m
 - A level of General Reserves over the period of the 3 year forecast above £8m (but recognising the substantial uncertainty faced by the Council over that period).
2. The COVID-19 pandemic has a significant impact on the budget proposals in both the Revised Budget for the current year, the Budget for 2021/22 and the future years' forecasts. Some of the financial impacts of the pandemic are expected to be short term in nature (1 to 2 years) but others are expected to endure through the longer term. Excluding Business Rate reliefs which are fully recompensed by Government, the cost of responding to the COVID pandemic in the current year is expected to amount to £18.7m with associated Government funding of £17.5m.

3. The proposed Budgets for 2021/22 onwards have been prepared on the basis of delivering services at pre-pandemic levels i.e. the "steady state". For the next 3 years (commencing 2021/22), a COVID Fund of £14.2m has been 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 COVID-19 pandemic and its legacy after effects. A fund of this sum represents 75% of the total costs, income losses and reductions in Council Tax and Business Rates that is expected to be experienced in the current year. Furthermore, the ending of the furlough scheme could see increases in business failures and increases in unemployment which would have a much more substantial impact on the Council's funding streams in the future than has been experienced thus far.
4. In the longer term, it is anticipated that the overall position will be affected by circa £2.5m per annum with the Council's cost base increasing by circa £2m alongside a longer term funding loss across Council Tax and Business Rates of circa £0.5m.
5. The £6m additional funding to Adult Social Care and Children's Services is provided to ensure that the financial position of those services remains robust both in the short and medium term. It is however recognised that COVID-19 will continue to pose risks to the budgets of Adult Social Care and Children's Services but also to the Council more generally.
6. The uncertainty presented by the COVID-19 pandemic has led to a delay in:
 - The Government's multi-year Comprehensive Spending Review (setting the overall funding for Local Government over the medium term)
 - The comprehensive overhaul of the Local Government funding system known as 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 system for retaining future Business Rate growth / loss (involving the removal of all existing growth and re-distributing that growth nationally according to relative need (rather than where it was generated)).
7. Consistent with the Medium Term Financial Strategy (MTFS), the medium term approach to financial planning by the Administration has resulted in just £1.8m of new budget savings being required for 2021/22, the remaining £1.7m of savings were identified and approved as part of the last year's budget proposals and are the incremental ongoing (or full year effect) impact of those decisions.
8. The Council's future Forecast has been estimated in the context of the uncertainty set out above. For the 3 year period 2022/23 to 2024/25 it is estimated that the Budget Deficit will be £9m. This requires the Council to make incremental budget savings of £3m per annum for each of those years. However, for the reasons set out above, the Council's future forecast deficits could reasonably be expected to vary between +/- £3m in total and therefore the annual savings requirements could also vary by +/- £1m per annum.

9. During this unprecedented level of uncertainty, it is imperative that the Council continues to plan for savings of £3.0m per year in the future, retaining the COVID-19 funding 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.
10. The Capital Programme makes proposals for new Capital Expenditure of £56.1m, of which £9.6m is provided from Corporate Capital Resources but which levers in external funding amounting to £46.5m. This follows the £35m investment into the Regeneration of the Island approved by the Council over the past 3 years.
11. Key additional investments proposed in this Capital Programme include £40.7m in Coastal Protection schemes (Shanklin, Yarmouth/Bouldner, Ventnor, Yaverland and Cowes/Gurnard), £6.4m investment in School Buildings, £2.9m in the regeneration scheme at Branstone Farm and £1.3m for Highway improvement and safety schemes.
12. An Executive Summary of these key points and others is set out below:

EXECUTIVE SUMMARY

Context

- ❖ Since 2011/12 savings of £86m will have already been made (over 40% of controllable spend)
- ❖ Adult Social Care and Children's Services represent almost 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 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 the COVID-19 pandemic and the forthcoming Comprehensive Spending Review and overhaul of the Local Government Funding system.

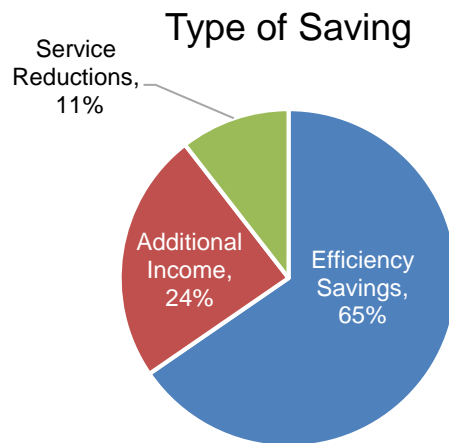
EXECUTIVE SUMMARY (Cont'd)

Revised Budget 2020/21

- ❖ A Balanced Budget for 2020/21 accommodating the expected full COVID-19 impact as follows:
 - COVID related costs and income losses £18.7m
 - COVID related funding £17.5m
- ❖ Set aside of £10.3m to fund COVID costs for the following 3 years (**estimated to be remaining from the approved £11.5m Deficit Recovery Strategy funding but dependent on the final position at year end which remains uncertain**)
- ❖ Overall forecast saving of £1.4m which is being used to support the Budget for 2021/22.

Budget 2021/22

- ❖ 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)
- ❖ Council continues to benefit from the annual reduction in debt repayment costs, previously at £7m p.a. That reduction falls to £3.9m in 2021/22 and ceases in 2022/23
- ❖ Incorporates £3.5m of Savings in accordance with the Council resolution of 26 February 2020, of which £1.7m relates to the full year impact of savings decisions taken as part of the annual budget setting meeting last year
- ❖ 89% of the £3.5m Savings are delivered through Efficiencies and Income Generation and only 11% achieved through service reductions. This analysis is presented as follows:



- ❖ Provides a COVID-19 fund of £14.2m (**dependent on final year end outturn position**) for the next 3 years to provide good surety of essential service delivery and crucial given the modest and falling levels of General Reserves.

EXECUTIVE SUMMARY (Cont'd)

Budget 2021/22 (continued)

- ❖ Additional new funding for Adult Social Care of £4.4m to accommodate their demographic cost pressures and contribute towards the additional costs to care providers associated with the National Living Wage (**increase of 2.2%**)
- ❖ Provides further additional funding for Children's Services of £1.6m to accommodate the expected permanent rise in Looked After Children (mainly arising from the COVID-19 pandemic)
- ❖ Delivers a Council Tax increase of 4.99%, of which:
 - 1.99% is for general council services (at an inflation based level)
 - 3.0% (amounting to £2.6m) is to be passported directly to Adult Social Care
- ❖ The Local Government Finance Settlement has provided some funding relief for:
 - The short term impact of COVID-19 of £3.9m grant plus the continuation for 3 months of the Sales, Fees & Charges Compensation scheme (funding circa. 70% of income streams excluding commercial property)
 - The cost pressures in Adult Social Care and Children's Services in 2021/22 of £0.8m
 - A grant of £1.4m for the expected reduction in Council Tax income from the increase in Local Council Tax Support applications
- ❖ There is a significant "funding gap" between Adult Social Care and Children's Services unavoidable costs of £6m and the funding available of £3.4m (i.e. 3% Council Tax of £2.6m plus additional Social Care Grant of £0.8m). Even the general 1.99% Council Tax increase amounting to £1.7m intended for all Services is insufficient to cover the "gap"
- ❖ Replenishment of Transformation Reserve of £1m (taking it to £3m uncommitted) following a withdrawal of £2m in 2020/21 to support the Deficit Recovery Strategy
- ❖ A contribution of £2m to the Capital Programme as part of the overall £9.6m of corporate funding requirement and enabling a total capital investment of £56.1m
- ❖ A withdrawal from General Reserves of £2.7m (£2.1m to support service spending and an estimated £0.6m transfer to new Fire Authority).

Future Forecast - 2022/23 to 2024/25

- ❖ The new forecast for the new 3 Year Period (now extended to 2024/25) is a £9.0m deficit
- ❖ The new forecast is subject to unprecedented uncertainty due to the longer term impact of COVID-19, the forthcoming Multi Year Spending Review, Fair Funding Review and the Business Rate Retention Scheme review; the forecast could vary by +/- £3m
- ❖ Future forecasts do not provide for adequate replenishment of the Transformation Reserve or contributions towards future necessary Capital Investment requirements, 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 £3.0m p.a over the next 3 years (i.e. commencing 2022/23)
- ❖ General Reserves are maintained over the period at not lower than £8m (**assuming the £3.0m 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 £3.0m 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 have been made.

EXECUTIVE SUMMARY (Cont'd)

Reserves

- ❖ The minimum level of Reserves required by the Council based on its risk profile, and crucially the savings proposed within this report, is £7m which it cannot fall below
- ❖ The minimum level of Reserves of £7.0m is predicated on providing for a COVID-19 Fund of £14.2m, should that Fund be reduced then the minimum level of General Reserves will necessarily need to increase
- ❖ A contribution to Reserves in 2020/21 of £1.4m but a draw from Reserves in 2021/22 of £2.7m
- ❖ Reserves in 2021/22 maintained at £11.0m but falling to just £8.2m by 2023/24 but at a time when the risks of the Fair Funding Review and Business Rate "reset" will have passed
- ❖ Planned Reserves at £11.0m for 2021/22 represent just 2.8% of total gross expenditure
- ❖ Underlying General Reserves over the medium term at £8.2m are extremely modest.

Capital Programme

- ❖ Total proposed new Capital Investment of £56.1m comprising:
 - £40.7m for Coastal Protection Schemes to protect homes and employment
 - £6.4m investment into School Buildings
 - £2.9m for the Branstone Farm Development
 - £1.9m for Disabled Facilities Grants, helping people to remain in their homes
 - £1.3m for Highway improvement and safety schemes
 - £1.2m for core IT infrastructure and digital transformation across Council Services
 - £0.75m to provide funding for Compulsory Purchases of property in order to guard against blight or facilitate regeneration / development
- ❖ Looking forward, there remains a substantial "Capital Gap" between funding and Capital Investment needs.

Conclusion

- ❖ Balanced Budgets for both 2020/21 and 2021/22
- ❖ Council's financial health is currently stable and the proposals provide confidence that the Council remains well placed to face the future uncertainty of COVID-19
- ❖ Future uncertainty for Local Government funding remains a substantial risk.

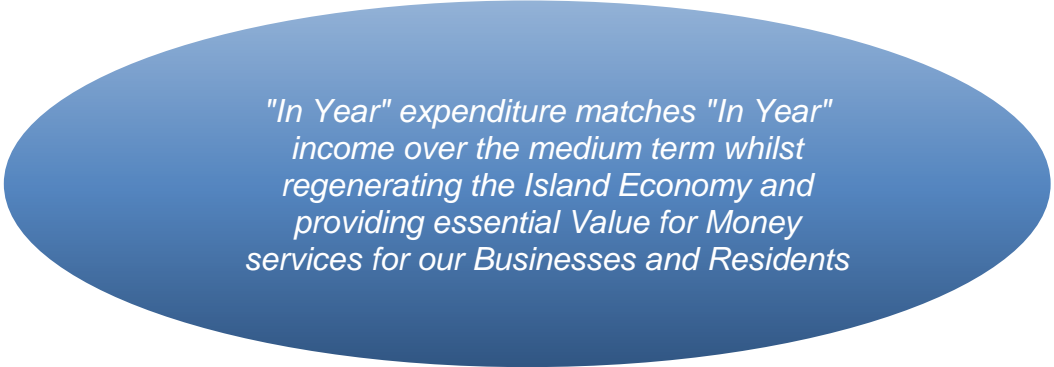
BACKGROUND

13. The primary purpose of this report is to set the Council's overall Budget for the forthcoming year 2021/22 and the associated level of Council Tax necessary to fund that Budget.
14. The report makes recommendations on the level of Council spending for 2021/22 and the level of Council Tax in the context of the Council's Medium Term Financial Strategy.
15. The recommended Budget for 2021/22 has been prepared on the basis of the following:
 - The Council resolution of 26 February 2020 that set an overall savings requirement of £3.5m
 - An increase in the level of Council Tax for 2021/22 for general purposes of 1.99%
 - The flexibility to increase the level of Council Tax for an "Adult Social Care Precept", within the limits set by Central Government at 3.0%, and the direct passporting of that additional funding to Adult Social Care to provide for otherwise unfunded cost pressures.
16. This report also provides a comprehensive revision of the Council's rolling 3 year future financial forecast for the new period 2022/23 to 2024/25 (i.e. compared to the previous forecast covering 2021/22 to 2023/24, this forecast now replaces the forecast for the previous 3 year period).
17. 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.
18. In particular, this report sets out the following:
 - (a) The challenging and uncertain financial climate facing the Council in 2021/22 and beyond, and the consequential budget deficits that result
 - (b) A brief summary of the Medium Term Financial Strategy (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 2020/21
 - (d) The Provisional Local Government Finance Settlement for 2021/22
 - (e) The Business Rate income for 2021/22 and future years
 - (f) The Council Tax Base and recommended Council Tax for 2021/22
 - (g) The proposed Revenue Budget for 2021/22

- (h) The financial forecast for the new 3 year period and consequent Savings Requirements for 2022/23, 2023/24 and 2024/25
- (i) Estimated General Reserves over the period 2020/21 to 2024/25
- (j) The forecast Collection Fund balance as at 31 March 2021 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 2020/21 to 2025/26.

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

- 19. The Council approved a Medium Term Financial Strategy (MTFS) in October 2016 to guide the Council towards financial sustainability.
- 20. The Council has been required to make £86m in savings and efficiencies (representing over 40% of controllable spending) over the past 10 years in order to balance the Budget, ensuring that spending remains in line with income and funding levels.
- 21. This continuing financial challenge, now exacerbated by the ongoing impact of the COVID-19 pandemic, is seen as the single biggest risk to 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.
- 22. The overall aim of the MTFS is illustrated below:



"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

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

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

24. The themes within the MTFS have been designed as a comprehensive and complimentary 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.

25. 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 2020/21

26. The original Revenue Budget approved by the Council in February 2020 was £158,877,200.

27. The Cabinet has received regular quarterly Budget Monitoring reports on the 2020/21 Budget throughout the year. Those forecasts have consistently reported a forecast overspend associated with the impact of COVID-19 but offset by forecast savings across other activities of the Council. The most up to date

position and reflected within the proposed Revised Budget is an estimated overall saving of £1.4m comprised as follows:

- Forecast overspend in relation to COVID-19 (after all Government funding) of £1.2m but met from the £11.5m funding set aside from the approved Deficit Recovery Strategy
 - Forecast savings from elsewhere across the Council of £1.4m.
28. The forecast estimated funding remaining from the Deficit Recovery Strategy therefore stands at £10.3m. The overall costs, income losses and funding losses (Council tax and Business Rates) directly arising out of the COVID-19 pandemic still remains extremely uncertain for the current year and therefore the sum available to carry forward into 2021/22 is also uncertain.
29. Equally, the financial impact on the Council arising from the COVID-19 pandemic over the next 3 years also remains extremely uncertain. The key variables being:
- The immediate and ongoing impact on the costs of providing Adult Social Care and Children's Services
 - Income losses to Leisure Centres and Parking and the speed and extent to which they will recover
 - The economic impact of a recession, its length and depth and subsequent recovery and the effect that this has on:
 - Business Rates retained
 - Council Tax income levels
30. Due to this uncertainty both for the current year and future years, it is proposed that any remaining funding set aside for the Deficit Recovery Strategy is retained as a COVID-19 Fund for 2021/22 and future years. This will be critical for both the current year and next year as the Council continues to experience the financial effects of the emergency itself and any longer lasting legacy into future years.
31. The Original Budget has now been comprehensively revised and remains in balance. It is proposed to increase the Budget to £187,004,500, an increase of £28,127,300 which has been compensated for by an increase in funding of £29,543,800, resulting in an overall saving of £1,416,500.
32. The main reasons for the increases in Spending and Funding are as follows:
- Grant funding to compensate the Council for consequent reductions in retained Business Rates arising from the national Expanded Retail Relief and Nursery relief schemes amounting to £12m. This then set aside in a reserve to be used in 2021/22 when the associated losses of Business Rates to the Council will arise
 - Funding related to COVID-19 of £17.5m to offset additional costs of £18.7m
 - Use of Deficit Recovery Funding of £1.2m

- Non COVID-19 related savings of £1.4m
33. In summary, the Revised Budget represents a saving against the Original Budget of £1.4m.
34. The proposed Revised Revenue Budget of £187,004,500 is set out in the General Fund Summary (Appendix 1).

REVENUE BUDGET 2021/22

Overall Strategy

35. 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.
36. 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)
 - Gradual repair of the Council's General Reserves to levels that can continue to be used to "smooth out" necessary savings over time as well as providing 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.
37. At present the Council is still benefiting from the draw down from amounts deemed to be set aside in advance for the repayment of debt (i.e. the overprovision in total amounting to £40m), which is commonly referred to as the "debt repayment holiday". The annual draw down had previously been £7m p.a. There now only remains £3.9m of the original £40m overprovision. This will be drawn down to support the 2021/22 Budget. This annual benefit will end in 2022/23.
38. The Council's approved MTFS and Savings Requirements also accommodates the repair of its General Reserves over time. This is vital if the Council is to stabilise its financial position, have the ability to respond to any potential "financial shocks" without resorting to quick and severe service reductions but also have the financial capacity to be able to fund opportunities as they arise. Whilst General Reserves are forecast to fall over the next 4 years to a level with "headroom" of a modest £1.2m above minimum levels, there is a level of resilience built in to the Council's overall Budget which cover the following:
- Risks associated with the COVID-19 pandemic

- Budget levels in the 2 most volatile services of the Council (Adult Social Care and Children's Services) which accommodate currently known and expected budget pressures and risks.

Nevertheless underlying General Reserves at £8.2m over the medium term are extremely modest.

39. At last year's Annual Budget Meeting in February 2020, forecasts for this coming financial year 2021/22 and the subsequent two financial years estimated that an overall 3 year savings requirement of £10.5m would be necessary to meet the budget deficits over that period.
40. Since those forecasts were prepared in February 2020, the Council has now undertaken a Budget Consultation with residents and also received the Provisional Local Government Finance Settlement for 2021/22. The Local Government Finance Settlement is the term used to describe the main non-ring-fenced Revenue and Capital grant funding allocations from Government.

Budget Consultation

41. The Council published its budget consultation survey on 30 November 2020 and closed on 25 January 2021 with 501 responses. 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:
 - ❖ Fees & Charges:
 - 70% either agree or strongly agree that fees and charges should be made for services that users have a choice of whether to use or not. Leisure, Harbours and Beach Huts were the most frequently made suggestions for charging. 67% of respondents preferred increasing fees and charges to making further savings.
 - ❖ Council Tax Increase for General Purposes:
 - 67% of respondents opted for an increase of 1%, 2% or more than 2%. 33% of respondents would like to see no increase in Council Tax and instead opting for further Council cuts.
 - ❖ Adult Social Care Precept:
 - 39% of respondents said that they would be prepared to pay an extra 2% in Council Tax for Adult Social Care with 61% saying they would not.
 - ❖ Spending priorities generally:
 - Schools, education and skills was the highest priority for spending with Adult Social Care coming a close second. Children's Services was also identified as a priority as well as Public Health, Community Safety and Public Protection.

- ❖ 79% of respondents agreed that the council should reduce financial support to individuals or organisations unless they are able to demonstrate genuine hardship.
- ❖ Services provided by town and parish council, local community groups and the voluntary sector:
 - 59% of respondents agreed or strongly agreed that some services should be provided locally and the most popular suggestions were beach and street cleaning, public toilets, car parking and grass cutting
- ❖ Council owned profit making trading companies:
 - 44% of respondents disagreed or strongly disagreed with councils setting up trading companies whilst 31% agreed or strongly agreed. Those that agreed suggested services such as Housing could be provided in this way.
- ❖ Providing services in partnership:
 - 39% of respondents agreed or strongly agreed with services being provided in partnership with other local authorities highlighting Adult Social Care, Children's Services, Health, Highways and Housing.
- ❖ Capital investment:
 - When asked to identify 3 areas where the council should invest; regeneration, improvements to the public realm and supporting people to stay in their own homes were the most popular options.

Funding - Summary of the Local Government Finance Settlement

42. In overall terms the provisional Local Government Settlement for the Council provides for the following:
- A 1 year Settlement only, pending the forthcoming Comprehensive Spending Review
 - A 1 year delay to the comprehensive overhaul of the Local Government funding system including the Fair Funding Review and the Business Rate Retention Scheme, for which the Council had been relying on an additional £2.5m of funding within its forecasts (see below)
 - A general increase in Government funding of 0.55%, in line with the Consumer Price index for September 2020
 - A "one-off" Lower Tier Services grant - £0.2m
 - New Homes Bonus Grant of £0.5m (£0.2m reduction)
 - An increase in the Social Care Grant (to be distributed to both Adult Social Care and Children's Services) - £0.8m

- Cash flat allocation of the Improved Better Care Fund (including Winter Pressures Funding) for Adult Social Care
 - Council Tax increase thresholds of:
 - 2.0% for General Purposes (amounting to £1.7m)
 - 3.0% for Adult Social Care (amounting to £2.6m)
 - 2.0% for Fire & Rescue Authorities
 - £15 for Police and Crime Commissioners
 - COVID-19 Support as follows:
 - Emergency COVID-19 Grant - £3.9m
 - Continuation for the first 3 months of the year of the Sales, Fees & Charges compensation Scheme (funding circa. 70% of lost income streams excluding commercial property)
 - A Local Council Tax Support Grant (to compensate for rises in claimant demand and reduced Council Tax income) - £1.4m
43. This additional funding for Adult Social Care and Children's Services set out above of £3.4m provides only partial compensation for the additional cost pressures being experienced in those Services. As set out later in this report, a total of £6m has been provided to those Services in order to bring financial stability, at least for 2021/22.
44. Government had originally announced that the Fair Funding review would be implemented for the financial year 2020/21 and Government consultations have indicated that it would take account of the unique cost pressures associated with providing Council Services on the Island. This is expected to be recognised through a "remoteness" factor which will be applied to the formulae for the majority of key services provided. This has now been delayed by 2 years to 2022/23. The Council's forecasts had included an increase in Government funding of £2.5m in this respect. Whilst this is less than the additional costs estimated by the research undertaken by Portsmouth University of £6.4m (at 2015/16 prices), a balanced estimate of £2.5m was assumed on the basis that any increase will be phased in over time (under "damping arrangements") and that there are very large number of other factors being considered under the Fair Funding review that could impact positively or negatively on the overall funding allocation to the Council.
45. The implementation of the Fair Funding Review has now been delayed to 2022/23 and whilst it is still anticipated that there will be a favourable outcome for the Council, it has caused a shortfall for the coming financial year. This shortfall has been addressed within the proposals for the Budget 2021/22 and future forecasts, largely by removing planned future funding for new capital investment.
46. Based on the Provisional Local Government Finance Settlement and a comprehensive review of all other estimates of funding, income and expenditure for 2021/22 and the following 3 years, the approved savings requirement for

2021/22 of £3.5m remains prudent but only on the basis of the Council Tax proposals set out within this report. Given what is known, or reasonably expected, regarding future funding and given future uncertainties, a savings requirement of less than £3.5m for 2021/22 would not be prudent.

47. The final grant settlement should be available by early February. Given the continuing risks associated with COVID-19, the modest sums available for Transformation, the lack of funding available for the Council's Capital Investment needs from 2022/23 onwards and the modest level of underlying General Reserves (falling to £8.2m), it is recommended that any variation from the provisional settlement is used in appropriate proportions to supplement the COVID-19 fund, the resources available to the Transformation Reserve, the Council's available Capital Resources and General Reserves.
48. 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 - 2021/22 & Future Forecasts

49. 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
50. In 2017/18 the National Non Domestic Rate system was subject to a re-valuation. This revised both the rateable values and the multiplier. The entire re-valuation is financially neutral at a national level with the increase in rateable values overall offset by a reduction in the multiplier.
51. The Retained Business Rates system for Local Authorities is likewise intended to be financially neutral. Inevitably however, this will not be the case and there will be "winners" and "losers" across the country. The key risk is the extent to which successful appeals are greater or less than the assumed allowance for appeals contained within the new multiplier set by Government.

52. In total, for 2021/22, Retained Business Rates are estimated at £24.0m¹, which includes a deficit relating to previous years of £12.4m arising mainly from the Expanded Retail and Nursey relief schemes. Underlying Business Rate income for 2021/22 is broadly unchanged.
53. 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 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.
54. 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.
55. From 2022/23, there is expected to be a new national Business Rate Retention Scheme, the details of which are not yet known. The introduction of the new scheme will be accompanied by a "Reset" which will remove all current business rate growth currently being enjoyed by authorities and which for the Council amounts to £5.1m³.
56. 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 - 2021/22 & Future Forecasts

Council Tax Amount 2021/22

57. Council Tax currently represents almost 54% of the Council's total revenue funding and as Government funding has reduced, Council Tax this has become an increasingly more important and dependent source of funding for the Council.
58. With the establishment of the new Hampshire & Isle of Wight Fire & Rescue Authority, the Council's level of Band D Council Tax has been reduced by £62.18, to £1,600.87, reflecting the amount of the Council's Council Tax that related to the funding of Fire Services. The re-stated level of Council Tax for the Isle of Wight Council for 2020/21 is known as the "Alternative Notional Amount". The

¹ Includes Retained Business Rates of £19.8m, "Top Up" of £11.7m, S.31 Grants of £4.9m and a Collection Fund deficit of £12.4m

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

³ Based on 2021/22 Estimates in a 50% Business Rate Retention Scheme

Isle of Wight Council's element of the Council Tax will no longer include a Fire Services element, instead Hampshire & Isle of Wight Fire & Rescue Authority will form a separate element of the Council Tax in the same way as the Hampshire Police & Crime Commissioner. The Isle of Wight Council will remain the billing authority and will collect the Council Tax from residents on behalf of Police and Fire and then pass over those funds to them.

59. Council Tax for the average Council Tax payer on the Isle of Wight (Band C) currently amounts to £1,666.23 (excluding parish precepts), of which £1423.00 (88.7%) 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 50% of all properties are subject to the full level of Council Tax.
60. The Provisional Local Government Finance Settlement for 2021/22 confirmed a Council Tax increase limit for general purposes (i.e. referendum threshold). Any increase beyond the 2% threshold can only be implemented following a "Yes" vote in a local referendum.
61. As described more fully later in this report, the actual level of inflation for the Council in 2021/22, taking into account price rises that the Council is exposed to, significantly exceeds the level of increase allowed in the Council Tax. The Council's estimated inflation amounts to 2.0%.
62. 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 2.2% and affects the Council's contracts with Care Providers for Adults) as well as the demographic pressures from general aging and a "living longer" population.
63. Given the extraordinary upward inflationary pressures on the Council more generally (and including the 2.2% increase in the National Living Wage on Care Services), the cost pressures in Adult Social Care 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 1.99% for 2021/22, representing 55p per week for a Band C tax payer and yielding £1.7m
 - ii) Adult Social Care precept be increased by 3.0% for 2021/22, representing 82p per week for a Band C tax payer and yielding £2.6m to be passported direct to Adult Social Care.
64. The unavoidable budget pressures amounting to £4.4m facing Adult Social Care include the following:
 - Increased Fees to External Care Providers to cover inflation and the increase in the National Living Wage (2.2%) - £0.8m

- New clients entering the Adult Social Care system - £1.3m
 - Additional clients that have entered residential care as a direct consequence of COVID-19 - £0.9m
 - Existing clients that can no longer afford to pay for their own care (i.e. self-funders) - £0.8m
 - Additional frequency of assessments, required by law, for clients with mental health conditions - £0.3m
 - General inflation across the Adult Social Care Service to enable existing levels of care to continue - £0.3m
65. Setting an Adult Social Care precept at a lower sum will inevitably result in additional service reductions to Adult Social Care services in 2021/22, this decision therefore will be critical for Adult Social Care services and the wider health system on the Island.
66. The Council could elect not to increase the level of Council Tax by 4.99% but if it chose to do so, would need to identify additional savings over and above the £3.5m savings approved by the Council in February 2020. For every 1% reduction in Council Tax, additional savings of £852,900 will be required.
67. The Council's future forecasts for the period 2022/23 to 2024/25 have been estimated on the following basis:
- i) General Purposes - 1.99% rise each year
 - ii) Adult Social Care Precept - No further increases.

Council Tax Base 2021/22

68. The Council Tax Base (i.e. the number of Band D equivalent properties paying the full Council Tax) has been determined as **53,279.6** for 2021/22.
69. The Council Tax Base at 53,279.6 is a reduction compared to the current year of the equivalent of 563.1 Band D equivalent taxpayers (or £946,500), relating mainly to increasing Local Council Tax Support applications and therefore reduced Council Tax income.

Collection Fund Balance (Council Tax Element) 2020/21

70. 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 (86.0% share)
 - Hampshire Police & Crime Commissioner (10.8% share)
 - Hampshire & Isle of Wight Fire & Rescue Authority (3.2% 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.

71. For 2020/21, it is estimated that there will be a deficit on the Collection Fund of £2,438,510 which will be shared in proportion to the 2020/21 precepts and distributed to the preceptors as follows:

COLLECTION FUND DEFICIT - 2020/21		
Preceptor	Distribution	
	£	%
Isle of Wight Council	2,099,000	86.0%
Hampshire Police & Crime Commissioner	262,362	10.8%
Hampshire & Isle of Wight Fire & Rescue Authority	77,148	3.2%
Total Deficit 2020/21	2,438,510	100.0%

The Isle of Wight Council Share of the deficit of £2,099,000 is factored into the overall Council Tax income for 2021/22.

Total Council Tax Income 2021/22 & Future Years

72. Considering the Council Tax increase, Council Tax Base and deficit on the Collection Fund, the total Council Tax income for 2021/22 is estimated at £88,450,943.
73. 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 £95,973,100 by 2024/25 and is based on the following assumptions:
- Annual increases in the amount of Council Tax of 1.99% per annum for 2021/22 and thereafter
 - A broadly even recovery in the Council Tax Base (from its reduction due to provided additional Local Council Tax Support) over the period.

Funding Summary

74. Over the following 3 year period of the Council's forecast, funding is anticipated to rise by just 4.1% (or an average of 1.3% p.a), reflecting 2% per annum increases in Council Tax, an increase in Government Funding arising out of the overhaul of the Local Government Funding system of a net £3.0 accommodating both the "Island Factor" and the Business Rate Retention "reset" which will remove £5.1m of Business Rate Growth from the Island and then re-distribute it back to Local Authorities generally on a needs basis.

Spending Proposals 2021/22

75. In general, the Council's budgets have been prepared to include an allocation for inflation to enable the Council to operate "steady state" services.

76. The Council is however experiencing substantial cost pressures now in Adult Social Care and Children's Services in particular, which are fully expected to continue and increase in 2021/22.
77. The forecast cost pressures relating to Adult Social Care and Children's Services amount to £6.0m and have been described previously. In order to reasonably provide for those cost pressures and any others that may arise during the year, the proposed Budget 2021/22 (Appendix 1) provides for the following increases:
- i) Adult Social Care - £4.4m
 - ii) Children's Services - £1.6m.
78. Other sums provided within the Budget are set out under the headings below:

Provision of a COVID-19 Fund

As previously described, it is crucial that the Council continues to plan responsibly for the potential impact of COVID-19 over the medium term. This is particularly important given the circumstances of the modest "headroom" in General Reserves of just £4m but reducing to just £1.2m by 2023/24.

The financial impact of COVID-19 is expected to "wind out" over time but that time period remains uncertain. Known pressures include the continuing impact on the costs of providing Adult Social Care and Children's Services, income losses to Leisure Centres and Parking and the economic impact of a recession, its length and depth and subsequent recovery and the effect that this has on Retained Business Rates and Council Tax income levels.

Government has provided a further COVID-19 Emergency Grant of £3.9m for 2021/22 and it is proposed that this is added to any remaining Deficit Recovery Funding from the current year (currently uncertain but estimated at £10.3m). Assuming that £10.3m remains, a fund of £14.2m would be established to provide the Council with financial resilience to meet any emergency response plus its on-going legacy. Even at a sum of £14.2m, it is not certain that this would be sufficient to cover all risks.

A fund of £14.2m represents just 75% of the total costs, income losses and reductions in Council Tax and Business Rates that is expected to be experienced in the current year. Significantly however, the ending of the furlough scheme could see increases in business failures and increases in unemployment which would have a much more substantial impact on the Council's funding streams in the future than has been experienced thus far.

Without a COVID-19 Fund, the Council will be financially vulnerable and put at risk the sustainable delivery of essential services.

Revenue Contributions to Capital

As described in detail later in this report, new Capital Investment totalling £56.1m is proposed. This level of investment relies on a number of funding sources provided either by the Council or from external grants and contributions. For 2021/22, £9.7m (including a Revenue Contribution to Capital of £2m - see below) is

being provided by the Council in the form of "cash backed" funding which levers in a further £46.5m in external funding.

The proposed Capital Programme for next year is ambitious and looks to the longer term. It seeks to meet the Council's statutory responsibilities, protect homes, employment and the environment more generally, as well as supporting new regeneration. The level of investment proposed is beyond the Capital Resources available to the Council and therefore it is proposed to make a further Revenue Contribution to Capital of £2.0m.

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.

Given that this Capital Investment is necessary for both the Council's statutory obligations and also to transform the Island's economic potential, 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.

Due to the affordability constraints, the Council's future forecasts assume that there will be no contributions available from the Revenue Budget. In the absence of any provision, it is vital that the "standing recommendation" continues that any underspendings 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

As part of the formulation of the Deficit Recovery Strategy in the current year, £2m of the amassed £11.5m funding set aside came from the Transformation Reserve. That sum was identified as a necessary decision to provide overall resilience in an emergency situation. The £2m sum was not identified as "surplus" to the Medium Term Financial Strategy, however its existence was part of the overall strategy to remain financially resilient.

Looking forward, 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 £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. The Budget proposals for 2021/22 provide for a £1m replenishment of this reserve.

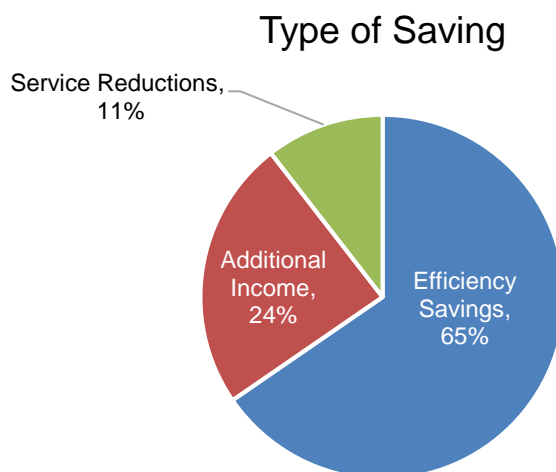
Savings Proposals 2021/22

79. In following the Medium Term Financial Strategy (MTFS), the Administration have proposed savings in previous years which have further financial savings benefits in later years. Many of the savings proposals put forward last year

provide additional savings in the forthcoming year, known as the "full year effect". The extent of the "full year effect" is £1.7m and therefore just £1.8m of new savings are proposed for 2021/22.

80. As in previous years, the Administration's savings proposals are focused on an "Avoidance to Cuts" approach in line with the MTFs. In overall terms, the proposed £3.5m of savings are characterised as follows:

81. For 2021/22, 89% of all savings proposed are planned from Efficiency Savings and Additional Income with Service Reduction measures amounting to just 11% as illustrated in the chart below:



82. A summary of the overall total (full year effect plus new) savings proposals for 2021/22, by Portfolio, is set out below.

Portfolio	Controllable Budget	Savings Proposal	
	£	£	%
Adult Social Care, Public Health & Housing Needs*	52,885,965	1,567,000	3.0%
Children's Services, Education & Skills	25,799,771	481,000	1.9%
Community Safety & Digital Transformation	8,939,086	175,800	2.0%
Environment, Heritage & Waste Management	8,826,020	308,400	3.5%
Infrastructure & Transport**	11,637,618	101,000	0.9%
Leader & Strategic Partnerships	822,326	0	0.0%
Planning & Housing Renewal	2,410,804	8,500	0.4%
Regeneration & Business Development	5,146,580	137,500	2.7%
Resources	10,935,643	720,800	6.6%
Grand Total	127,403,813	3,500,000	2.7%

*Excludes the additional funding passported through to Adult Social Care of £4.4m (which if included would result in an overall increase of 5.4%) and the additional funding for Children's Services, Education & Skills of £1.6m (which if included would result in an overall increase of 4.4%)

** Excludes £19.4m of PFI grant funding, on a Gross expenditure basis the savings amounts to 0.3%

83. Inevitably, there are a number of financial risks contained within the proposals for making savings of the scale of £3.5m on the back of making over £86m in

savings over the past 10 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.

84. 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.
85. 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 2021/22

86. The proposed Budget for 2021/22 has been prepared to include the following:

Spending 2021/22:

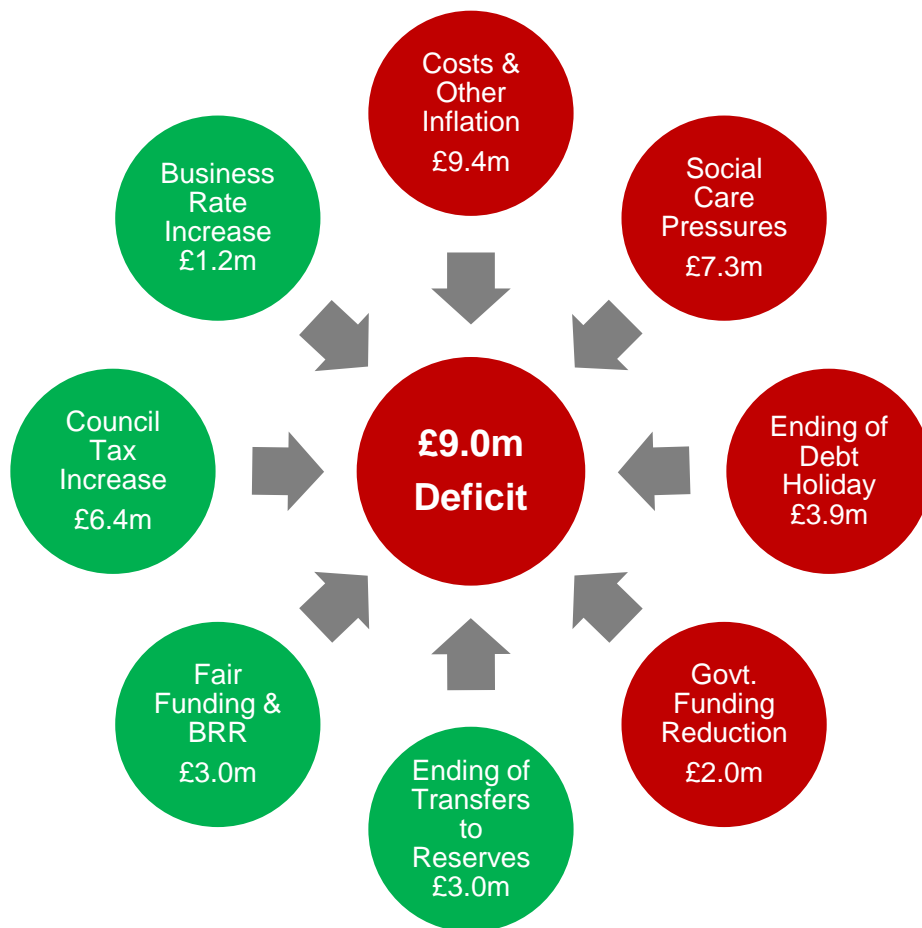
- Establishment of a COVID-19 Fund - £14.2m
- Additional Funding for Adult Social Care - £4.4m
- Additional funding for Children's Services - £1.6m
- Other Inflationary costs and other cost pressures amounting to £3.0m in order to provide "steady state" services
- Continuation of funding through the Improved Better Care Fund (including "Winter Pressures") for the Living Well, Raising Standards Initiative and Re-ablement services
- Overall contingency provision to cover known and anticipated financial risks of the Council amounting to £3.5m, especially those relating to increases in demand for Adult Social Care and Children's Services, Emergency Repairs risks and the delivery of budget savings more generally
- A transfer of £1.0m to the Transformation Reserve in order to replenish it to levels sufficient to be capable of meeting future Spend to Save initiatives
- A Revenue Contribution to the Capital Programme of £2.0m, in order to enable total Capital Investment of £56.1m
- The £3.5m savings proposals as set out in Appendix 3.

Funding 2021/22:

- An underlying increase in funding from Government of £0.8m arising from the increase in the Social Care Grant
 - Underlying Business Rate income for 2021/22 is broadly unchanged
 - An overall increase in Council Tax of 4.99%, yielding £4.3m
 - An reduction in the Council Tax base equivalent to 563.1 Band D properties resulting in reduced Council Tax income of £0.9m
 - Overall "one-off" deficits on the Collection Fund attributable to the Council amounting to £13.5m, representing a deficit on Council Tax of £1.1m and a deficit on Business Rates retained of £12.4m.
87. The combination of the spending and funding proposals in the proposed Budget for 2021/22 above combine to provide a balanced and resilient Budget, requiring a withdrawal from General Reserves of £2.7m (of which £2.1m is required to support budgeted spending and £0.6m to be transferred to the new Fire Authority).
88. The proposed Budget for 2021/22, including the main changes described above results in net spending of £151,562,000. This amounts to a net reduction in spending of £7,315,200 or 4.6% over the Original Budget 2020/21 and is recommended for approval.

REVENUE FORECASTS 2022/23 TO 2024/25

89. A new medium term forecast has now been completed and "rolled on" a further year to cover the period 2022/23 to 2024/25. All of the financial assumptions have been comprehensively revised and a savings requirement for the new period determined.
90. The previous medium term forecast estimated that savings of £10.5m would be required across the 3 year period 2021/22 to 2023/24. The proposed Revenue Budget for 2021/22 provides for £3.5m of those savings that, based on the "old" forecast, would have left a residual £7m remaining to be found for the following 2 years.
91. The new medium term forecast takes account of the £3.5m savings being achieved in 2021/22, comprehensively revises the remaining £7m that was estimated to be required and makes a forecast for the additional year 2024/25. It is now estimated that the savings required for the new 3 year period 2022/23 to 2024/25 will now be £9.0m as described in the paragraphs that follow.
92. The most significant changes that will affect Local Government and the Council through the period 2022/22 to 2024/25 are as follows:



93. The most significant assumptions in the medium term future forecasts for the period 2022/23 to 2024/25 are described below:

Spending:

- Cost and inflationary pressures of £9.4m covering all pay and prices (assuming pay awards of 2.0% per annum, specific contract inflation and CPI / RPI increases in line with the forecasts from the Treasury)
- Cost pressures in both Adult Social Care and Children's Services of £7.3m
- The ending of the "Debt Repayment Holiday" in 2022/23 which is currently benefitting the Council by £3.9m per annum (previously £7m per annum)
- The ending of Revenue Contributions to Capital and the Transformation Reserve after 2021/22
- An assumption of a steady state for all budgets.

Funding:

- Government Funding reductions of £2.0m but mainly related to "one off" sums received in 2021/22 relating to COVID-19 not recurring in later years
- A net benefit arising from the Fair Funding Review and Business Rate Retention scheme review of £3.0m, phased in from 2022/23 onwards

- A 1.99% increase in Council Tax per annum from 2022/23 onwards and accompanied by an improving Tax Base, in total yielding £6.4m
- Non-recurrence of the current deficit on the Collection Fund
- Indexation uplifts on retained Business Rates of 2.0% p.a from 2022/23 onwards
- An underlying zero growth assumption for changes in Business Rates from 2022/23 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.

94. Future funding from Government from 2022/23 onwards is heavily dependent on the outcome of the Fair Funding Review and Business Rate Retention scheme review. Whilst there are a large number of very significant variables that could affect the outcome of this review, the Council's central assumption has been revised upwards from a gain of £2.5m to a gain of £3.0m related to the combined effect of these reviews. The £3.0m, which is now factored into the new 3 year Forecast, is based on new national modelling work that has been undertaken, providing greater confidence of a favourable outcome.

95. It must be recognised however that the outcome of these reviews remains uncertain and the net £3.0m addition to the Council's funding is in the context of an addition due to the "Island Factor" as well as a re-distribution across all Councils of £5.1m of Business Rate Growth currently being received.

96. It is also important to recognise that this forecast extends beyond the multi-year Spending Review planned for the coming year, the Fair Funding Review and the revised Business Rate Retention Scheme due to be implemented in 2022/23. It also moves 2 years beyond these events and makes broad assumptions at the macroeconomic level pending any indicative information at the local level. Consequently there remains a significant level of uncertainty surrounding the £3.0m forecast deficit which could realistically vary between +/- £3m.

97. It is proposed that the Council takes an evenly managed approach to addressing the £9.0m 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.



98. Due to the uncertain nature of the future years' forecasts it is imperative that the Council continues to plan for £3.0m 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.
99. Crucially this savings strategy, as described above, can only work if the Council retains General Reserves and COVID Funding at the levels set out in this report. 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 (currently recommended to be maintained at £7.0m) that the Council must hold in order to maintain its financial resilience.
100. In summary, the overall forecast budget deficit and therefore savings requirement, has been reduced for both 2022/23 and 2023/24 and the forecast has been "rolled on" to now include the financial year 2024/25. The overall forecast budget deficit and savings requirement for the 3 year period 2022/23 to 2024/25 is £9.0m. Importantly, this level of budget deficit can only be maintained if the Council approves the proposed £3.5m of savings as well as the increase in Council Tax of 4.99% for 2021/22.
101. The medium term financial forecasts are set out as part of the General Fund Summary in Appendix 1.

ESTIMATED RESERVES 2020/21 TO 2024/25

102. 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 managed in a planned way over time.
103. The Council's approved Medium Term Financial Strategy (MTFS) described the critical need to restore General Reserves over time in order to improve the Council's overall financial resilience and enable savings to be "smoothed out" over a longer period of time.
104. 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.

105. 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 provide for a COVID-19 Fund of £14.2m
- The current relatively low level of General Reserves representing just 2.8% of Gross Expenditure
- The increasing susceptibility to budget pressures given the magnitude of savings that have been made in the past (i.e. £86m)
- The required level of future savings necessary to remedy the forecast deficit of £9.0m
- The inherent volatility of the Business Rate Retention system (previously described) both now and in the future
- Potential for reduced Council Tax collection rates associated with the reduced level of support provided by the Local Council Tax Support scheme
- Potential liabilities for some substantial disputes against the Council.

106. Predicated on the approval of £3.5m savings for 2021/22 and the establishment of a COVID-19 Fund of £14.2m 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 £7.0m.

107. Should the Council not provide a COVID-19 Fund as proposed, the minimum level of Reserves will necessarily need to increase.

108. The statement below gives details of the General Reserves in hand at 01 April 2020, together with the proposed use of reserves in 2020/21 and 2021/22 rising from the Budget proposals contained within this report. The forecast balances from 2022/23 onwards **assume that the £9.0m savings requirements set out in the previous section are achieved according to the profile described.**

General Reserves Forecast – Up to 2024/25					
Financial Year	Current Year £m	Forecast 2021/22 £m	Forecast 2022/23 £m	Forecast 2023/24 £m	Forecast 2024/25 £m
Opening Balance	12.2	13.6	11.0	9.1	8.2
In Year Surplus / (Deficit)	1.4	(2.6)	(1.9)	(0.9)	0.0
Forecast Balance	13.6	11.0	9.1	8.2	8.2

109. The level of balances held over the period will be higher than the minimum level recommended. This prudent approach is being taken for a number of specific reasons, which include:

- The susceptibility of the Council's forecast to the outcome of the Fair Funding Review and the Business Rate Retention "reset" which could vary between +/- £3m
- The need to plan for the transfer of £0.6m of Reserves to the new Combined Fire Authority (CFA) in 2021/22
- The strategy to "smooth 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 forecast £3.5m savings not be achieved in 2021/22, General Reserves would be close to minimum levels by March 2022.
- The balances are predicated on total savings (as yet unidentified) of £9.0m being achieved over the next 3 years. If those savings are not made, balances would be below minimum levels by March 2023.
- The uncertainty over the level of funding generally (in particular retained Business Rates), demographic cost pressures for care services, inflation and interest rates in future years
- The uncommitted balance available in the Transformation Reserve of just £3.0m (see below) means there are only limited funds available to fund the implementation costs of future efficiency savings.

110. General Reserves are anticipated to fall to £8.2m by March 2024. The overall reduction is due to the need to draw on General Reserves in order to evenly "smooth out" the savings profile over the next 3 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 (as now required for each of the next 3 years) to draw on them and "smooth savings" at lower levels but over a longer period of time. Whilst operating at a level of General Reserves of £8.2m with an associated level of "headroom" of just £1.2m over the minimum level remains modest, it will be at a time where the risks associated with the Fair Funding

Review and Business Rate "reset" will be known. Given the rate of use of General Reserves over the period, there will also be time to plan for their replenishment.

111. In addition to General Reserves, the Council has established a Transformation Reserve which has a current uncommitted balance of £2.0m. Proposals contained within this report seek to supplement the reserve with a transfer of £1.0m. This reserve was established as one of the Council's primary vehicles to deliver savings. Often, transformation schemes aimed at significant cost reduction will be of a scale and complexity that require up front resources, especially if they are to proceed at pace.
112. It is anticipated that due to the nature and scale of some of the savings proposals in 2021/22, there will be a need to provide substantial up-front funding from this reserve particularly in Adult Social Care and Children's Services to support their delivery.
113. Maintaining the Transformation Reserve at sufficient levels to support savings delivery through "Spend to Save" and "Invest to Save" 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. The proposed £1.0m "top up" contribution to the Reserve is vital if this Reserve is to continue to deliver against its intended purpose.
114. 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.
115. 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.
116. 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 and Invest to Save 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.

117. 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 2020/21 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) and General Reserves (to improve overall financial resilience), with the level of each transfer determined by the S.151 Officer.

CAPITAL PROGRAMME 2020/21 TO 2025/26

Overall Strategy

118. 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.

119. 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
- 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

- 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
- 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
 - If not implemented would cause severe disruption to service delivery.

Capital Resources

120. Capital resources available for 'new starts' in 2021/22 and onwards have been reviewed and the amount available to be allocated has been determined as £56.1m. This is a much higher figure than usual as this includes significant levels of grant funding which are described in further detail in the following paragraphs.
121. 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.
122. The total capital resources available to the Council for 'New Starts' in 2021/22 and onwards are described below:

Corporate Capital Resources

123. 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:
- A £2m contribution from the Revenue Budget 2021/22 as proposed in this report
 - Integrated Transport Block Grant of £1.4m which, whilst not ring-fenced, is allocated for the purposes of Highways related projects
 - Schools capital maintenance grant, which again whilst not ring-fenced, is targeted at improvement of school's estate of £1.0m. In addition, the Devolved Formula grant, which is ring-fenced, is passported to schools in the sum of £249,000

- Capital receipts totalling £3.2m from the sale of council assets or the repayments of previous capital grants
- Other capital resources.

Ring-fenced Capital Funding

124. Ring-fenced capital funding includes the following:

- A potential £34.9m of funding over the next 7 years from the Environment Agency to support coastal protection schemes around the Island. It should be noted that these schemes are in the early development stages but will require significant match funding of £5.8m of the Council's own funding if the bids are to be successful
- Funding of £2.0m 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
- A grant of £4.5m from the Department for Skills and Education related to the new school build in Freshwater
- Solent Local Enterprise Partnership funding of £2.25m for the Branstone Farm development site.

Prudential Borrowing

125. 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).

126. 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.

Capital Investment Proposals ("New Starts") - 2021/22

127. Proposals for the allocation of the Council's 'new start' capital resources of £9.6m 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
- Set aside resources required to lever in significant funding for coastal protection schemes, regeneration and schools
- Support the Council's Care Close to Home strategy including adaptations to peoples' homes
- Invest in highways network integrity priority works, the public realm and rights of way
- Set aside funding for compulsory purchase orders should these be necessary to support bringing empty properties back into use.

Proposed Capital Programme 2020/21 to 2025/26

128. 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

129. 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.

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

Statutory Obligations:

- Additional extensions / additions to schools in the primary sector in order to provide for additional school places
- Provision of additional Disabled Facilities Grants
- Requirements to improve road safety, disabled access and air quality.

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.
131. 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 £4.7m, there is a hugely significant shortfall ("Capital Gap") to be met. Furthermore, of this £4.7m of available funding, £2.2m is ring-fenced for Disabled Facilities Grants and Devolved Formula Capital for Schools. From the residual £2.5m, there is an expectation from Central Government that amounts allocated for Education (circa £1.1m p.a) should be allocated for School Condition and there is an obligation to maintain a Local Transport Plan from the annual £1.4m provided from Department for Transport. The overall implication being that there is virtually no routine annual funding available for Capital Investment beyond those items described above.
132. 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 2020/21 arising at the year-end to supplement the Capital Resources available for future years.
133. As previously described, given the known lack of funding available for the Council's Capital Investment needs from 2022/23 onwards, it is further recommended that any variation from the Provisional Local Government Finance Settlement is used to supplement the Council's available Capital Resources for future years.

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

134. 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.
135. 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 2021/22. Particular uncertainties exist regarding:

- The continuing impact of the COVID-19 pandemic plus the consequent depth and length of any recession and subsequent recovery
- The general uncertainty surrounding Business Rate income including "Material Change of Use" and the extent of successful appeals and mandatory reliefs, all of which affect Retained Business Rates
- Government Funding levels (including the outcome of the Comprehensive Spending Review, the Fair Funding Review and the Business Rate Retention scheme review)
- The ability of the Council to continue to make the necessary savings at the required scale and pace
- The likely demographic cost pressures arising in demand driven services such as Adult Social Care, Children's Services and Housing
- The extent to which new policy changes will be funded (most notably those arising from the Care Act).

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

136. 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.
137. Should the level of reserves fall below the minimum approved sum of £7.0m 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

138. 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.
139. Estimates and forecasts have been prepared to include all known significant financial factors over the medium term in order to inform spending decisions.
140. 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 2022/23 to 2024/25" and use the following sources as their evidence base:
- Government funding as set out in the provisional settlement for 2021/22
 - An assumption that the overall outcome of the Fair Funding Review and Business Rate Retention scheme review will lead to a net increase in funding of £3.0m, but phased over 3 years

- A "no growth" assumption for Retained Business Rates from 2022/23 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 2017 rating list will be the equivalent of 4.7% of the business rate multiplier
 - 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 Treasury
 - 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.
141. 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.
142. 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.
143. 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.
144. 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.
145. 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 2022/23 and future years.
146. Future years' budgets will be particularly challenging due to continued cost pressures, the exact impact of the COVID-19 pandemic, economic uncertainties

and funding uncertainties. The Council's forecasts plan for a savings target of £3.0m in 2022/23, £3.0m in 2023/24 and £3.0m in 2024/25

The Adequacy of Proposed Financial Reserves

147. 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 COVID-19, the Insurance Reserve, Repair and Renewals Reserve and the Business Rate Retention Reserve.
148. 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.
149. 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" the necessary savings to meet the future forecast budget deficits in a planned and managed way. The position will continue to be reviewed and reported to Members on an annual basis.
150. 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 £2.0m. 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.
151. 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.
152. The Council's core contingency provision for 2021/22 has been set on a risk basis at £3.5m 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.
153. 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

154. The Council's Budget for 2020/21 and 2021/22, the level of Council Tax and the Capital Programme 2020/21 to 2025/26 represent the Council's detailed plan for 2021/22 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

155. The proposals set out in this report have been prepared in consultation with the Cabinet and wider members of the Conservative Administration.
156. 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.
157. An Island-wide budget consultation took place over the period 30 November 2020 to 25 January 2021 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

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

LEGAL IMPLICATIONS

159. The council will need to set a lawful and balanced budget and Council Tax level for 2021/22 by the statutory deadline of 11 March 2021. In developing any proposals for budget changes, the necessary Equality Impact Assessments and any consultation processes will need to be followed.
160. 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

161. 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). 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

162. 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. Potential new build proposals will also be the subject of a full financial appraisal and proper due diligence.

OPTIONS

163. The proposed Budget for 2020/21 and 2021/22, 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 2021/22:

- 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 £852,900
- iii) Increase the use of General Reserves used in 2021/22 and reduce the level of savings accordingly, acknowledging that:
 - (a) In doing so, the level of savings in 2022/23 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 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 1.99% and undertake a local referendum.

B. In respect of the Capital Programme 2020/21 to 2025/26 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.

RISK MANAGEMENT

164. 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.
165. The key risk is that the Council does not approve a Revenue Budget for 2021/22 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.
166. 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".
167. 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

168. 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 provides a COVID-19 Fund 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 £6m of additional funding for Adult Social Care and Children's Services, bringing financial stability to those essential services at a critical time
- It provides for a "smoothing" 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 "alternative to cuts" initiatives to take effect
- It reduces the overall Savings Requirements for future years from £3.5m per annum to £3.0m per annum
- Maintains the overall financial resilience of the Council at a time of unprecedented uncertainty in terms of both cost and funding, enabling the Council to guard against more immediate and deeper savings
- Provides for a balanced budget once the Council's £7m per annum saving on debt repayments comes to an end in 2022/23
- 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 for the £0.6m transfer of General Reserves to the new Combined Fire Authority
- Provides £2m additional funding from the Revenue Budget to the Capital Programme enabling a total capital investment of £56.1m (helping to lever in £46.5m of external funding) to meet the Council's statutory responsibilities, protect homes, employment and the environment more generally as well as supporting new regeneration.

RECOMMENDATION

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

- (a) The revised Revenue Budget for the financial year 2020/21 and the Revenue Budget for the financial year 2021/22 as set out in the General Fund Summary (Appendix 1) which includes:
 - (i) The establishment of a COVID-19 Fund estimated at £14.2m
 - (ii) A Revenue Contribution to Capital of £2.0m
 - (iii) A contribution to the Transformation Reserve of £1.0m.
- (b) Any variation arising from the Local Government Finance Settlement 2021/22 or any further savings made in 2020/21 arising at the year-end (after allowing for specific carry forward requests) be transferred to the COVID-19 Fund, Transformation Reserve, Revenue Reserve for Capital 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 1.99% for general purposes in accordance with the referendum threshold⁴ for 2021/22 announced by Government (as calculated in Appendix 2)
- (d) That the level of Council Tax be increased by a further 3.0% 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 £2,558,500 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 2021/22 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 £3.5m for 2021/22 and continuing into future years as set out on the next page:

Portfolio	Controllable Budget	Savings Proposal	
	£	£	%
Adult Social Care, Public Health & Housing Needs*	52,885,965	1,567,000	3.0%
Children's Services, Education & Skills	25,799,771	481,000	1.9%
Community Safety & Digital Transformation	8,939,086	175,800	2.0%
Environment, Heritage & Waste Management	8,826,020	308,400	3.5%
Infrastructure & Transport**	11,637,618	101,000	0.9%
Leader & Strategic Partnerships	822,326	0	0.0%
Planning & Housing Renewal	2,410,804	8,500	0.4%
Regeneration & Business Development	5,146,580	137,500	2.7%
Resources	10,935,643	720,800	6.6%
Grand Total	127,403,813	3,500,000	2.7%

*Excludes the additional funding passported through to Adult Social Care of £4.4m (which if included would result in an overall increase of 5.4%) and the additional funding for Children's Services, Education & Skills of £1.6m (which if included would result in an overall increase of 4.4%)

** Excludes £19.4m of PFI grant funding, on a Gross expenditure basis the savings amounts to 0.3%

- (h) Directors be instructed to start planning how the Council will achieve the savings requirements of £9.0m for the 3 year period 2022/23 to 2024/25 and that this be incorporated into Service Business Plans
- (i) The minimum level of Revenue Balances as at 31 March 2022, predicated on the approval of £3.5m savings in 2021/22 and the establishment of a COVID-19 Fund of £14.2m, be set at £7.0m 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 Capital Programme 2020/21 to 2025/26 set out in Appendix 5 which includes all additions, deletions and amendments for slippage and re-phasing
- (l) The new Capital Investment Proposals ("New Starts") - 2021/22 set out in Appendix 4 be reflected within the recommended Capital Programme 2020/21 to 2025/26 and be funded from the available Capital Resources
- (m) The allocation of Disabled Facilities Grants be made to the Better Care Fund, and reflected within the recommended Capital Programme 2020/21 to 2025/26

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

- (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 the Solent Local Enterprise Partnership)
- (p) The Capital Strategy 2021/22 to 2024/25, including the Minimum Revenue Provision Statement contained therein (Appendix 6)
- (q) The Investment Strategy 2021/22 (Appendix 7)

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

- (a) The Revenue Budget 2021/22 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 £852,900 for each 1% reduction in order for the Budget 2021/22 to be approved
- (b) The Revenue Forecasts for 2022/23 onwards as set out in the section entitled "Revenue Forecasts 2022/23 to 2024/25" and Appendix 1
- (c) The estimated Savings Requirement of £9.0m for the three year period 2022/23 to 2024/25, for financial and service planning purposes, be phased as follows:

Financial Year	In Year Savings Requirement £m	Cumulative Saving £m
2022/23	3.0	3.0
2023/24	3.0	6.0
2024/25	3.0	9.0

- (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 £2.0m 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 £3.0m in 2022/23 (and £3.0m 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 2021/22 will be **53,279.6** [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 2020/21 is estimated to be a deficit of £2,438,510 which is shared between the Isle of Wight Council (86.0%) and the Police & Crime Commissioner (10.8%) and the Hampshire & Isle of Wight Fire & Rescue Authority (3.2%)
- (h) The Business Rate element of the Collection Fund for 2020/21 is estimated to be a deficit of £12,448,733
- (i) The Retained Business Rate income⁵ for 2021/22 based on the estimated Business Rate element of the Collection Fund deficit as at March 2021, the Non Domestic Rates poundage for 2021/22 and estimated rateable values for 2021/22 has been set at £23,978,748
- (j) The Equality Impact Assessment (attached at Appendix 8)

⁵ Includes Retained Business Rates of £19.8m, "Top Up" of £11.7m, S.31 Grants of £4.9m and a Collection Fund deficit of £12.4m

APPENDICES ATTACHED

171. The following appendices are attached:

- Appendix 1 - General Fund Summary
- Appendix 2 - Council Tax 2021/22 (calculated by the Council for the financial year 2021/22 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 2021/22
- Appendix 4 - New Capital Schemes starting in 2021/22
- Appendix 5 - Capital Programme 2020/21 to 2025/26
- Appendix 6 - Capital Strategy 2021/22 to 2024/25
- Appendix 7 - Investment Strategy 2021/22
- Appendix 8 - Equality Impact Assessment

BACKGROUND PAPERS

172. 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>

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CHRIS WARD
Director of Finance (S.151 Officer)

COUNCILLOR DAVID STEWART
Leader of the Council

COUNCILLOR STUART HUTCHINSON
Deputy Leader of the Council

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GENERAL FUND SUMMARY - 2020/21 TO 2024/25

NET REQUIREMENTS OF PORTFOLIOS	REVISED BUDGET 2020/21 £	ORIGINAL BUDGET 2021/22 £	FORECAST 2022/23 £	FORECAST 2023/24 £	FORECAST 2024/25 £
Adult Social Care, Public Health & Housing Needs	51,556,536	54,418,564	56,668,077	58,934,931	61,219,458
Children's Services, Education & Skills	26,698,812	27,321,066	27,552,372	27,752,372	28,052,872
Community Safety & Digital Transformation	6,213,821	6,244,042	6,243,945	6,243,969	6,243,969
Environment, Heritage & Waste Management	6,298,388	6,294,042	6,487,628	6,687,741	6,887,850
Infrastructure & Transport	18,143,271	14,840,727	13,970,588	14,330,880	14,700,773
Leader & Strategic Partnerships	7,236,292	1,143,990	1,144,023	1,144,031	1,144,031
Planning & Housing Renewal	859,717	691,975	691,975	691,975	691,975
Regeneration & Business Development	798,484	424,056	424,056	424,056	424,056
Resources	69,199,173	40,183,505	50,376,946	52,658,574	56,385,590
Savings to be identified	0	0	(3,000,000)	(6,000,000)	(9,000,000)
Portfolio Expenditure	187,004,494	151,561,967	160,559,610	162,868,529	166,750,574
FUNDED BY:					
Contribution (to)/from Balances & Reserves	(1,417,122)	2,065,081	1,863,391	910,906	52,077
Revenue Support Grant	4,519,131	3,642,344	4,715,191	5,789,495	6,865,285
Business Rates Retention	51,454,433	23,978,748	36,091,706	36,590,559	37,645,690
Other General Grants	42,684,950	33,424,851	26,591,000	26,214,380	26,214,380
Collection Fund (Council Tax)	89,763,102	88,450,943	91,298,322	93,363,189	95,973,142
Total Financing	187,004,494	151,561,967	160,559,610	162,868,529	166,750,574
BALANCES & RESERVES					
Balance brought forward at 1 April	12,229,017	13,646,139	10,981,058	9,117,667	8,206,761
Potential Transfer to Combined Fire Authority		(600,000)			
(Deficit)/Surplus for year	1,417,122	(2,065,081)	(1,863,391)	(910,906)	(52,077)
Balance carried forward at 31 March	13,646,139	10,981,058	9,117,667	8,206,761	8,154,684
Minimum level of balances	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Underlying Budget Deficit/(Surplus) - assuming future savings are met	(1,417,122)	2,065,081	1,863,391	910,906	52,077

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Calculation of the Council Tax for the Financial Year 2021/22

(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 2021/22 will be **53,279.6** [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 2021/22 (excluding Parish and Town Council precepts) is **£89,553,417**.
3. That the following amounts be now calculated by the Council for the financial year 2021/22 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 Town and Parish 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 Town and Parish 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 Town and Parish 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 Town and Parish 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 Town and Parish precepts	Being the aggregate amount of all special items (Parish and Town Council precepts) referred to in Section 34(1) of the Act
(f)	£1,680.82	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 Town and Parish Council precepts)

(g) Valuation Bands (Isle of Wight Council)

A £	B £	C £	D £	E £	F £	G £	H £
1,120.55	1,307.30	1,494.06	1,680.82	2,054.34	2,427.85	2,801.37	3,361.64

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 2021/22 the Hampshire Police & Crime Commissioner has agreed the following amounts of precepts 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 £
150.97	176.14	201.30	226.46	276.78	327.11	377.43	452.92

5. That it be noted that for the financial year 2021/22 the Hampshire and Isle of Wight Fire & Rescue Authority has agreed the following amounts of precepts 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 £
46.95	54.78	62.60	70.43	86.08	101.73	117.38	140.86

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 2021/22 for each of the categories of dwellings shown below:

Valuation Bands (Total Council Tax)

A £	B £	C £	D £	E £	F £	G £	H £
1,318.47	1,538.22	1,757.96	1,977.71	2,417.20	2,856.69	3,296.18	3,955.42

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 2021/22, 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 3.0% 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 and the Hampshire and Isle of Wight Fire & Rescue Authority) that its relevant basic amount of Council Tax for 2021/22 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.

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INDICATIVE SAVINGS PROPOSALS 2021/22

Saving Number	Service Area	Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2021/22 £
ADULT SOCIAL CARE, PUBLIC HEALTH & HOUSING NEEDS				
1.	Adult Social Care	Flexible working arrangements for staffing across Adult Social Care and Housing Needs Operational efficiencies from new ways of agile/flexible working (public transport, mileage, stationery, office equipment etc)	Minimal impact - savings process accelerated by COVID changes in ways of working	17,000
2.	Adult Social Care	Income Growth - Internal Provider Services A new 'Smart Home' will be created in both The Adelaide and Gouldings that people would be able to move into for the remainder of their stay to experience what support would look like when a person returns home.	People will become more comfortable with the technology as a means of helping them to live more independently on returning home. The council will make some technology available as part of its care packages and would offer the ability for people to purchase additional support to suit their needs.	50,000
3.	Adult Social Care	Income Growth - Community Equipment Store Remodelling of the service to take advantage of the commercial opportunities available to make better use of the equipment and increase its availability to the self funding market on the Island.	Equipment can be made available for sale and the service can provide an alternative source of supply to the self funding market. People will get the chance to 'try before they buy' rather than having to mail-order which is often the case now. Marketing campaign to be expanded with new branding 'Your lifeline to independence'	100,000
4.	Housing	Recommissioning of Supporting People - Re-design the supporting people portfolio to improve efficiency and the service available. We have recommissioned accommodation based support services with the exception of the assessment hub and have put in interim measures in relation to community support services.	Further work underway with AIG/Isle Help to expand existing service offers which provides housing related support interventions to prevent homelessness/ maintain independence. This will streamline contracts and service offers and increase investment in the voluntary sector.	305,000
			SUB-TOTAL	472,000
CHILDREN'S SOCIAL CARE EDUCATION & SKILLS				
5.	Children & Families	Review of administration function linked to new ways of working (changing meeting styles etc)	Posts to be determined - review of vacancies initially	50,000
6.	Children & Families	Operational efficiencies from new ways of working - (public transport, mileage, stationery, office equipment etc)	Minimal impact - savings process accelerated by COVID changes in ways of working	25,000
7.	Children & Families	Occupational Therapy post (CWD) - long term vacancy	No impact on service delivery	19,000
8.	Access, Resources & Business Development	Admissions Team budget balance from historic restructuring	No impact on service delivery	13,000
			SUB-TOTAL	107,000

Saving Number	Service Area	Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2021/22 £
COMMUNITY SAFETY AND DIGITAL TRANSFORMATION				
9.	Bereavement Services	Crematorium and Cemeteries – Additional income from fee increases (7%)	No implications for service delivery	120,000
10.	Trading Standards	Operational efficiencies from new ways of agile/flexible working (public transport, mileage, stationery, office equipment etc)	Minimal impact - savings process accelerated by COVID changes in ways of working	3,000
11.	ICT	Software system planned contract review	No implications for service delivery	50,000
12.	ICT	Telephony Savings – as a result of the council's ongoing building rationalisation programme which provides the opportunity to cease telephony circuits for data and phone services.	No implications for service delivery	2,800
			SUB-TOTAL	175,800
ENVIRONMENT, HERITAGE & WASTE MANAGEMENT				
13.	Libraries	Reduce book fund	No significant impact of service delivery	10,000
14.	Archaeology	New and increased fees for Historic Records commercial enquiries	No impact on service delivery	2,000
15.	Dinosaur Isle	Reduce opening hours to reflect demand and efficiency savings	No impact on service delivery – opening hours tailored to demand	19,000
16.	Newport Roman Villa	Reduce opening hours; additional income through school visits, shop income and increased fees	Minimal impact on service	5,000
17.	Museum of Island History	Increased shop income	No impact on service delivery	2,000
18.	Archives	Archives - new income stream from digitalisation of parish records	This enhances service delivery as an additional paid for service that would be available part way through the year	2,000
19.	Environment Officer	Environment Officer - increase recharge to funding bodies by 5%	Recharge covers the council's costs of managing the service which may reduce if additional charge is not acceptable to the participating town and parish councils	2,500
20.	St. Helen's beach huts	Additional income from the introduction of up to 32 new beach huts over 2 years "sold" on a ten year lease with annual payments to the council	This enhances service delivery as an additional paid for service for those wishing to acquire the rights to use a beach hut over the long term	15,800
21.	Libraries	Closure of the Mobile Library Service	Minimal impact on service delivery – the popularity of the service is in decline so the council is looking at supporting users into its home library and online services. Research has shown that most of the users of the service also visit the libraries	3,600
22.	Libraries	Reduction in Opening Hours - Newport	Closure of Lord Louis Library for one additional day per week (remains open for 5 days)	25,000

Saving Number	Service Area	Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2021/22 £
23.	Waste Management	Waste Management Contract Profit Share Develop an income stream through providing a better offer to Island businesses for trade waste services. Look to provide a Reuse Shop at Lynnbottom	This enhances service delivery as an additional paid for service to Island businesses	23,000
24.	Historic Environment Record (HER)	Increased charges for HER searches and the introduction of charges for commercial searches	No impact on service delivery	2,500
25.	Archaeology and Historic Environment Service (AHES)	Implement charges for AHES advice and the introduction of charges for curatorial work (including production of brief, review of WSI, monitoring of fieldwork, approval of report and approval of condition discharge),	No impact on service delivery	3,000
			SUB-TOTAL	115,400
INFRASTRUCTURE & TRANSPORT				
26.	Parking	Provision of additional civil enforcement capacity (2FTEs)	Provides increased levels of enforcement to respond to unmet needs and expansion of charged for parking spaces. (Figure represents the net additional income)	13,000
27.	Parking	Maresfield Road, East Cowes Reintroduce long stay car park charges with effect from 1 October 2021 (allowing for due process to be followed) Payment would be by PayByPhone only to avoid infrastructure costs	Use of the spaces may decline however, the likelihood is that there will be a greater turnover of spaces proving a better utility for the area	4,000
28.	Parking	Overnight charges – Increase to £2.00 by variation and implemented from 1 October 2021 (allowing for due process to be followed)	Possible reduction in overall use of paid spaces. Promote benefits of permits to increase their sales.	80,000
29.	Parking	Charging events for suspensions - initially £50 per road per event, move to £75 in 22/23 and £100 in 23/24	New cost to end user as currently provided free of charge. May impact negatively on some events but this will contribute to the council's costs of providing the road closures	4,000
			SUB-TOTAL	101,000
PLANNING & HOUSING RENEWAL				
30.	Housing Renewal and Enforcement	Housing Renewal & Enforcement - discretionary Homes of Multiple Occupation (HMO) licensing	Increased consumer confidence in the standards of licensed HMO premises	5,000
31.	Housing renewal and enforcement	Operational efficiencies from new ways of agile/flexible working (public transport, mileage, stationery, office equipment etc)	Minimal impact - savings process accelerated by COVID changes in ways of working	3,500
			SUB-TOTAL	8,500

Saving Number	Service Area	Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2021/22 £
REGENERATION & BUSINESS DEVELOPMENT				
32.	Regeneration	Additional rental income from regeneration projects	No Public Impact	129,000
			SUB-TOTAL	129,000
RESOURCES				
33.	Workforce & Organisational Development	Operational efficiencies from new ways of agile/flexible working (public transport, mileage, stationery, office equipment etc)	Minimal impact - savings process accelerated by COVID changes in ways of working	5,000
34.	HR	Cancellation of the externally commissioned independent whistleblowing hotline service. Alternative arrangements will be put in place at no cost	Minimal impact usage of the facility is very low	2,200
35.	Workforce & Organisational Development	Review of staffing structures savings that can be delivered a result of the implementation of the new learning management system	No impact to the service user	5,000
Page 82 36.	Business Centre	Changes to the Local Council Tax support Scheme – as agreed by Full Council in January 2021	A revised local council tax scheme was introduced in 2020 which made provision for a banded scheme to make administration more efficient and transparent for residents. Following public consultation, Full council on 20 January 2021, approved further changes to proceed with the implementation of: Introducing a maximum level of support of 65% (down from the current 70%). Making provision of a £50 per week income disregard in the eligibility criteria for council tax reduction (up from the current £25). Introducing a disregard of the housing element of Universal Credit as income to rectify an inequality that has arisen as a result of the roll out of the Universal Credit scheme. The anticipated savings may be affected by the ability to pay, particularly as a result of the pandemic situation. Collection therefore will become more challenging. There is however, a hardship fund in place to make discretionary awards in cases of extremely financial difficulty.	308,300
37.	Finance	Reduction in Local Council Tax Support Grant for Town and Parish Councils in accordance with the council's policy to reduce the amount of grant awarded to Town and Parish Council's in line with the reduction in government Council funding	This may impact on service planned to be delivered by Town and Parish Councils	31,000
39.	Finance	Annual budget for unavoidable cost pressures	A saving in the corporate provision for inflation and unfunded pressures due to additional government funding being received	366,100
			SUB-TOTAL	717,600
			Total New Indicative Savings Proposals 2021/22	1,826,300
			Full Year Effect of Savings agreed in 2020/21	1,673,700
			Grand Total	3,500,000

NEW CAPITAL SCHEMES FOR APPROVAL IN 2021/22

REF NO	SCHEME DESCRIPTION	SCHEME DETAIL	RESOURCES ALLOCATED FROM			
			CORPORATE RESOURCES	PRUDENTIAL BORROWING	RENGFENCED GRANTS AND CONTRIBUTIONS	TOTAL
			£	£	£	£
Adult Social Care, Public Health & Housing Needs						
7	Wightcare digitalisation	4th year of a 5 year programme to move all Wightcare equipment over to digital in line with BT programme of digitalisation.			100,000	100,000
		Sub-Total	0	0	100,000	100,000
Children's Services, Education & Skills						
14	Schools 22-23 capital maintenance programme	2021/22 already allocated - early allocation of assumed level of Government Grant for 22/23 capital maintenance enables programme to be planned ahead and delivered on time			1,202,863	1,202,863
15	All Saints PSBP	Agreement reached with DfSE for a £4.9m investment in new school facilities in Freshwater	400,000		4,500,000	4,900,000
16	Devolved Formula Capital	2021/22 already allocated - early allocation of assumed level of Government grant which is passported on to schools enables programme to be planned ahead and delivered on time			249,404	249,404
		Sub-Total	400,000	0	5,952,267	6,352,267
Community Safety & Digital Transformation						
24	GSCx Govt security requirements	Requirements to ensure compliance with Govt security protocols.	200,000			200,000
25	3rd year of ICT rolling equipment replacement	Rolling equipment replacement programme for ICT kit.	200,000			200,000
28	Corporate applications update	Rolling replacement programme for corporate applications.	200,000			200,000
29	Air Con and UPS systems in data centre	Replacement air conditioning, uninterruptable power supply and core switches in County Hall data centre which have begun to fail	550,000			550,000
30	Video conferencing facilities	Further rollout to extend provision in meeting rooms	30,000			30,000
		Sub-Total	1,180,000	0	0	1,180,000

REF NO	SCHEME DESCRIPTION	SCHEME DETAIL	RESOURCES ALLOCATED FROM			
			CORPORATE RESOURCES	PRUDENTIAL BORROWING	RENGFENCED GRANTS AND CONTRIBUTIONS	TOTAL
Environment, Heritage and Waste Management						
33	Rights of Way	Rolling programme of works to rights of way and greenways network			360,000	360,000
35	Sandown Bay Beach Buoys		30,000			30,000
36	Coastal Protection Schemes	Programme of coastal protection schemes in early stages of development by Environment Agency with match funding requirement from Isle of Wight Council. Although delivery of schemes is likely to be across 2023 to 2030, it is prudent to set aside the match funding now whilst resources are available to do so.	5,840,000		34,860,000	40,700,000
40	Public Realm	Including seafront railings, car park boundaries, park pathway resurfacing, boundaries and tree replacement	242,000		18,000	260,000
		Sub-Total	6,112,000	0	35,238,000	41,350,000
Infrastructure and Transport						
46	Network Integrity Report Safety and Community schemes	41 island wide safety and community schemes as requested by public/parish councils incl potential Whitehouse Road			300,000	300,000
47	Other Highways Improvement programme	Including improvement to bus stops and stands etc, works to land not included on highways PFI network, disabled bays and footways, improvements to road signage, design works in advance of build, TRO's, cycling improvement works, walking routes to schools and drainage improvements			500,000	500,000
48	Average speed cameras	2 sets	300,000			300,000
49	Car parking contactless	Roll out of contactless payment facilities for car parking			240,000	240,000
		Sub-Total	300,000	0	1,040,000	1,340,000
Planning and Housing Renewal						
59	Disabled Facilities and Housing Renewal Grants	Disabled facilities grants and top up housing renewal grants which contributes to keeping vulnerable people safely in their own homes and out of residential care or acute			1,902,408	1,902,408
60	Compulsory Purchase Orders	Funding for up front CPO's	750,000			750,000
		Sub-Total	750,000	0	1,902,408	2,652,408

REF NO	SCHEME DESCRIPTION	SCHEME DETAIL	RESOURCES ALLOCATED FROM			
			CORPORATE RESOURCES	PRUDENTIAL BORROWING	RENGFENCED GRANTS AND CONTRIBUTIONS	TOTAL
Regeneration and Business Development						
66	Branstone Farm Development	£4.2m scheme with £1.372m already funded from existing programme. Remaining £2.25m funding now announced from Solent Local Enterprise Partnership Grant with a £615k match funding requirement from the Isle of Wight Council.	615,000		2,250,000	2,865,000
		Sub-Total	615,000	0	2,250,000	2,865,000
Resources						
84	Vehicle replacement programme	Funding for rolling replacement of council vehicles and eventual move to electric	300,000			300,000
		Sub-Total	300,000	0	0	300,000
	Total New Programme		9,657,000	0	46,482,675	56,139,675

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COMPLETE CAPITAL PROGRAMME INCLUDING NEW SCHEMES

REF NO	CAPITAL PROGRAMME 2020/21 to 2025/26	FORECAST 2020/21 £	ESTIMATE 2021/22 £	ESTIMATE 2022/23 £	ESTIMATE 2023/24 £	ESTIMATE 2024/25 £	ESTIMATE 2025/26 £	ESTIMATE TOTAL £
Summary Programme								
	Adult Social Care, Public Health and Housing Needs	597,984	313,208	1,006,306	1,350,000	0	0	3,267,498
	Children's Services, Education & Skills	14,220,206	11,653,762	1,626,734	0	0	0	27,500,702
	Community Safety and Digital Transformation	973,032	847,059	700,000	400,000	0	0	2,920,091
	Environment, Heritage and Waste Management	858,367	5,833,718	226,700	3,152,634	4,108,418	37,800,000	51,979,837
	Infrastructure and Transport	14,305,054	19,886,386	1,709,815	1,611,118	1,638,276	2,014,153	41,164,803
	Leader and Strategic Partnerships	235,627	0	0	0	0	0	235,627
	Planning and Housing Renewal	3,589,666	3,652,408	0	0	0	0	7,242,074
	Regeneration and Business Development	3,125,186	15,178,517	7,700,000	7,570,000	0	0	33,573,702
	Resources	1,062,513	950,000	400,000	150,000	0	0	2,562,513
	Total capital programme	38,967,634	58,315,057	13,369,555	14,233,752	5,746,694	39,814,153	170,446,846
Summary of Capital Resources								
	Unsupported borrowing	3,377,726	17,677,615	7,700,000	8,962,634	2,808,418	0	40,526,393
	Corporate Reserves (including capital receipts)	8,310,078	6,933,842	3,736,121	3,381,118	1,978,276	7,514,153	31,853,589
	Ringfenced Grants	26,869,203	33,493,600	1,933,434	1,890,000	960,000	32,300,000	97,446,237
	External Contributions	410,627	210,000	0	0	0	0	620,627
	Total resources available	38,967,634	58,315,057	13,369,555	14,233,752	5,746,694	39,814,153	170,446,846

REF NO	CAPITAL PROGRAMME 2020/21 to 2025/26	FORECAST 2020/21 £	ESTIMATE 2021/22 £	ESTIMATE 2022/23 £	ESTIMATE 2023/24 £	ESTIMATE 2024/25 £	ESTIMATE 2025/26 £	ESTIMATE TOTAL £
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Adult Social Care, Public Health & Housing Needs								
1	Care and Learning Disabilities homes equipment replacement	51,445	50,000	50,000	50,000	0	0	201,445
2	Reablement services at the Gouldings	47,671	120,000	830,000	0	0	0	997,671
3	Reablement services at the Adelaide	0	43,208	126,306	1,300,000	0	0	1,469,514
4	Relocation of Elmdon LD residents - Carisbrooke House	54,918	0	0	0	0	0	54,918
5	Relocation of LD clients with complex needs - Brooklime House, Bluebell Meadows	188,190	0	0	0	0	0	188,190
6	St Lawrence water supply	38,715	0	0	0	0	0	38,715
7	Wightcare Digital switch over	217,045	100,000	0	0	0	0	317,045
	Total	597,984	313,208	1,006,306	1,350,000	0	0	3,267,498

Children's Services								
8	16/17 schools programme	28,477	0	0	0	0	0	28,477
9	17/18 schools programme	22,126	0	0	0	0	0	22,126
10	18/19 schools programme	64,768	210,000	0	0	0	0	274,768
11	19/20 schools programme	9,819	0	0	0	0	0	9,819
12	20/21 schools programme	2,478,313	320,000	0	0	0	0	2,798,313
13	21/22 schools programme	0	1,544,577	0	0	0	0	1,544,577
14	22/23 schools programme	0	0	1,202,863	0	0	0	1,202,863
15	Priority schools building programme incl All Saints	10,332,910	9,149,781	174,467	0	0	0	19,657,158
16	Devolved formula capital	783,037	249,404	249,404	0	0	0	1,281,845
17	Healthy Pupils Capital Fund	51,986	0	0	0	0	0	51,986
18	SEND	267,388	0	0	0	0	0	267,388
19	Beaulieu House	48,224	80,000	0	0	0	0	128,224
20	East Cowes Family Centre	9,375	0	0	0	0	0	9,375
21	New Island Learning Centre	42,000	0	0	0	0	0	42,000
22	Foster carers adaptations	81,783	100,000	0	0	0	0	181,783
	Total	14,220,206	11,653,762	1,626,734	0	0	0	27,500,702

Community Safety and Digital Transformation								
23	Crematorium cloisters/sewage plant etc	4,101	18,309	0	0	0	0	22,410
24	GSCx Govt security requirements	132,719	100,000	100,000	100,000	0	0	432,719
25	Rolling ICT equipment replacement programme	285,382	200,000	200,000	200,000	0	0	885,382
26	Back up server/storage and firewall replacement	126,278	100,000	0	0	0	0	226,278
27	Cyber security	175,000	0	0	0	0	0	175,000
28	Corporate applications update	203,598	130,000	100,000	100,000	0	0	533,598
29	Air Conditioning, Uninterruptable Power Supply and Switches	0	250,000	300,000	0	0	0	550,000
30	Access systems/video conferencing	10,954	30,000	0	0	0	0	40,954
31	Adults Social care, public health and housing needs key applications	35,000	18,750	0	0	0	0	53,750
	Total	973,032	847,059	700,000	400,000	0	0	2,920,091

REF NO	CAPITAL PROGRAMME 2020/21 to 2025/26	FORECAST 2020/21 £	ESTIMATE 2021/22 £	ESTIMATE 2022/23 £	ESTIMATE 2023/24 £	ESTIMATE 2024/25 £	ESTIMATE 2025/26 £	ESTIMATE TOTAL £
	Environment, Heritage and Waste Management							
32	Library self service	79,680	0	0	0	0	0	79,680
33	Rights of Way and Greenways	247,274	500,000	60,000	60,000	0	0	867,274
34	Sandown and Ventnor Coastal studies	6,079	0	0	0	0	0	6,079
35	Sandown Bay Beach Buoys	0	30,000	0	0	0	0	30,000
36	Coastal defences and EA protection schemes	62,400	326,633	16,700	1,600,000	1,300,000	37,800,000	41,105,733
37	Downside Recreation ground drainage	23,985	0	0	0	0	0	23,985
38	East Cowes Community Library	25,000	0	0	0	0	0	25,000
39	Island Line Match funding	300,000	0	0	0	0	0	300,000
40	Public realm	113,949	152,929	100,000	100,000	0	0	466,878
41	Waste contract capital payments		4,524,156	0	1,392,634	2,808,418	0	8,725,208
42	Garden waste vehicle	0	300,000	50,000	0	0	0	350,000
	Total	858,367	5,833,718	226,700	3,152,634	4,108,418	37,800,000	51,979,837

	Infrastructure and Transport							
43	Newport Harbour Walls and Quayside	350,000	731,939	0	0	0	0	1,081,939
44	Pre 20/21 ITB projects	319,087	0	0	0	0	0	319,087
45	20/21 Network Integrity Priorities	755,000	0	0	0	0	0	755,000
46	21/22 Network Integrity Priorities	0	300,000	0	0	0	0	300,000
47	Other Highways Improvement Programme	0	500,000	0	0	0	0	500,000
48	Average speed cameras	0	300,000	0	0	0	0	300,000
49	Car Park Contactless	0	80,000	80,000	80,000	0	0	240,000
50	Car park Machine Replacement	5,625	0	0	0	0	0	5,625
51	Newport junctions	5,791,129	3,648,284	0	0	0	0	9,439,413
52	Transforming Cities - Ryde		10,000,000	0	0	0	0	10,000,000
53	Smallbrook junction	750,000	0	0	0	0	0	750,000
54	Variable Message Signs	111,000	0	0	0	0	0	111,000
55	Cowes Ferry	221,595	15,000					236,595
56	Pot hole and challenge fund projects	0	1,616,000	0	0	0	0	1,616,000
57	Capitalised Unitary charge - lifecycle costs	6,001,618	2,695,163	1,629,815	1,531,118	1,638,276	2,014,153	15,510,144
	Total	14,305,054	19,886,386	1,709,815	1,611,118	1,638,276	2,014,153	41,164,803

	Leader and Strategic Partnerships							
58	Fire fleet	235,627	0	0	0	0	0	235,627
	Total	235,627	0	0	0	0	0	235,627

REF NO	CAPITAL PROGRAMME 2020/21 to 2025/26	FORECAST 2020/21 £	ESTIMATE 2021/22 £	ESTIMATE 2022/23 £	ESTIMATE 2023/24 £	ESTIMATE 2024/25 £	ESTIMATE 2025/26 £	ESTIMATE TOTAL £
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Planning and Housing Renewal								
59	Disabled Facilities and Housing Renewal Grants	2,467,756	1,902,408	0	0	0	0	4,370,164
60	Compulsory Purchase Orders	0	750,000	0	0	0	0	750,000
61	Green Homes Grant	575,023	0	0	0	0	0	575,023
62	Community housing fund	471,066	1,000,000	0	0	0	0	1,471,066
63	East Wight Landscape Project - Down to the coast	73,596	0	0	0	0	0	73,596
64	ASB and community safety CCTV	2,225	0	0	0	0	0	2,225
	Total	3,589,666	3,652,408	0	0	0	0	7,242,074

Regeneration and Business Development								
65	Medina Valley Venture Quays	1,300,000	0	5,000,000	5,000,000	0	0	11,300,000
66	Branstone Farm		4,237,000	0	0	0	0	4,237,000
67	Nicolson Road	100,869	1,130,000	0	0	0	0	1,230,869
68	BAE - LEP bid match funding	750,000	0	0	0	0	0	750,000
69	Newport Harbour Regeneration	0		2,500,000	2,500,000	0	0	5,000,000
70	Sandham Middle School Regeneration	0	47,404	0	0	0	0	47,404
71	Pier Street Toilets	0	1,523,000	0	0	0	0	1,523,000
72	Revolving Housing loans	0	2,400,000	0	0	0	0	2,400,000
73	Medina Ave (PSP)	629,340	0	0	0	0	0	629,340
74	Medina Valley (KMP)	0	1,500,000	0	0	0	0	1,500,000
75	Heritage High Street (Newport/Ryde)	225,000	505,000	200,000	70,000	0	0	1,000,000
76	Regen Schemes - to be allocated	0	3,555,000	0	0	0	0	3,555,000
77	Sandown Microbrewery	20,000	0	0	0	0	0	20,000
78	Electric charging points	22,000	0	0	0	0	0	22,000
79	Medina Pool Room Plant	1,317	0	0	0	0	0	1,317
80	Medina Leisure Combined Heat and Power systems	0	138,530	0	0	0	0	138,530
81	Heights Leisure centre conversion	51,860	0	0	0	0	0	51,860
82	Beach Huts	0	92,583	0	0	0	0	92,583
83	Sales and marketing equipment	24,800	50,000	0	0	0	0	74,800
	Total	3,125,186	15,178,517	7,700,000	7,570,000	0	0	33,573,702

Resources								
84	Fleet vehicle replacement	265,289	200,000	150,000	150,000	0	0	765,289
85	Strategic assets	361,069	250,000	250,000	0	0	0	861,069
86	Enabling flexible use of office accommodation	12,305	0	0	0	0	0	12,305
87	County hall windows, toilets and lifts	180,786	500,000	0	0	0	0	680,786
88	County hall CCTV and security	17,500	0	0	0	0	0	17,500
89	Guildhall Contingency	18,332	0	0	0	0	0	18,332
90	Contact centre telephony	207,232	0	0	0	0	0	207,232
	Total	1,062,513	950,000	400,000	150,000	0	0	2,562,513
	Total Programme	38,967,634	58,315,057	13,369,555	14,233,752	5,746,694	39,814,153	170,446,846

Isle of Wight Council

Capital Strategy

2021-22 to 2024-25

Capital Strategy
2021-22 to 2024-25

FOR PUBLICATION – CORPORATE POLICY

1. Document Information

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Current Version:	2021-22
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Consultation:	Financial Services
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3. Legislative Framework

Decisions made on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this strategy.

The Local Government Act 2003 supported by the Local Authorities Regulations 2003, define the environment within which bodies including local authorities should capitalise expenditure:

- which results in the acquisition of, or the construction of, or the addition of subsequent costs to non-current assets (tangible and intangible) in accordance with proper practices (Proper Practices are those contained in the Code of Practice on Local Authority Accounting in the UK – The Code).
- which meets one of the definitions specified in regulations made under the 2003 Act (otherwise known as revenue expenditure funded by capital under statute or REFCUS for short).
- where the Secretary of State makes a direction that the expenditure can be treated as capital.

The Local Government Act 2003 and subsequent regulations also require the council to set out its annual strategy for both borrowing and the repayment of external debt. These are set out in the Treasury Management Strategy and the policy on the Minimum Revenue Position (MRP) respectively. The Act and subsequent regulations require the council to have regard to CIPFA's revised Code of Practice for Treasury Management in Local Authorities, and Treasury Management Practices (TMPs).

The council is also required to have regard to the CIPFA Prudential Code for Capital Finance and to set Prudential Indicators for the next three years to ensure that the council's investment plans are affordable, prudent and sustainable. With regard to its capital investment plans the council also has a duty to determine a prudent MRP. This strategy reflects the new requirements of the Prudential Code for Capital Finance in Local Authorities (Prudential Code), and the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) which were updated in December 2017.

4. Purpose of Strategy

The council's capital strategy is a high level document setting out the long term context in which capital expenditure and investment decisions are made. It gives an overview of how capital investment, financing and treasury management contribute to the provision of services and achievement of the council's corporate plan priorities, and underpins the Medium Term Financial Strategy (MTFS).

As a key document for the council, and an integral part of the council's overall medium term financial planning framework, annual decisions to allocate resources to capital investment priorities made as part of budget setting, take into account the content of this strategy. This strategy is tailored to the council's individual circumstances and includes sufficient detail to enable readers to understand how

stewardship, value for money, prudence, sustainability and affordability will be secured. It provides an overview of how associated risk is managed and the implications for future financial sustainability.

5. Context

Since 2011, the council has had to find a way of balancing a savings requirement of approximately £86 million (equating to over 40% of the council's controllable spending) arising from both cuts in Government funding and increasing costs. Many of the increasing costs relate to the Islands higher population of people over 65 (27.1% compared to the national average of 17%) plus the 'living longer' population more generally and the demands that confers in adult social care. The council also has additional costs in providing public services on an island known as the 'island factor'.

In addition, during 2020 the global COVID-19 pandemic resulted in additional loss of income from fees and charges (a key source of service funding) and significantly increased costs. Whilst some additional funding was received from Government, the council is forecasting this will fall short of the full financial impact by around £1.2m. However, as a result of the early production of a deficit recovery strategy before Government funding became clear, this shortfall can be met. A further £1.4m is being forecast in savings which will result in an overall saving against the budget for 2020/21.

In the longer term the financial impact on all councils arising from the COVID-19 pandemic over the next 3 years remains extremely uncertain. The key variables being:

- The immediate and ongoing impact on the costs of providing Adult Social Care and Children's Services
- Income losses to Leisure Centres and Parking and the speed and extent to which they will recover
- The economic impact of a recession, its length and depth and subsequent recovery and the effect that this has on business rates and council tax income levels.

For 2021/22 the council is required to deliver £3.5m in savings and for the 3 year period 2022/23 to 2024/25, a budget deficit of £9m is forecast.

This financial challenge plus the uncertainty of the legacy of COVID-19 is seen as the single biggest risk to the continued delivery of sustainable public services on the Island. The [Corporate Plan](#) adopted in 2019 recognises the importance of financial stability in being able to provide services, making this one its key outcomes.

The key outcomes of the Corporate Plan are shown below:



These financial pressures cannot be managed by ‘back office’ efficiencies, reducing services or the costs of services alone. The council has therefore adopted a Medium Term Financial Strategy which also includes income generation and improving the island economy, as a means to raise prosperity generally through economic growth, jobs and housing, which aims to transform the financial position of the council by bringing in additional council tax, and business rates over 10 years. The overall aim of the MTFS is illustrated below:

"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

The 6 Themes of the Medium Term Financial Strategy are shown in the following illustration:



The themes within the MTFs have been designed as a comprehensive and complimentary package of measures to support the council in navigating through the financial challenge that it faces. Theme 1 remains the critical building block to enable all other activities to take place and to achieve that we need to:

- "Smooth out" savings requirements to avoid 'front loading' and buy time.
- Rebuild Reserves and balances to improve resilience.
- Provide funding to enable 'invest to save' initiatives.
- Maximise the use of capital resources to stimulate economic regeneration, jobs and housing.
- Target other resources to regeneration and transformational change.
- Adopt a financial framework that promotes longer term planning and more responsible spending, improves decision making and aligns financial accountability and responsibility.

As a key part of the council's medium term financial strategy, the development of a capital strategy considers investments that will be made in the acquisition, creation, or enhancement of tangible or intangible fixed assets that will 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 we do not apply uncertain or forecast resources to current investment, thus leaving potentially unfunded obligations in the future.
- 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.
- 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 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.
- 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.
 - If not implemented would cause severe disruption to service delivery.

In 2021/22 the new capital schemes contribute to an overall capital programme comprising of a balanced set of proposals which:

- Ensure the medium term resilience of essential core services and facilities, including critical IT infrastructure and digital transformation schemes.

- Invest in schools facilities with match funding from Government to support children and improve outcomes
- Support the council's Care Close to Home Strategy including adaptations to peoples' homes.
- Invest in infrastructure including coastal defences, highways network integrity priority works and the highest priority safety and improvement schemes.
- Provide match funding for LEP grants aimed at regeneration and provision of affordable housing

The council's capital programme will also take into account the resolution made in July 2019 to:

- Declare and acknowledge a climate emergency.
- Aim to achieve net zero carbon emissions on the Island by 2030.
- Develop a costed action plan, recommending how the council could work with partners and central government to ensure that the Islands net carbon emissions can be reduced to zero by 2030.
- Present an annual update to the IW Council on progress towards achieving net zero carbon emissions in line with the IW Council's support for our UNESCO Biosphere status.
- Develop and implement a community engagement plan via the IW council's Environment and Sustainability Forum to mobilise environmental action groups, Parish councils, biodiversity experts and residents in support of delivery of the action plan.
- Liaise with other local authorities that have declared a Climate Emergency, through the Local Government Association, to lobby Government for additional powers and funding to help local authorities respond to the climate emergency.

6. Governance

Although the council follows the Government's Green Book and 5 case model for larger capital programmes, smaller projects are unlikely to require a full business case but would be expected to have completed options appraisals and a cost benefit review as part of the due diligence in preparing the bid. They should also have considered what external funding can be applied for to fund the projects and take advice from the finance team to ensure that the longer term financial implications of the project (e.g. revenue requirements/savings) are accurately reported. This information is essential to inform the decision to fund the project.

The Section 151 Officer will report explicitly on the affordability and risk associated with the overall capital strategy. Where appropriate he will have access to specialised advice to enable him to reach his conclusions. However, it is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in capital assets held for financial returns. An assessment of risk is therefore built into every capital project and major risks recorded in a risk register.

7. Capital Investments

Capital investments are made in acquiring, creating, enhancing or adding life or value to an existing tangible or intangible fixed asset, that will yield benefits to the council for a period of more than one year. The council's capital investment programme balances the need to fund:

Service investments - These are investments held clearly and explicitly for the purposes of operational services, including regeneration. These could include the costs of maintaining existing assets, as well as short term transformational projects. However, the council also looks at the longer term such as regeneration and the purchase or provision of new assets for service delivery.

Commercial investments - These are investments arising as part of business structures, such as shares and loans in subsidiaries or other outsourcing structures. These can also include investments explicitly taken with the aim of making a financial surplus for the council, including fixed assets such as investment properties which are held primarily for financial benefit. (It should be noted whilst councils are still able to make such investments, HM Treasury will deny access to PWLB borrowing for this purpose or any other purpose for a period of 3 years) Total historical commercial investments are currently valued at £33m and further details can be found in [the commercial investment strategy](#).

Local investments – The council makes investments to assist local public services, including making loans, giving grants, and buying shares in local service providers and local small businesses to promote economic growth and support the development of services where there is a market gap. Decisions on local investments are made as part of the overall capital programme but the Section 151 Officer may require additional due diligence to be undertaken to fully understand risks. Further details on loans can be found in the [Loans Policy](#).

In 2021/22 and onwards, the council is planning capital expenditure as summarised below:

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

	2020/21 forecast	2021/22 estimate	2022/23 estimate	2023/24 estimate	2024/25 estimate
Adult Social Care, Public Health and Housing Needs	0.598	0.313	1.006	1.350	0.000
Children's Services, Education & Skills	14.220	11.654	1.627	0.000	0.000
Community Safety and Digital Transformation	0.973	0.847	0.700	0.400	0.000
Environment, Heritage and Waste	0.858	5.834	0.227	3.153	4.108
Infrastructure and Transport	14.305	19.886	1.710	1.611	1.638
Planning and Housing Renewal	3.590	3.652	0.000	0.000	0.000
Leader and Strategic Partnerships	0.236	0.000	0.000	0.000	0.000
Regeneration and Business Development	3.125	15.179	7.700	7.570	0.000
Resources	1.063	0.950	0.400	0.150	0.000
TOTAL	38.968	58.315	13.370	14.234	5.747

Further details on investments are in the appendix to the [February 2021 budget setting report](#).

8. Financing the Capital Programme

Financing for the capital investment programme can be funded from a variety of sources including:

Capital Grants – unless grants are ringfenced (conditions or restrictions for their use are attached to the grant) they will be available to finance the overall capital programme. Where ringfenced, the council will consider carefully any obligations or liabilities before accepting the grant, but this should not prevent services from seeking to attract external funding which can help support delivery of the council's priorities. [See the council's Grants Policy for further information.](#)

Other external contributions - the council may be able to deliver its priorities 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, services should look for innovative ways of extending the number of capital schemes which are completed on a jointly funded or partnership basis and continually consider where joint projects can be implemented.

Capital Receipts - the council's policy is to allocate an amount of capital receipts as part of the financing plan for capital investments based on the asset disposal plan and planned repayment of loans. Any ringfencing of receipts to service areas e.g. schools, has been removed so that receipts from the disposal of all premises should be pooled to finance the overall programme. This provides maximum flexibility for the council's competing priorities (which may change according to prevailing circumstances) to be realised. Should receipts exceed that amount in year, the council's policy is to consider the options of either extending the capital programme or using the opportunity to reduce prudential borrowing and make revenue savings.

Reserves or Revenue contributions - some services have funded capital expenditure from their revenue budgets and invest to save bids are often built around additional income generation or savings which pay for the capital investment. 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.

Borrowing - The Section 151 Officer will make an assessment of the overall prudence, affordability and sustainability of the total borrowing requested. The impact of this borrowing will be reported in the Treasury Management Strategy alongside the Prudential Indicators required by CIPFA's Prudential Code for Capital Finance. Prudential Borrowing (PB) is available for 'invest to save' schemes only where those savings must accrue directly to the council on a sustained basis. A PB limit is set as part of the annual Treasury Management Strategy (TM strategy) which will form part of the financing plan for capital investment. See the treasury management section of this strategy below or the full [Treasury Management Strategy for further information.](#)

The Code gives authorities options to either capitalise borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the costs of those assets, or to expense borrowing costs as they are incurred. The council's policy is not to capitalise borrowing costs and to charge them in year to revenue.

The planned financing of the above expenditure summarised in table 1 is as follows:

Table 2: Capital financing in £ millions

	2020/21 forecast	2021/22 estimate	2022/23 estimate	2023/24 estimate	2024/5 estimate
Unsupported borrowing/debt	3.378	17.678	7.700	8.963	2.808
Capital Resources	3.200	0.000	0.000	0.000	0.000
Revenue Resources	5.110	6.934	3.736	3.381	1.978
External Grants	26.869	33.494	1.933	1.890	0.960
Other External Contributions	0.411	0.210	0.000	0.000	0.000
TOTAL RESOURCES AVAILABLE	38.968	58.315	13.370	14.234	5.747

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 which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance in £ millions

	2020/21 forecast	2021/22 estimate	2022/23 estimate	2023/24 estimate	2024/25 estimate
Capital resources	7.5	6.0	3.9	-	-
Revenue resources	3.1	-	-	-	-
Total	10.6	6.0	3.9	-	-

The council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to repay debt. Based on the above figures for expenditure and financing, the council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	31.3.2020 actual	31.3.2021 forecast	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget
General Fund services	382.4	405.6	403.7	410.0	415.1
Capital investments	23.3	3.4	17.7	17.2	9.0
TOTAL CFR	405.7	409.0	421.4	427.2	424.1

9. Minimum Revenue Provision Statement 2021/22

Where the council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the council to have regard to the Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently 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 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 council has adopted the annuity method for capital expenditure. This method 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 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 40 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, 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 over remainder 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) on 31 March 2021, the budget for MRP has been set as follows:

Table 5 - Estimate of capital financing requirement in £m's

	31.03.2021 Estimated CFR	2021/22 Estimated MRP
Capital expenditure before 01.04.2008	151.8	1.7
Capital expenditure after 31.03.2008	159.1	3.8
Overpayments from change to annuity method	-3.9	-3.9
Leases and Private Finance Initiative	100.9	3.6
Loans to other bodies repaid in instalments	1.1	0
Total General Fund	409.0	5.2

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 reduces MRP in later years. It is planned to draw down the final £3.9 million of this overpayment in 2021/22.

Table 6 - MRP overpayments in £m's

	31.3.2020	31.3.2021
Opening Balance	9.9	3.9
Approved drawdown	-6	-3.9
Closing balance	3.9	0

10. 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. The council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing. Due to decisions taken in the past, at 29 January 2021 the council had £268.0 million borrowing at an average interest rate of 2.57% and £110.8 million treasury investments at an average rate of 0.09%.

The council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.15%) and long-term fixed rate loans where the future cost is known but higher (currently about 1.4% for 10yrs).

Projected levels of the council's total outstanding debt (which comprises borrowing, PFI liabilities, leases and transferred debt) are shown below, compared with the capital financing requirement (see above).

Table 7: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2020 actual	31.3.2021 forecast	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget
Debt (incl. PFI & leases)	226.2	235.7	251.7	253.6	256.4
Capital Financing Requirement	405.7	409.0	421.4	427.2	424.1

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen in the table above, the council expects to comply with this in the medium term. This is because the council has previously financed the capital programme by utilising internal borrowing.

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 the same borrowing forecasts as shown above, but that cash and investment balances are kept to a minimum level of £10 million at each year-end. This benchmark is forecast to be £245.7 million at the end of the year and is forecast to rise to £266.4 million over the next four years.

Table 8: Borrowing and the Liability Benchmark in £ millions

	31.3.2020 actual	31.3.2021 forecast	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget
Outstanding borrowing	226.2	235.7	251.7	253.6	256.4
Liability benchmark	236.2	245.7	261.7	263.6	266.4

The table shows that the council expects borrowing to remain below its liability benchmark.

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

	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit
Authorised limit - borrowing	420.0	450.0	450.0	450.0
Authorised limit - PFI and leases	140.0	130.0	140.0	130.0
Authorised limit - total external debt	560.0	580.0	590.0	580.0
Operational boundary - borrowing	339.0	357.0	359.0	362.0
Operational boundary - PFI and leases	111.0	107.0	111.0	105.0
Operational boundary - total external debt	450.0	464.0	470.0	467.0

Further details on borrowing are in the [Treasury Management Strategy](#).

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, seeking to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. 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.

Table 10: Treasury management investments in £ millions

	31.3.2020 actual	31.3.2021 forecast	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget
Near-term investments	67.0	54.4	5.9	5.4	4.3
Longer-term investments	-	10.0	10.0	10.0	10.0
TOTAL	67.0	64.4	15.9	15.4	14.3

Further details on treasury investments are in the [Treasury Management Strategy](#).

The effective management and control of risk are prime objectives of the Authority'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.

Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer and staff, who must act in line with the treasury management strategy approved by Isle of Wight council. A Treasury Management group of officers meets regularly to review decisions and performance. Half yearly reports on treasury management activity are presented to Audit Committee. The Audit Committee is responsible for scrutinising treasury management decisions.

11. Liabilities

In addition to debt of £268.0 million detailed in section 9, 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](#).

12. 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 11: Prudential Indicator: Proportion of financing costs to net revenue stream

	2019/20 actual	2020/21 forecast	2021/22 budget	2022/23 budget	2023/24 budget
Financing costs (£m)	27.9	7.1	14.6	20.8	21.5
Proportion of net revenue stream	18.30%	3.80%	9.63%	12.95%	13.20%

Further details of the revenue budget are available in the [annual budget setting report](#).

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable because:

- Any prudential borrowing undertaken has been for "Invest to Save Schemes" only.
- The timing of borrowing decisions have been taken on the basis of the expected optimum time to minimise the overall cost of borrowing - determined on a net present value basis and informed by expert external advisors' forecasts of interest rate projections.
- The council has a robust Medium Term Financial Strategy to support the delivery of its future savings requirements.

13. Knowledge and Skills

The council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Section 151 officer is a qualified accountant provided under a partnership arrangement from Portsmouth City Council. The council pays for junior staff to study towards relevant professional qualifications including CIPFA.

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. The council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the council has access to knowledge and skills commensurate with its risk appetite.

Isle of Wight Council
INVESTMENT
STRATEGY
2021-22

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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 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 £13.0 million during the 2021/22 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 2021/22 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	31.03.2020 actual			31.03.21	2021/22
	Balance owing £m	Loss allowance £m	Net figure in accounts £m	Forecast Net Figure £m	Approved limit £m
Subsidiaries	-	-	-	-	20.0
Local Businesses	3.0	-	3.0	1.4	10.0
TOTAL	3.0	-	3.0	1.4	30.0

- 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	31.03.2020 actual			2021/22
	Balance owing £m	loss allowance £m	Net figure in accounts £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	31.03.2020 actual		31.03.2021 expected	
	Purchase cost £m	Gains or (losses) £m	Value in accounts £m	Gains or (losses) £m	Value in accounts £m
Salford	11.4	-	11.0	-	11.0
Aylesford	9.2	-	8.6	-	8.6
Oxford	10.6	-	10.0	-	10.0
Southampton	3.9	-	3.5	-	3.5
TOTAL	35.1	-	33.1	-	33.1

The properties were all acquired during the year 2018-19. The acquisition of commercial properties required substantial transaction costs of £2.1 million, including legal and stamp duty fees, which under proper accounting practices are allowed to be capitalised. These costs have not increased the market value of these properties so had resulted in a valuation loss during financial year 2018/19, which is normal. These assets are required to be valued annually in accordance with CIPFA Code of Practice, with the next valuation in March 2021; there is no evidence to suggest the value is likely 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 2020-21 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 through the annual report on the performance of the commercial property investment portfolio detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.
- 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

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Net Service expenditure	152.5	187.0	151.6	160.6	162.9
Gross Investment income	1.6	1.7	1.7	1.7	1.7
Proportion	1.05%	0.91%	1.12%	1.06%	1.04%

- 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

In March 2020 the Government launched a consultation on revised Public Works Loan Board (PWLB) lending terms and guidance. The consultation closed in July 2020 and has resulted in new lending terms.

The key features of the new lending terms are:

- As a condition of accessing the PWLB, Local Authorities (LAs) will be asked to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. In order to minimise the administrative burden for LAs, this process is closely modelled on the existing application process that most large local authorities follow to access the Certainty Rate (a 20bps discounted rate offered by the PWLB).
- As part of this, the PWLB will ask the Section 151 Officer of the local authority to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment is based on the Section 151 Officer's professional interpretation of guidance issued alongside these lending terms.
- It is impossible to reliably link particular loans to specific spending, so this restriction applies on a 'whole plan' basis – meaning that the PWLB will not lend to any local authority which plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB.
- When applying for a new loan, the local authority will be required to confirm that the plans they have submitted remain current and that the assurance that they do not intend to buy investment assets primarily for yield is still accurate.
- The government is committed to the prudential system and has no intention of routinely reviewing the purpose of individual loans. If HM Treasury has concerns that a loan may be used in a way that is incompatible with HM Treasury's duties to ensure that public spending represents good value for money to the taxpayer, the department will contact the local authority to gain a fuller understanding of the situation. Should it transpire that a local authority has deliberately misused the PWLB, HM Treasury has the option to suspend that LA's access to the PWLB, and in the most extreme cases, to require that loans be repaid. In practice such an eventuality is highly unlikely and would only occur after extensive discussion with the local authority in question.

The council had previously approved and borrowed funds for its existing investments to enable the purchases of commercial investments within a £100 million portfolio.

The changes in the PWLB lending terms has now curtailed all acquisition activity and therefore the council does not intend to increase the size of its commercial property investment portfolio beyond £33 million.

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.

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 has agreed the establishment of a commercial [property](#) fund. The authorisation of expenditure from this fund has been delegated by the council to the Chief Executive, the Section 151 Officer and the Cabinet member for Resources and these 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 council has entered into 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 require a business case and full financial appraisal. The detailed business case and financial appraisal includes building surveys, environmental surveys and valuations in accordance with the Red Book. In addition, properties are revalued on an annual basis.
- 9.4 The Commercial Property Portfolio is managed by the property investment team from Portsmouth City Council, who are qualified members of Royal Institute of Chartered Surveyors.
- 9.5 **Commercial deals:** The property investment team has experience of acquiring commercial property for local authorities, and it is part of their contractual arrangements that their staff have the necessary knowledge and training.
- 9.6 **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.
- 9.7 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.
- 9.8 Every six months the Audit Committee receives a report from the property investment team at Portsmouth City Council 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.
- 9.9 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.

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	31.03.2020 Actual £m	31.03.2021 Forecast £m	31.03.2022 Forecast £m
Treasury management investments	67.0	64.4	15.9
Service investments: Loans	3.0	3.0	10.0
Service investments: Shares	-	-	14.0
Commercial investments: Property	33.1	33.1	33.1
TOTAL INVESTMENTS	103.1	100.5	73.0
Commitments to lend	-	-	-
Guatantee issued on loans	-	-	-
TOTAL EXPOSURE	103.1	100.5	73.0

- 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	31.03.2020 Actual £m	31.03.2021 Forecast £m	31.03.2022 Forecast £m
Service investments: Loans	3.0	1.4	10.0
Service investments: Shares	-	-	14.0
Commercial investments: Property	35.1	35.1	35.1

- 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	2019/20 Actual	2020/21 Forecast	2021/22 Forecast
Treasury management investments	0.85%	0.09%	0.09%
Service investments: Loans	0.86%	1.19%	1.19%
Commercial investments: Property	1.82%	1.97%	1.97%
TOTAL INVESTMENTS	1.03%	0.91%	1.31%

- 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	2019/20 Actual	2020/21 Forecast	2021/22 Forecast
Debt to net service expenditure	183.2%	139.5%	151.6%
Commercial income to net service expenditure ratio	0.39%	0.37%	0.46%
Interest cover ratio	200.0%	230.0%	230.0%
Loan to value ratio	106.0%	106.0%	106.0%

Stage 1 Equality Impact Assessment – Initial Screening

Assessor(s) Name(s):	Chris Ward / Kerry Hubbleday
Directorate:	Council wide
Date of Completion:	February 2021

Name of Policy/Strategy/Service/Function Proposal

Budget and Council Tax setting 2021/2022 and Future Years Forecasts

The Aims, Objectives and Expected Outcomes:

The revenue and capital budget and council tax for 2021/2022 will be set at the Council meeting on 24 February 2021.

The proposals within the Budget report recommend a Budget for 2021/2022 that provides for the full financial impact of the COVID-19 Pandemic in the current year and its expected ongoing legacy over the next 3 years, £3.5m of savings, a Council Tax increase of 4.99% (3% of which is raised specifically to be passported to Adult Social Care, additional funding for Adult Social Care and Children's Services of £6m in total, being far in excess of the funding provided by the Adult Social Care precept and additional Social Care grant from Central Government (£3.4m combined). In addition the future savings requirements have been revised downwards to £3m per annum (from £3.5m per annum previously) for the three year period commencing 2022/23 but are predicated on maintaining General Reserves above £8m over that period.

There remains considerable funding uncertainty from 2022/23 due to a comprehensive overhaul of the Local Government funding system known as the "Fair Funding Review", it will determine a new formula methodology which will set each Local Authority's baseline funding level. Alongside this, a new system for retaining future Business Rate growth / loss will be implemented, taking away all existing growth and re-distributing that growth nationally according to relative need (rather than where it was generated). For these reasons, the Council's future forecast deficits could reasonably be expected to vary between +/- £3m.

During this unprecedented level of uncertainty, it is imperative that the Council continues to plan for savings of £3.0m per year in the future, retaining the COVID-19 funding 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.

The proposals also seek to remedy the financial stress being experienced in both Adults and Children's Social Care, providing a sound financial base as the Council moves into a very uncertain period for Local Government funding from 2022/23 onwards.

The Council has been required to make £86m in savings and efficiencies (representing over 40% of controllable spending) over the past 10 years in order to balance the Budget, ensuring that spending remains in line with income and funding levels.

In following the Medium Term Financial Strategy (MTFS), the Administration have proposed savings in previous years which have further financial savings benefits in later years. Many of the savings proposals put forward last year provide additional savings in the forthcoming year, known as the "full year effect". The extent of the "full year effect" is £1.7m and therefore just £1.8m of new savings are proposed for 2021/22. As in previous years, the Administration's savings proposals are focused on an "Avoidance to Cuts" approach in line with the MTFS. For 2021/22, 89% of all savings proposed are planned from Efficiency Savings and Additional Income with Service Reduction measures amounting to just 11%

The COVID-19 pandemic has a significant impact on the budget proposals in both the Revised Budget for the current year, the Budget for 2021/22 and the future years' forecasts. Some of the financial impacts of the pandemic are expected to be short term in nature (1 to 2 years) but others are expected to endure through the longer term. Excluding Business Rate reliefs which are fully recompensed by Government, the cost of responding to the COVID pandemic in the current year is expected to amount to £18.7m with associated Government funding of £17.5m (gap of £1.2m). The council has set aside Deficit Recovery Strategy funding of £11.5m, therefore if the current estimated gap remains at £1.2m at year end there will be £10.3m remaining to fund COVID costs for the following 3 years. Added to this will be a further COVID government grant of £3.9m in 2021/22 to create a COVID fund of £14.2m

The EIA provides an assessment of the impact of the new indicative savings set out in Appendix 3 to the Budget and Council Tax setting report. That report asks Council to determine the individual budget for each Portfolio/Service – but does not approve the detailed savings and it is a matter for the Portfolio Holder and Service to determine these and in doing so have due regard to the equality duties set out in the Equalities Act 2010.

Please delete as appropriate:

This is a proposal for the budget and council tax setting for 2021/22.

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?	There are a number of indicative savings that will directly impact on service users, it is considered that there is the potential for some of these to have a negative impact, some have no impact whilst some may have a positive impact with targeted interventions rather than "universal" service provision due to realigned services or revised contracts.
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	Budget consultation through an on-line survey took place between the 30 November 2020 and 25 January 2021 with 501 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.
Do different groups of people within the local community have different needs or experiences in the area this issue relates to?	Yes
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?	No
Will the proposal have a significant effect on how services or a council function/s is/are delivered?	Yes. The scale of savings means that the way services are delivered will be realigned/reviewed. The majority of the recommended savings proposals seek to achieve the same or improved outcomes.
Will the proposal have a significant effect on how other organisations operate?	Potentially as the council may look to other organisations to assist.
Does the proposal involve a significant commitment of resources?	Yes

Does the proposal relate to an area where there are known inequalities?	Yes in that the Budget covers all areas of the Council's activities.
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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	x	x	x	In some circumstances, the proposals may have a positive impact, enabling individuals to remain independent for longer. Other indicative savings will either have no impact or the potential for negative impact. Where they do impact it is considered that through appropriate reviews/realignment of services and efficiencies it can be ensured that assessed eligible need is met. Due to the scale of savings and the changes there is the potential for negative impact.
Disability	x	x	x	In some circumstances, the proposals may have a positive impact, enabling individuals to remain independent for longer. Other indicative savings will either have no impact or the potential for negative impact. Where they do impact it is considered that through appropriate reviews/realignment of services and efficiencies it can be ensured that assessed eligible need is met. Due to the scale of savings and the changes there is the potential for negative impact.
Gender Reassignment			x	It is not anticipated that the indicative savings will have any impact on this protected characteristic.
Marriage & Civil Partnership			x	It is not anticipated that the indicative savings will have any impact on this protected characteristic.
Pregnancy & Maternity			x	It is not anticipated that the indicative savings will have any impact on this protected characteristic.
Race			x	It is not anticipated that the indicative savings will have any impact on this protected characteristic.

Religion / Belief			x	It is not anticipated that the indicative savings will have any impact on this protected characteristic.
Sex (male / female)			x	It is not anticipated that the indicative savings will have any impact on this protected characteristic.
Sexual Orientation			x	It is not anticipated that the indicative savings will have any impact on this protected characteristic.

Are there aspects of the proposal that contribute to or improve the opportunity for equality?	Yes
The review of services will ensure that there will be a positive impact through ensuring that clients receive care according to their assessed needs and that this is based on measurable outcomes.	

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)	Justin Thorne
Date	February 2021

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)

Stage 2 Full Equality Impact Assessment

Assessor(s)Name(s):	Chris Ward / Kerry Hubbleday
Directorate:	Council wide
Date of Completion:	February 2021

Name of Policy/Strategy/Service/Function Proposal

Budget and Council Tax Setting 2021/2022 and Future Years Forecasts

The Aims, Objectives and Expected Outcomes:

The revenue and capital budget and council tax for 2021/2022 will be set at the Council meeting on 24 February 2021.

The proposals within the Budget report recommend a Budget for 2021/2022 that provides for the full financial impact of the COVID-19 Pandemic in the current year and its expected ongoing legacy over the next 3 years, £3.5m of savings, a Council Tax increase of 4.99% (3% of which is raised specifically to be passported to Adult Social Care, additional funding for Adult Social Care and Children's Services of £6m in total, being far in excess of the funding provided by the Adult Social Care precept and additional Social Care grant from Central Government (£3.4m combined). In addition the future savings requirements have been revised downwards to £3m per annum (from £3.5m per annum previously) for the three year period commencing 2022/23 but are predicated on maintaining General Reserves above £8m over that period.

There remains considerable funding uncertainty from 2022/23 due to a comprehensive overhaul of the Local Government funding system known as the "Fair Funding Review", it will determine a new formula methodology which will set each Local Authority's baseline funding level. Alongside this, a new system for retaining future Business Rate growth / loss will be implemented, taking away all existing growth and re-distributing that growth nationally according to relative need (rather than where it was generated). For these reasons, the Council's future forecast deficits could reasonably be expected to vary between +/- £3m.

During this unprecedented level of uncertainty, it is imperative that the Council continues to plan for savings of £3.0m per year in the future, retaining the COVID-19 funding 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.

The proposals also seek to remedy the financial stress being experienced in both Adults and Children's Social Care, providing a sound financial base as the Council moves into a very uncertain period for Local Government funding from 2022/23 onwards.

The Council has been required to make £86m in savings and efficiencies (representing over 40% of controllable spending) over the past 10 years in order to balance the Budget, ensuring that spending remains in line with income and funding levels.

In following the Medium Term Financial Strategy (MTFS), the Administration have proposed savings in previous years which have further financial savings benefits in later years. Many of the savings proposals put forward last year provide additional savings in the forthcoming year, known as the "full year effect". The extent of the "full year effect" is £1.7m and therefore just £1.8m of new savings are proposed for 2021/22. As in previous years, the Administration's savings proposals are focused on an "Avoidance to Cuts" approach in line with the MTFS. For 2021/22, 89% of all savings proposed are planned from Efficiency Savings and Additional Income with Service Reduction measures amounting to just 11%

The COVID-19 pandemic has a significant impact on the budget proposals in both the Revised Budget for the current year, the Budget for 2021/22 and the future years' forecasts. Some of the financial impacts of the pandemic are expected to be short term in nature (1 to 2 years) but others are expected to endure through the longer term. Excluding Business Rate reliefs which are fully recompensed by Government, the cost of responding to the COVID pandemic in the current year is expected to amount to £18.7m with associated Government funding of £17.5m (gap of £1.2m). The council has set aside Deficit Recovery Strategy funding of £11.5m, therefore if the current estimated gap remains at £1.2m at year end there will be £10.3m remaining to fund COVID costs for the following 3 years. Added to this will be a further COVID government grant of £3.9m in 2021/22 to create a COVID fund of £14.2m

The EIA provides an assessment of the impact of the indicative savings set out in Appendix 3 to the Budget and Council Tax setting report. That report asks Council to determine the individual budget for each Portfolio/Service – but does not approve the detailed savings and it is a matter for the Portfolio Holder and Service to determine these and in doing so have due regard to the equality duties set out in the Equalities Act 2010.

Please delete as appropriate:

This is a proposal for the budget and council tax setting for 2021/2022.

Scope of the Equality Impact Assessment

The Budget and Council Tax setting for 2021/2022 covers all the activities and services that the council is responsible for.

The outcome from the budget consultation survey has been considered by the Administration in setting out their Revenue Budget, Council Tax and Capital Investment proposals. A summary of the consultation results is contained with the report to Full Council on 24 February 2021.

The report to Council follows the Medium Term Financial Strategy approved by Council in October 2016.

Analysis and assessment

The indicative savings do not have the potential to cause unlawful discrimination.

In overall terms the provisional Local Government Settlement for the Council provides for the following:

- A 1 year Settlement only, pending the forthcoming Comprehensive Spending Review
- A 1 year delay to the comprehensive overhaul of the Local Government funding system including the Fair Funding Review and the Business Rate Retention Scheme, for which the Council had been relying on an additional £2.5m of funding within its forecasts (see below)
- A general increase in Government funding of 0.55%, in line with the Consumer Price index for September 2020
- A "one-off" Lower Tier Services grant - £0.2m
- New Homes Bonus Grant of £0.5m (£0.2m reduction)
- An increase in the Social Care Grant (to be distributed to both Adult Social Care and Children's Services) - £0.8m
- Cash flat allocation of the Improved Better Care Fund (including Winter Pressures Funding) for Adult Social Care
- Council Tax increase thresholds of:
 - 2.0% for General Purposes (amounting to £1.7m)
 - 3.0% for Adult Social Care (amounting to £2.6m)
 - 2.0% for Fire & Rescue Authorities
 - £15 for Police and Crime Commissioners
- COVID-19 Support as follows:
 - Emergency COVID-19 Grant - £3.9m
 - Continuation for the first 3 months of the year of the Sales, Fees & Charges compensation Scheme (funding circa. 70% of lost income streams excluding commercial property)
 - A Local Council Tax Support Grant (to compensate for rises in claimant demand and reduced Council Tax income) - £1.4m

There is a significant "funding gap" between Adult Social Care and Children's Services unavoidable costs of £6m and the funding available of £3.4m (i.e. 3% Council Tax of £2.6m plus additional Social Care Grant of £0.8m). Even the general 1.99% Council Tax increase amounting to £1.7m intended for all Services is insufficient to cover the "gap"

Fair Funding Review:

Government had originally announced that the Fair Funding review would be implemented for the financial year 2020/21 and Government consultations have indicated that it would take account of the unique cost pressures associated with providing Council Services on the Island. This is expected to be recognised through a "remoteness" factor which will be applied to the formulae for the majority of key services provided. This has now been delayed by 2 years to 2022/23. The Council's forecasts had included an increase in Government funding of £2.5m in this respect. Whilst this is less than the additional costs estimated by the research undertaken by Portsmouth University of £6.4m (at 2015/16 prices), a balanced estimate of £2.5m was assumed on the basis that any increase will be phased in over time (under "damping arrangements") and that there are very large number of other factors being considered under the Fair Funding review that could impact positively or negatively on the overall funding allocation to the Council.

The implementation of the Fair Funding Review has now been delayed to 2022/23 and whilst it is still anticipated that there will be a favourable outcome for the Council, it has caused a shortfall for the coming financial year. This shortfall has been addressed within the proposals for the Budget 2021/22 and future forecasts, largely by removing planned future funding for new capital

Based on the Provisional Local Government Finance Settlement and a comprehensive review of all other estimates of funding, income and expenditure for 2021/22 and the following 3 years, the approved savings requirement for 2021/22 of £3.5m remains prudent but only on the basis of the Council Tax proposals set out within this report. Given what is known, or reasonably expected, regarding future funding and given future uncertainties, a savings requirement of less than £3.5m for 2021/22 would not be prudent.

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. For this Council, that includes but is not limited to, the increasing numbers of clients that can no longer afford to fund their own care and which subsequently falls on the Council to fund, the increase in the National Living Wage (which has increased by 2.2% and affects the Council's contracts with Care Providers for Adults), the additional clients that have entered residential care as a direct consequence of COVID-19 as well as the general demographic pressures of an aging and "living longer" population.

Given the extraordinary upward inflationary pressures on the Council more generally (and including the 2.2% increase in the National Living Wage on Care Services), the cost pressures in Adult Social Care and Children's Services 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 1.99% for 2021/22, representing 55p per week for a Band C tax payer and yielding £1.7m
- ii) Adult Social Care precept be increased by 3.0% for 2021/22, representing 82p per week for a Band C tax payer and yielding £2.6m to be passported direct to Adult Social Care.

Setting an Adult Social Care precept at a lower sum will inevitably result in additional service reductions to Adult Social Care services in 2021/22, this decision will therefore be critical for Adult Social Care services and the wider health system on the Island.

The Council could elect not to increase the level of Council tax by 4.99% but if it chose to do so would need to identify additional savings over and above the £3.5m savings approved by the Council in February 2020. For every 1% reduction in Council Tax, additional savings of £852,900 will be required.

It is now estimated that the savings required for the 3 year period 2022/2023 – 2024/2025 will be £9m.

Due to the delay in the Fair Funding Review and the new system for retaining future Business Rate growth / loss which will be implemented,(taking away all existing growth and re-distributing that growth nationally according to relative need rather than where it was generated) there remains a significant level of uncertainty surrounding the forecast deficit which would realistically vary between +/- £3m

Budget Consultation

The Council published its budget consultation survey on 30 November 2020 and closed on 25 January 2021 with 501 responses. 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:

- ❖ Fees & Charges:
 - 70% either agree or strongly agree that fees and charges should be made for services that users have a choice of whether to use or not. Leisure, Harbours and Beach Huts were the most frequently made suggestions for charging. 67% of respondents preferred increasing fees and charges to making further savings.
- ❖ Council Tax Increase for General Purposes:
 - 67% of respondents opted for an increase of 1%, 2% or more than 2%. 33% of respondents would like to see no increase in Council Tax and instead opting for further Council cuts.
- ❖ Adult Social Care Precept:
 - 39% of respondents said that they would be prepared to pay an extra 2% in Council Tax for Adult Social Care with 61% saying they would not.
- ❖ Spending priorities generally:
 - Schools, education and skills was the highest priority for spending with Adult Social Care coming a close second. Children's Services was also identified as a priority as well as Public Health, Community Safety and Public Protection.
- ❖ 79% of respondents agreed that the council should reduce financial support to individuals or organisations unless they are able to demonstrate genuine hardship.
- ❖ Services provided by town and parish council, local community groups and the voluntary sector:

- 59% of respondents agreed or strongly agreed that some services should be provided locally and the most popular suggestions were beach and street cleaning, public toilets, car parking and grass cutting
- ❖ Council owned profit making trading companies:
 - 44% of respondents disagreed or strongly disagreed with councils setting up trading companies whilst 31% agreed or strongly agreed. Those that agreed suggested services such as Housing could be provided in this way.
- ❖ Providing services in partnership:
 - 39% of respondents agreed or strongly agreed with services being provided in partnership with other local authorities highlighting Adult Social Care, Children's Services, Health, Highways and Housing.
- ❖ Capital investment:
 - When asked to identify 3 areas where the council should invest; regeneration, improvements to the public realm and supporting people to stay in their own homes were the most popular options.

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 provides a COVID-19 Fund 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 £6m of additional funding for Adult Social Care and Children's Services, bringing financial stability to those essential services at a critical time
- It provides for a "smoothing" 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 "alternative to cuts" initiatives to take effect
- It reduces the overall Savings Requirements for future years from £3.5m per annum to £3.0m per annum
- Maintains the overall financial resilience of the Council at a time of unprecedented uncertainty in terms of both cost and funding, enabling the Council to guard against more immediate and deeper savings
- Provides for a balanced budget once the Council's £7m per annum saving on debt repayments comes to an end in 2022/23
- 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 for the £0.6m transfer of General Reserves to the new Combined Fire Authority

Provides £2m additional funding from the Revenue Budget to the Capital Programme enabling a total capital investment of £56.1m (helping to lever in £46.5m of external funding) to meet the Council's statutory responsibilities, protect homes, employment and the environment more generally as well as supporting new regeneration.

Recommendations

No specific negative impacts have been identified in this EIA although there is the potential with continued savings for there to be negative impact. In many cases there is no impact and in some cases there is potential for positive impact.

It is important to note that the Council's responsibility is set to 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 does 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 are attached in Appendix 3 to the committee report. Whilst the detailed savings are not a matter for the Council to decide, they are presented, along with this EIA to inform the decision of the Council relating to the savings to be made by each Portfolio/Service.

Future decisions to make service specific savings will consider the councils PSED duties in more detail at the relevant time, including the potential need to consult, and where appropriate a full EIA will be completed and accompany the decision report/record. Equally, if a Portfolio Holder alters, amends or substitutes any of the indicative saving proposals set out in Appendix 3 to the committee report with alternative proposals amounting to the same value and prior to any decisions, due regard will be had to any impacts.

Action/Improvement Plan

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
Age Page 133	Potential negative impact, no impact or positive impact	Potentially		<p>Adult Social Care, Public Health and Housing Needs The indicative savings are achieved through a range of methods.</p> <p>Including efficiencies from taking advantage of technology enhanced during the pandemic to enable staff to hold remote meetings rather than travelling to the mainland.</p> <p>Income opportunities from growing activity in the tech enabled care market will also be developed which in turn will help people to live more independently on return home from temporary residential stays at the council’s internal provider services and will also enable the wider public to buy equipment to maintain independence from the Community equipment Store which will offer an expanded commercial service. This has the potential to improve the opportunity for equality across all the protected characteristics.</p> <p>The recommissioning of the Supporting People Service will remove duplication across the local authority commissioning portfolio and improve efficiency and the service available through investing in preventative services with the voluntary sector to maintain independence and prevent homelessness. Other funding sources have been received in the form of a homelessness prevention grant which is ringfenced for the sole use of homelessness prevention – the impact on those defined by the Equality Act is therefore limited.</p>

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
Page 134	<p>No Impact</p> <p>No Impact</p> <p>Potential negative impact, no impact or positive impact</p>			<p>Children’s Services, Education & Skills Indicative savings arise from a variety of efficiencies and structure reviews to remove budgets no longer required. This includes taking advantage of the new ways of working /use of more technology which were developed during the pandemic. These are assessed to have minimal or no impact on service delivery.</p> <p>Community Safety & Digital Transformation The indicative savings arise from ICT software contract reviews and telephony savings which have no impact on service delivery. Other minor reductions relating to new ways of working and efficiencies relating to use of public transport and operational equipment etc which will also have very minor impacts on service delivery.</p> <p>Other savings result from fee increases in Bereavement Services which will apply to all users of the service equally.</p> <p>Environment, Heritage & Waste Management There are a number of minor indicative savings arising from additional income relating to the archaeology service, historic environment services, Newport Roman Villa, archives service, and the Museum of Island History. Other savings relate to a small reduction in the library service book fund having no significant impact on service delivery, and a reduction in opening hours at Newport Roman Villa and</p>

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
Page 135	No Impact			<p>Dinosaur Isle (this is tailored to demand and therefore has no impact on service delivery). In addition, new beach huts will be introduced with the resulting income stream from the leases.</p> <p>A further saving results from the closure of Lord Louis Library for one additional day per week but this still remains open for 5 days per week helping to mitigate the impact on anyone using the service. The mobile library service is also proposed to be closed, however, the popularity of the service has been in decline with research showing that most users of the service also visit the libraries. The council will mitigate any negative impact on service users by supporting users into its home library and online services.</p> <p>A further income stream being developed is to provide a Reuse Shop at Lynnbottom Household Waste Recycling Centre which will potentially provide a benefit to all users including those with protected characteristics.</p> <p>Any staffing reviews necessary as a result of the indicative savings will be subject to further consultation with staff and unions.</p> <p>Infrastructure & Transport The indicative savings arise from additional car park income which have included a review of current charges, the reintroduction of a long stay parking charge area and new charging for events for suspensions</p>

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
Page 136	<p>Potential positive impact or no impact</p> <p>No Impact</p> <p>Potential negative impact, no impact or positive impact</p>			<p>The introduction of new parking charges will require a Parking Places Order and accordingly will be subject to a statutory consultation period and a specific EIA</p> <p>Planning and Housing Renewal The indicative savings arise from an increase in income from offering new services in relation to discretionary HMO licensing, this has the potential to improve the opportunity for equality across all the protected characteristics.</p> <p>Other savings relate to the removal of under-utilised budgets including staff travelling in Housing Renewal and Enforcement service , having a minimal impact on the service delivery.</p> <p>Regeneration and Business Development The savings arise from lease income achieved and lease arrangements with third parties.</p> <p>Resources The indicative savings in this area come from a variety of sources including minor savings relating to new ways of working and efficiencies in the use public transport and operational equipment etc, the cancellation of a whistleblowing hotline service but being replaced by alternative arrangements at no cost, and a review of staffing structures as a result of the implementation of the new learning management system – having no impact on the service user. Staffing reviews will be subject to further consultation with staff and unions</p>

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
Page 137	No Impact			<p>Further savings relate to the reduction in the Local Council Tax Support Scheme which was approved by Full Council in January 2021 – see EIA which accompanied that report at Appendix 2.</p> <p>The Local Council Tax Support Grant to Town and Parish Councils is being reduced by £31,000 and is spread across all Town and Parish Councils, thereby being a minor reduction in funding to most and will not have a significant impact on the delivery of services</p> <p>A further saving is a result of additional government funding being received to fund unavoidable cost pressures in social care, thereby creating a saving in the corporate provision for inflation and unfunded pressures.</p>
Disability	Potential negative impact, no impact of positive impact	Potentially		<p>Adult Social Care, Public Health and Housing Needs The indicative savings are achieved through a range of methods.</p> <p>Including efficiencies from taking advantage of technology enhanced during the pandemic to enable staff to hold remote meetings rather than travelling to the mainland.</p> <p>Income opportunities from growing activity in the tech enabled care market will also be developed which in turn will help people to live more independently on return home from</p>

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
Page 138	<p>No Impact</p> <p>No Impact</p> <p>Potential negative impact, no impact or positive impact</p>			<p>temporary residential stays at the council’s internal provider services and will also enable the wider public to buy equipment to maintain independence from the Community equipment Store which will offer an expanded commercial service. This has the potential to improve the opportunity for equality across all the protected characteristics</p> <p>The recommissioning of the Supporting People Service will remove duplication across the local authority commissioning portfolio and improve efficiency and the service available through investing in preventative services with the voluntary sector to maintain independence and prevent homelessness. Other funding sources have been received in the form of a homelessness prevention grant which is ringfenced for the sole use of homelessness prevention – the impact on those defined by the Equality Act is therefore limited.</p> <p>Children’s Services, Education & Skills No impact is identified against this protected characteristic.</p> <p>Community Safety & Digital Transformation No impact is identified against this protected characteristic.</p> <p>Environment, Heritage and Waste Management There are a number of minor indicative savings arising from additional income relating to the archaeology service, historic environment services, Newport Roman Villa, archives service, and the Museum of Island History. Other savings relate to a small reduction in the library service book</p>

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
Page 139	No Impact			<p>fund having no significant impact on service delivery, and a reduction in opening hours at Newport Roman Villa and Dinosaur Isle (this is tailored to demand and therefore has no impact on service delivery). In addition, new beach huts will be introduced with the resulting income stream from the leases.</p> <p>A further saving results from the closure of Lord Louis Library for one additional day per week but this still remains open for 5 days per week helping to mitigate the impact on anyone using the service. The mobile library service is also proposed to be closed, however, the popularity of the service has been in decline with research showing that most users of the service also visit the libraries. The council will mitigate any negative impact on service users by supporting users into its home library and online services.</p> <p>A further income stream being developed is to provide a Reuse Shop at Lynnbottom Household Waste Recycling Centre which will potentially provide a benefit to all users including those with protected characteristics.</p> <p>Any staffing reviews necessary as a result of the indicative savings will be subject to further consultation with staff and unions.</p> <p>Infrastructure & Transport The indicative savings arise from additional car park income which have included a review of current charges, the reintroduction of a long stay parking charge area and new charging for events for suspensions</p>

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
Page 140	<p>Potential positive impact or no impact</p> <p>No Impact</p> <p>Potential negative impact, no impact or positive impact</p>			<p>The introduction of new parking charges will require a Parking Places Order and accordingly will be subject to a statutory consultation period and a specific EIA</p> <p>Planning and Housing Renewal The indicative savings arise from an increase in income from offering new services in relation to discretionary HMO licensing, this has the potential to improve the opportunity for equality across all the protected characteristics.</p> <p>Other savings relate to the removal of under-utilised budgets including staff travelling in Housing Renewal and Enforcement service , having a minimal impact on the service delivery.</p> <p>Regeneration and Business Development No impact is identified against this protected characteristic.</p> <p>Resources The indicative savings in this area come from a variety of sources including minor savings relating to new ways of working and efficiencies in the use public transport and operational equipment etc, the cancellation of a whistleblowing hotline service but being replaced by alternative arrangements at no cost, and a review of staffing structures as a result of the implementation of the new learning management system – having no impact on the service user. Staffing reviews will be subject to further consultation with staff and unions</p>

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
Page 141	No Impact			<p>Further savings relate to the reduction in the Local Council Tax Support Scheme which was approved by Full Council in January 2021 – see EIA which accompanied that report at Appendix 2.</p> <p>The Local Council Tax Support Grant to Town and Parish Councils is being reduced by £31,000 and is spread across all Town and Parish Councils, thereby being a minor reduction in funding to most and will not have a significant impact on the delivery of services</p> <p>A further saving is a result of additional government funding being received to fund unavoidable cost pressures in social care, thereby creating a saving in the corporate provision for inflation and unfunded pressures.</p>
Gender Reassignment	<p>No Impact</p> <p>No Impact</p> <p>No Impact</p> <p>No Impact</p>			<p>Adult Social Care, Public Health & Housing Needs No impact is identified against this protected characteristic.</p> <p>Children’s Services, Education & Skills No impact is identified against this protected characteristic.</p> <p>Community Safety & Digital Transformation No impact is identified against this protected characteristic.</p> <p>Environment, Heritage & Waste Management No impact is identified against this protected characteristic.</p>

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
	<p>No Impact</p> <p>No Impact</p> <p>No Impact</p> <p>No Impact</p>			<p>Infrastructure & Transport No impact is identified against this protected characteristic</p> <p>Planning & Housing Renewal No impact is identified against this protected characteristic.</p> <p>Regeneration & Business Development No impact is identified against this protected characteristic.</p> <p>Resources No impact is identified against this protected characteristic.</p>
<p>Marriage & Civil Partnership</p> <p>Page 142</p>	<p>No Impact</p> <p>No Impact</p> <p>No Impact</p> <p>No Impact</p> <p>No Impact</p> <p>No Impact</p> <p>No Impact</p>			<p>Adult Social Care, Public Health & Housing Needs No impact is identified against this protected characteristic.</p> <p>Children’s Services, Education & Skills No impact is identified against this protected characteristic.</p> <p>Community Safety & Digital Transformation No impact is identified against this protected characteristic.</p> <p>Environment, Heritage & Waste Management No impact is identified against this protected characteristic.</p> <p>Infrastructure & Transport No impact is identified against this protected characteristic.</p> <p>Planning & Housing Renewal No impact is identified against this protected characteristic.</p> <p>Regeneration & Business Development No impact is identified against this protected characteristic.</p>

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
Page 144	<p>No Impact</p> <p>No Impact</p> <p>No Impact</p> <p>No Impact</p> <p>No Impact</p> <p>No Impact</p>			<p>No impact is identified against this protected characteristic.</p> <p>Community Safety & Digital Transformation No impact is identified against this protected characteristic.</p> <p>Environment, Heritage & Waste Management No impact is identified against this protected characteristic.</p> <p>Infrastructure & Transport No impact is identified against this protected characteristic.</p> <p>Planning & Housing Renewal No impact is identified against this protected characteristic.</p> <p>Regeneration & Business Development No impact is identified against this protected characteristic.</p> <p>Resources No impact is identified against this protected characteristic.</p>
Religion / Belief	<p>No Impact</p> <p>No Impact</p> <p>No Impact</p> <p>No Impact</p> <p>No Impact</p>			<p>Adult Social Care, Public Health & Housing Needs No impact is identified against this protected characteristic.</p> <p>Children’s Services, Education & Skills No impact is identified against this protected characteristic.</p> <p>Community Safety & Digital Transformation No impact is identified against this protected characteristic.</p> <p>Environment, Heritage & Waste Management No impact is identified against this protected characteristic.</p> <p>Infrastructure & Transport</p>

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
	No Impact No Impact No Impact			<p>No impact is identified against this protected characteristic.</p> <p>Planning & Housing Renewal No impact is identified against this protected characteristic.</p> <p>Regeneration & Business Development No impact is identified against this protected characteristic.</p> <p>Resources No impact is identified against this protected characteristic.</p>
Sex (Male or female) Page 145	No Impact No Impact No Impact No Impact No Impact No Impact			<p>No impact is identified against this protected characteristic.</p> <p>Adult Social Care, Public Health & Housing Needs No impact is identified against this protected characteristic.</p> <p>Children’s Services, Education & Skills No impact is identified against this protected characteristic.</p> <p>Community Safety & Digital Transformation No impact is identified against this protected characteristic.</p> <p>Environment, Heritage & Waste Management No impact is identified against this protected characteristic.</p> <p>Infrastructure & Transport No impact is identified against this protected characteristic.</p> <p>Planning & Housing Renewal No impact is identified against this protected characteristic.</p> <p>Regeneration & Business Development No impact is identified against this protected characteristic.</p> <p>Resources</p>

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
				No impact is identified against this protected characteristic.
Sexual Orientation	No Impact			<p>Adult Social Care, Public Health & Housing Needs No impact is identified against this protected characteristic.</p> <p>Children’s Services, Education & Skills No impact is identified against this protected characteristic.</p> <p>Community Safety & Digital Transformation No impact is identified against this protected characteristic.</p> <p>Environment, Heritage & Waste Management No impact is identified against this protected characteristic.</p> <p>Infrastructure & Transport No impact is identified against this protected characteristic.</p> <p>Planning & Housing Renewal No impact is identified against this protected characteristic.</p> <p>Regeneration & Business Development No impact is identified against this protected characteristic.</p> <p>Resources No impact is identified against this protected characteristic.</p>
HR & workforce issues	No Impact			<p>Adult Social Care, Public Health & Housing Needs No impact is identified.</p> <p>Children’s Services, Education & Skills No impact is identified.</p>

Area of impact	Is there evidence of negative positive or no impact?	Could this lead to adverse impact and if so why?	Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group or any other reason?	Please detail what measures or changes you will put in place to remedy any identified impact (NB: please make sure that you include actions to improve all areas of impact whether negative, neutral or positive)
Page 147	<p>No Impact</p> <p>Potential Negative, Positive or No Impact</p> <p>No Impact</p> <p>No Impact</p> <p>No Impact</p> <p>Potential Negative, Positive or No Impact</p>			<p>Community Safety & Digital Transformation No impact is identified.</p> <p>Environment, Heritage & Waste Management Staffing reviews as a result of reduced opening hours or outsourcing will require consultation with staff and unions</p> <p>Infrastructure & Transport No impact is identified.</p> <p>Planning & Housing Renewal No impact is identified.</p> <p>Regeneration & Business Development No impact is identified.</p> <p>Resources Staffing reviews will require consultation with staff and unions. Alternative arrangements will be put in place once the externally commissioned whistleblowing hotline service is cancelled to ensure staff still have the opportunity to report issues.</p>
Human Rights implications if relevant	<p>No Impact</p> <p>No Impact</p>			<p>Adult Social Care, Public Health & Housing Needs No impact is identified.</p> <p>Children's Services, Education & Skills No impact is identified.</p>

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Page 148	No Impact			<p>Community Safety & Digital Transformation No impact is identified.</p> <p>Environment, Heritage & Waste Management No impact is identified.</p> <p>Infrastructure & Transport No impact is identified.</p> <p>Planning & Housing Renewal No impact is identified.</p> <p>Regeneration & Business Development No impact is identified.</p> <p>Resources No impact is identified.</p>
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Summary	
Date of Assessment:	February 2021
Signed off by Head of Service/Director	Chris Ward

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Purpose: For Decision

Committee report

Committee	FULL COUNCIL
Date	24 FEBRUARY 2021
Title	ESTABLISHMENT OF, AND APPOINTMENTS TO, THE INDEPENDENT REMUNERATION PANEL AND THE SCHEME OF MEMBERS' ALLOWANCES 2021-2022
Report of	MONITORING OFFICER

EXECUTIVE SUMMARY

1. The purpose of this report is to establish the Independent Remuneration Panel (IRP) through the appointment of a completely new panel of independent members; to formally place on record the local authority's thanks to previous members of the IRP for their several years' service to their local community; to clarify that the Scheme of Members' Allowances adopted in 2018 (after the Council accepted the IRP's statutory recommendations of 2018) is to roll-forward and apply for the forthcoming scheme year 2021/2022 (1 April 2021 to 31 March 2022) but subject to review; and to note that the new IRP will undertake a review in the new municipal year (as soon as possible following the ordinary council elections) to make their statutory recommendations to the newly elected councillors of the Isle of Wight Council as to its scheme, allowances and amounts.
2. The current Scheme of Members' Allowances is entitled 'the Isle of Wight Council Members' Allowance Scheme' which was adopted on 19 September 2018 following the Council's acceptance of the statutory recommendations made in the IRP's Fifteenth Report (which was made in 2018). There have been no further statutory reports since, and increases in the basic allowance (and consequently the amounts of the relevant special responsibility allowances due to the multiplier mechanism within that Scheme) have been implemented in accordance with the IRP's recommendations which led to the adoption of this Scheme, with its indexation provision (the 'Member Allowance Uplift' clause in paragraph 6 of the Scheme).
3. These increases followed the officer pay settlement (for those officers employed on NJC terms and conditions) for 2019/2020 and 2020/21 which had been agreed nationally. (No officer pay claim for 2021/2022 has yet been settled).
4. The status quo regarding the Isle of Wight Council Members' Allowance Scheme is required by law to be maintained in the meantime because no amendments to any

scheme of members' allowances can be made without fresh recommendations from the new IRP being first 'had regard to'.

BACKGROUND

5. As members are already aware, an independent remuneration panel (IRP) is a statutory panel established, in essence, to provide independent recommendations to a principal council on that council's scheme of members' allowances (and the amounts to be paid under such a scheme).
6. The statutory functions of an IRP are set out in full in regulation 21 of the Local Authorities (Members' Allowances) (England) Regulations 2003 (as amended) – <https://www.legislation.gov.uk/ukxi/2003/1021/regulation/10/made>
7. This report seeks to underpin such independence through the establishment of this IRP, with new panel members to serve on the IRP for a term of office of five years.
8. The idea of holding a recruitment exercise to refresh the membership of the IRP has the full support of the two remaining members of the IRP who, both having served for several years, are retiring after deciding not to apply to seek to serve a further term of office.
9. This report invites, therefore, the formal expression of thanks to previous members to be given to all previous IRP members, particularly Mr Mike Anderson (Chair) and Mr Max Morrison (former Chair), for their service on behalf of the local community.
10. Guidance has been issued by the Secretary of State about independent remuneration panels (including the selection and appointment process). The current guidance from the Secretary of State can be found on the HM Revenues and Customs (HMRC) website - <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim65960>
11. By law an independent remuneration panel must have at least three members. The recommendation is to keep it at 4 independent persons. This is believed to be the optimum size.
12. A recruitment exercise was recently undertaken through open advertisement utilising a combination of means to attract suitable independent applicants, including the use of press releases, social media and engaging with the community groups via IOW Community Action and the Community Cell and notifying all town and parish clerks to ensure that the appointments process is open to public scrutiny. All group leaders were advised together with the two ungrouped councillors.
13. Eleven applications were received and a short-list of six applicants were invited to (remotely) attend for interview on 5 February 2021.
14. Officers and members took part in this interview process. Whilst there has apparently been no consistent local convention on the composition of the informal interview panel, it was thought, on balance, more appropriate to invite some elected councillors to form part of the panel rather than an officer only panel.

15. Attention is drawn to the report to Full Council on 15 January 2014 item 7 Paper D paragraph 5 where it is recorded that *'Interviews took place with a panel including the Monitoring Officer and member representatives'*, and to the report to Full Council on 15 June 2016 item 6 Paper C paragraph 5 where it is noted that *'Interviews are undertaken by a panel including the monitoring officer and member representatives'*. This year the panel included Cllr. Dave Stewart, Cllr Chris Quirk, the Monitoring Officer and the Deputy Monitoring Officer.
16. When the Constitution next stands to be reviewed, members' views will be sought for future appointment exercises as to the composition of the interview panel tasked to make recommendations to Full Council for appointment to the IRP.
17. Having carefully had regard to the Secretary of State's guidance and as a result of having interviewed the six short-listed candidates (all of whom greatly impressed the informal interview panel and were appointable) the informal interview panel recommends the appointment of the following 4 persons:
 - (a) Jeannette Howells
 - (b) Chris Mathews
 - (c) Tracy Ringer
 - (d) Aaron Wright
18. The Secretary of State's guidance highlights the issue as to whether or not the local authority ought to directly appoint the chairman of the IRP or simply leave the matter to the IRP itself which of its members should act in that role. The informal interview panel recommends that the IRP makes that appointment in furtherance of the need for the IRP to be independent and to be perceived to be independent so that public confidence in such independence is enhanced.
19. This perception of independence may to some extent be impacted by how long a member of the IRP serves. The recommendation from the interview panel is that a term of office of 5 years should be given.
20. The issue of phasing of appointments was considered by the informal panel but, as the whole of the IRP is being refreshed, it was thought that specific phasing was not recommended on this occasion. There might be natural phasing simply due to vacancies arising. But the informal panel did recommend that a further period of three years appointment by way of an extension might be appropriate, but that any such decision should wait until the situation arises, if it does.
21. The informal interview panel considered the Secretary of State's guidance that: *'Local authorities will wish to ensure that the terms and conditions of appointment of members of the independent remuneration panel include provision for circumstances where the local authority may wish to remove a discredited member of the panel. For example, a member of the panel may become discredited due to being found guilty of a criminal offence. The local authority will wish to ensure that this provision to change panel members is not itself abused for political or vexatious ends'*. It is recommended that there should be a provision for removal but only upon 'good cause', with the advice of the Monitoring Officer being sought should any particular occasion arise which is thought to justify such removal from office.

22. Turning to the issue of allowances and expenses of members of the IRP, this is a matter of discretion for the Council to determine. The present position is that a payment of £301 is paid to each member of the IRP for each year in which they undertake work discharging the functions of the IRP (this is not necessarily every year), and that reasonable expenses are paid in relation to such activity. The informal interview panel recommends no change.

Scheme of Members' Allowances

23. Under the 2003 regulations, there is a requirement to have a scheme of members' allowances. Such a scheme can be adopted, amended or revoked if, and only if, the local authority has first received the IRP's statutory report containing the IRP's recommendations within the limits of the IRP's statutory functions and if the local authority 'had regard to' such recommendations before making its decision.
24. As stated above, the Isle of Wight Council Members' Allowance Scheme was adopted on 19 September 2018 following the acceptance of all of the then IRP Panel's recommendations in the IRP statutory report of September 2018 (the Fifteenth Report of the Independent Remuneration Panel).
25. The basic allowance for the year 2018/19 was set out in that Scheme as £7, 854.00 (the 'base amount' in effect). The Scheme provides that, for each year, a basic allowance shall be paid to each councillor subject to any upward variation being applied and implemented due to the 'Member Allowance Uplift' otherwise known as an indexation provision. The amounts of basic allowances for subsequent years can be ascertained through this base amount of £7, 854,00 plus any relevant uplifts. The current basic allowance is now £8,231.38. As any special responsibility allowance to be paid each year is calculated by reference to a multiplier of the basic allowance (as changed under the 'Member Allowance Uplift' provision), the relevant special responsibility allowance will likewise vary upwards too if there are any relevant adjustments for the relevant scheme year. The current amounts are set out in Appendix 1 to this report.
26. Indexation clauses are permitted by law. This indexation provision recommended in 2018 by the IRP to be incorporated into the Scheme of 2018 takes the embarrassment of having to decide annual claims away from the local authority. It was designed to do so. The local authority accepted the precise wording of the IRP's indexation clause. Any increases are in effect determined nationally through the linkage to officer pay settlements (those on NJC terms and conditions) and implemented without any further decision of the Council because of the application of that indexation provision. (There is a four-year statutory limit on being able to rely upon an indexation provision before fresh recommendations from an IRP must be obtained by way of the IRP supplying a new statutory report).
27. Any changes made entirely in reliance on an indexation provision within a scheme of members' allowances are 'deemed' in law not to be an amendment of such a scheme (see reg.10 (4) of the 2003 Regulations). Therefore, no fresh recommendations were needed from the IRP as no amendment to the scheme was being made.
28. Finally, the Council is required to have in place a scheme before to the start of each scheme year. Members are, therefore, recommended to make clear that the Scheme of Members' Allowances adopted on 19 September 2018 (in accordance with the IRP's recommendations in the IRP's statutory report of 2018) is to apply to the new

scheme year 2021/2022 which starts on 1 April, with the current amounts of allowances reported on 16 September 2020 rolling forwards subject to any annual adjustments required under the existing indexation provision.

29. This confirmation before 1 April of the application of the adopted Scheme rolling forwards (with its status quo approach) enables eligible members to continue to receive on and from 1 April existing amounts of allowances without any break in payment (pending the outcome of the review requested by Full Council to be undertaken by the IRP and pending the further decision of the Full Council after the IRP has submitted its fresh statutory report expected early in the new municipal year 2021/2022). It demonstrates compliance with the legal duty to have a scheme in place prior to the start of any scheme year (1 April – 31 March).
30. This review requested of the new IRP is timely as it is in the scheduled year of ordinary elections and the IRP has previously been called upon to undertake such a review following an administration starting a new term of administration, particularly in the light of any (proposed) governance/constitutional changes.
31. The new IRP may provide their statutory report making recommendations at any time on their own volition, but their report will be needed if, and when, the local authority is contemplating making amendments to its adopted scheme before such amendments can be made and implemented (see, for example, paragraph 30 above) [or where an existing indexation provision is coming to the end of its four year shelf-life as fresh recommendations from the IRP are by law required to be sought if reliance on such an indexation provision is wished to continue more than 4 years (see paragraph 26 above)].
32. How any IRP undertakes its review is a matter for the relevant IRP to decide. Their methodology may include questionnaires, interviews, bench-marking exercises etc.
33. Finally, to recap on why the Council did not seek out the views of the IRP since 2018, no amendments to its scheme had been proposed by the Council in the interim period, and the Secretary of State's guidance clarifies that no recommendations are ever required to be sought from an IRP where a local authority makes adjustments in amounts of allowances entirely in reliance on an existing indexation provision. Such adjustments are deemed in law not to be amendments (see paragraph 27 above). The guidance states: "*....Where the only change to a scheme is that caused by the annual impact of an index contained within that scheme, the scheme shall not be deemed to have been amended, and thus an authority will not have to seek a recommendation from its independent remuneration panel....*".

STRATEGIC CONTEXT

34. Good governance arrangements are essential to the delivery of the council's services and the decision-making process that support this.

CONSULTATION

35. None other than with the informal interview panel.

FINANCIAL / BUDGET IMPLICATIONS

36. There are no additional costs associated with the proposals contained in this report. The recommendations accord with the resources available within the overall budget agreed by Full Council in February 2020.

LEGAL IMPLICATIONS

37. The Council has a legal duty under regulation 20 (1) of the Local Authorities (Members' Allowances) (England) Regulations 2003 as amended ('the 2003 Regulations') to establish an independent remuneration panel to exercise the statutory functions specified in regulation 21 of the 2003 Regulations.
38. There is no opportunity for Full Council to make any amendments to the Scheme until it has 'had regard to' such recommendations made by the newly appointed Independent Remuneration Panel arising from the anticipated 2021 review.
39. The Council is required before the start of each scheme year to make a scheme of members' allowances in respect of that scheme year (see regulation 10 of the 2003 Regulations).
40. The making, amendment or revocation or replacing of a scheme of members' allowances, and the determining of the amounts of such allowances, is not a responsibility of the executive but is a 'council function'. It cannot be delegated but must be decided by the Full Council (see regulation 2(7) of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 as amended).

EQUALITY AND DIVERSITY

41. 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. It is not considered that the content of this report has any negative impact on any of the protected characteristics.

OPTIONS

42. **Option 1:** To establish the Independent Remuneration Panel to undertake its statutory duties with a membership size of up to 4 persons.
43. **Option 2:** To establish the Independent Remuneration Panel to undertake its statutory duties with a different membership to be specified.
44. **Option 3:** To appoint Jeanette Howells, Chris Mathews, Tracy Ringer, and Aaron Wright to serve on that Panel for a term of office of five years each unless removed earlier upon good cause.
45. **Option 4:** To refer the matter back to the informal interview panel.
46. **Option 5:** To leave the appointment of the chair(man) of the IRP to the IRP
47. **Option 6:** To appoint the chair(man) of the IRP.
48. **Option 7:** That the allowances payable to members of the IRP remain unchanged at £301 for each year in which their statutory functions are exercised,

with reasonable expenses being paid relating to their discharge of such functions.

49. **Option 8:** That the allowances payable to members of the IRP be changed to a sum to be specified, with reasonable expenses being paid relating to their discharge of such functions.

RISK MANAGEMENT

50. The recommendations are to ensure that the council meets its corporate governance requirements and responds to changing requirements and demands. These should lessen the risks arising from any challenge to the decision-making process by way of judicial review or other such legal action.

EVALUATION

51. Council has no option and must establish and maintain an independent remuneration panel.
52. Equally Council has no option and must have in place a Scheme of Members' Allowances for each scheme year (1 April – 31 March).
53. An effective governance system for the council is essential to enable business to be transacted openly and in a timely manner. The appointment of members to the IRP supports this.

RECOMMENDATION

54. (Option 1) That the Independent Remuneration Panel be established to undertake its statutory duties with a membership size of up to 4 persons.
55. (Option 3) That Jeanette Howells, Chris Mathews, Tracy Ringer and Aaron Wright be appointed to serve on that Panel for a term of office of five years each unless removed earlier upon good cause.
56. (Option 5) That the appointment of chairman of the IRP be left to members of the IRP to determine themselves.
57. That all the previous members of the IRP be thanked for their service to the local community.
58. That the Isle of Wight Council Members' Allowance Scheme adopted on 19 September 2018 shall roll-forwards and apply for the scheme year 2021/2022, as set out in Appendix 1 to this report.
59. (Option 7) That the allowances payable to members of the IRP remain unchanged at £301 for each year in which their statutory functions are exercised, with reasonable expenses being paid relating to their discharge of such functions.

APPENDICES ATTACHED

60. Appendix 1 – Isle of Wight Council Members' Allowance Scheme.

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CLAIRE SHAND
Director of Corporate Services

CLLR DAVE STEWART
Leader and Cabinet Member for Strategic
Partnerships

MEMBERS' ALLOWANCES SCHEME

This Member' Allowances Scheme has been established under the Local Authorities (Members' Allowances) (England) Regulations 2003 (and any amendments to those regulations).

1. This scheme may be cited as the Isle of Wight Council Members' Allowances Scheme.

2. In this scheme,

“councillor” means a member of the Isle of Wight Council who is a councillor;

"co-opted member" means a Co-opted or Independent Member of the Scrutiny Committee and Designated Independent Persons;

“year” means the twelve months ending with 31 March

3. Basic Allowance

Subject to paragraph (6), for each year a basic allowance shall be paid to each councillor. The amount of the allowance will be reviewed in accordance with paragraph (8). **For the year 2021/2022 the allowance is £8,231.38.**

4. Special Responsibility Allowances

(a) For each year, a special responsibility allowance shall be paid to those councillors who hold the special responsibilities in relation to the authority that are specified in Schedule 1 to this scheme.

(b) Subject to paragraph (6), the amount of each such allowance for **2021/2022** shall be the amount specified against that special responsibility in that schedule. The allowances will be reviewed in accordance with paragraph (8).

5. Renunciation

A councillor or co-opted member may by notice in writing given to the Chief Financial Officer elect to forego any part of their entitlement to an allowance under this scheme.

6. Member Allowance Uplift

The Basic Allowance will be uplifted each year in line with the annual percentage increase agreed for the majority of Isle of Wight Council employees to whom the NJC terms and conditions apply and this will be applied once the pay settlement rate is known and will apply from April in each year unless a further review by the IRP determines otherwise.

7. Part-Year Entitlements

(a) In the case of Basic Allowances, SRAs, or Dependent Carers' Allowances, payment will only be made for the period during which a person performs the duties for which these allowances are payable. This provision applies where a Member becomes, or ceases to be a Member, or becomes or ceases to hold a role to which a SRA is applicable.

(b) Where, in the course of a year, this scheme is amended, any change in an allowance will be effective from the date the amended scheme is approved by Full Council.

8. Payment of Allowances

(a) Payments shall be made:

(i) in respect of any allowances, subject to sub-paragraph (b), in instalments of one-twelfth of the amount specified in this scheme on the last working day of each month;

(ii) in respect of claims for travelling, for Council business off the Isle of Wight, on the last working day of each month in respect of claims received up to the day 14 days before that date. Claims shall be made on the prescribed forms obtainable from the corporate leadership support team. The maximum amounts reimbursable are set out in paragraph 12 below. The duties for which these claims are approved are all off Island activity connected with Council business. All such claims must be supported by evidence of expenditure for every item in the claim.

(b) Where a payment of one-twelfth of the amount specified in this scheme in respect of any allowance would result in the councillor or co-opted member receiving more than the amount to which, by virtue of paragraph (6), he or she is entitled, the payment shall be restricted to such amount as will ensure that no more is paid than the amount to which he or she is entitled.

9. Review

The Independent Remuneration Panel will review the Scheme in 2020 unless there are changes to the governance structure that require review at an earlier date and following on from local authority elections.

Motor Mileage Allowances and Subsistence Rates (for off Island business) are reviewed by the Secretary of State, normally on an annual basis.

10. Dependent Carer's Allowance

Where a councillor or co-opted member has either:

- a dependent child living with them under the age 14, or
- cares for a dependent elderly or disabled person

The following are claimable:

- For child care: the actual expenditure incurred up to a maximum of £6.19 per hour. This is the rate currently paid by the Local Government Association (LGA), which reviews its rates annually and therefore the amount quoted is subject to change
- For dependents who are elderly or disabled: the actual expenditure up to a maximum of £13.00 per hour, which is the rate paid by the Isle of Wight Council Adult Services Department under their Direct Payment Scheme. Adult Services review their rates annually and therefore the amount quoted is subject to change.

11. Travel and Subsistence Allowances – on the Island

Councillors are provided with an additional sum added to their basic and special responsibility allowance that is payable instead of any claims for travel or subsistence for on Island activity. No other payments can be made for on island travel or subsistence.

This “Expenses Sum” is calculated as follows:

Factor A – distance from Members home to County Hall – 3 bands:

Band 1 – less than 3 miles, Band 2 – between 3 and 8 miles, and Band 3 – more than 8 miles.

Factor B – type of office held – 4 bands: Band 1 – frontline member (without an SRA); Band 2 – Leader of group with 10 or more members; Vice-Chairman of the Council; Vice Chairman of Planning Committee; Vice Chairman of Scrutiny ; Chairman of Appeals Committee; Licensing Chairman, Pension Fund Chairman; Band 3 – Chairman of the Council, Chairman of Planning, Audit and Scrutiny Committees; Band 4 – Leader; Deputy Leader; Cabinet Member.

The two factors are added together to give a “Factor” for each member. All the factors are added together and this is then divided by £21,224. This is the “Amount Factor”. The “Factor” and “Amount Factor” are multiplied together to give the total “Expenses Sum”.

The amount paid to each councillor is fixed at the rate paid as at, 5 May 2017, until the end of their term of office, only to be altered if the councillor changes address or responsibility so that they would be entitled to a different amount in accordance with the two factors set out above. The rate paid will be fixed again after each election for the life of the administration, unless it is altered following a recommendation of the Independent Remuneration Panel.

12. Accommodation and Expenses – Out of Authority

Whenever a councillor or co-opted member has to travel off the Island on Council Business this paragraph applies.

That wherever possible Members organise their travel and accommodation through the Council which pre-books and makes payment. If it is not possible to pre book travel and accommodation then these costs will only be reimbursed against production of a proper receipt. The most efficient form of transport to be used in all circumstances, any changes

from this have to be supported by a detailed justification. In addition to paying the cost of the most efficient form of public transport for off island travel the following mileage rates (where it is more efficient not to use public transport) will apply:

Motor Mileage Allowances (for OFF ISLAND TRAVEL ONLY)

(a) Motorcycles

Up to 150cc	8.5p per mile
151cc to 500cc	12.3p per mile
Over 500cc	16.5p per mile

(b) Motorcars

All vehicles	45p per mile
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13. Co-optees Allowances

That the following allowances be paid to co-optees on the following:

Designated Independent Persons	£301.00
Education Co-optees	£818.00

14. Members of the Independent Education Appeals Panels

Members of the Independent Education Appeals Panels are entitled to claim a mileage rate and subsistence (when attending any meetings of the appeals panels) at a rate equivalent to that payable to other members when they attend off island meetings.

15. Reporting to Public

Each councillor is required to produce an annual report (no more than 300 words) covering what they have achieved, what they hope to achieve in the following year, and what they have been unable to achieve in the current year. This annual report is to be prepared for the annual Council in each year and will not be required in the year of Council ordinary elections, when new and returning members all have the opportunity to set out their aspirations to the new Council.

16. Each member is entitled to an Isle of Wight Council encrypted ipad. Members have access through the group room to telephones. Mobile phone costs are not met by the council.

SCHEDULE 1

SPECIAL RESPONSIBILITY ALLOWANCES

The following are specified as the special responsibilities in respect of which special responsibility allowances are payable, together with the amounts of those allowances for **2021/22**. Only one special responsibility allowance will be paid to any member. These allowances are payable in addition to the basic allowance of **£8,231.38**.

Position	Multiplier of the Basic Allowance	Special Responsibility Allowance
Leader	2	£16,462.76
Deputy Leader	1.25	£10,289.23
Cabinet Member	1	£8,231.38
Corporate Scrutiny Chair	1	£8,231.38
Corporate Scrutiny Vice Chair	0.2	£1,646.28
Health and Social Care Policy and Scrutiny Committee Chair	0.6	£4,938.83
Children's Services, Education and Skills Policy and Scrutiny Committee Chair	0.5	£4,115.69
Neighbourhoods and Regeneration Policy and Scrutiny Committee Chair	0.5	£4,115.69
Audit Chair	0.4	£3,292.55
Planning Chair	0.8	£6,585.10
Planning Vice Chair	0.2	£1,646.28
Licensing Chair	0.3	£2,469.41
Pension Fund Chair	0.4	£3,292.55
Appeals Chair	0.2	£1,646.28
Chairman of Council	0.7	£5,761.97
Vice Chairman of Council	0.2	£1,646.28
Leaders of Groups of 5 or more	0.1	£823.14
Leaders of Groups of 10 or more	0.2	£1,646.28
Hampshire Police and Crime Panel Chair*	0.6	£4,938.83

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