

## Isle of Wight Council Budget and Tax Setting Meeting

24<sup>th</sup> February 2010

### Liberal Democrat Proposed Amendment

#### 1) Background

At the budget setting meeting in February 2009, my colleagues expressed a concern at a perceived lack of robustness in the Administration's proposals, and unsuccessfully requested that these be remedied before the budget and tax were set. One year on it gives us no pleasure to be proved correct, because the budget as presented represents no small tragedy to taxpayers and vulnerable service users alike.

However much blame may be attributed to "damping" of Government Formula Grant, the reality is that this Council has received cash increases of 14.8% over the last three years, well in excess of the increase of 9.2% for England as a whole. These amount to an extra £8m per year, compared to the £5m that an average grant settlement would have provided. Yet at a time of historically low inflation it is unable to protect vital services even with a tax rise that will be at the top end of the scale nationally.

This administration is bankrupt of ideas as well as money. The following amendment is put forward to make the best of a bad job, limit the damage, and to kick-start the unwilling on a long journey back to financial responsibility.

#### 2) Summary of Proposals

There are five strands to the recovery plan:

- a) Moving the sustainability agenda on from gimmicks and fine words to real action
- b) Identified, quantified and deliverable efficiency savings
- c) Focusing on delivery, not propaganda
- d) Financial prudence
- e) Protecting our services from permanent damage

	£	
<b>Conservative Draft budget</b>	<b>132,464,000</b>	<i>Notes</i>
<b>Liberal Democrat amendment:</b>		
<b>ECOLOGY</b>		
Abolish resident's parking permit	-1,000,000	<i>4a</i>
Error in peak period concessionary fares savings	267,000	<i>4b</i>
Cost of retaining peak period subsidy	13,000	<i>4c</i>
Performance related pay for cabinet members	-13,000	<i>4d</i>
Non-school energy conservation (10%:5%)	-190,000	<i>4e</i>
<b>EFFICIENCY</b>		
Remove ENO layer of management	-450,000	<i>4f</i>
Return senior management structure to 2005 levels	-750,000	<i>4g</i>
Internal communication/performance by service managers	-295,000	<i>4h</i>
<b>DEEDS NOT WORDS</b>		
Abolish propaganda budget	-350,000	<i>4i</i>
<b>FINANCIAL PRUDENCE</b>		
Restrict prudential borrowing to self financing schemes	-350,000	<i>4j</i>
Additional savings in full year	£2,235,000	<i>4k</i>
<b>PROTECTING SERVICES</b>		
Learning disability day centres	250,000	)
Carers advocacy	13,000	)

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Saturday respite service	11,000	)
Haylands Farm	21,000	) 4l
Riverside Centre	86,000	)
Osel	112,000	)
Homelessness and temporary accommodation	30,000	)
Supporting people/client numbers	1,850,000	4m
Trade Union support	50,000	4n
<b>NET EXPENDITURE</b>	<b>131,769,000</b>	
Formula Grant	61,396,600	
Council Tax demand	70,372,400	
Collection Fund deficit	87,000	
Tax base	55,167	
<b>BAND D TAX</b>	<b>£1,277.20</b>	
<b>INCREASE</b>	<b>1.50%</b>	4o

### 3) Proposed Amendment

That the following changes be made to the Cabinet recommendation:

- Revenue expenditure be reduced by £695,000 to £131,769,000, as detailed in section 4
- Band D Council Tax be set at £1277.20, an increase of 1.5% on 2009-10
- Capital expenditure be reduced by £14,293,000, as set out in section 4j

### 4) Financial analysis and rationale

	2010/11	Full year
<b>4a) Abolish resident car parking permit</b>	£1,000,000	£1,500,000
<p>The resident car parking permit has been extremely popular with the minority of Islanders who have one. It was considered by the last non-Tory council but rejected for a number of reasons:</p> <ul style="list-style-type: none"> <li>It would entail an annual subsidy of £20-£40 from each taxpayer, motorist or not</li> <li>It would clog up the Island's car parks, to the detriment of high street commerce and to the benefit of out of town shopping</li> <li>It goes completely against Government policy on traffic management and any attempt to reduce unnecessary car use.</li> </ul> <p>The Administration's costings for its proposed price hikes are unrealistic, and the likelihood of consumer resistance being as little as 5% following a price increase, for example, of 300% for the over 60's is unrealistic. In reality, the permit is being withdrawn by stealth.</p> <p><b><i>The costings here allow for retention of the commuter's permit at the Administration's proposed price, with the option of monthly payment by direct debit at no additional cost.</i></b></p>		

	2010/11	Full year
<b>4b) Error in peak period concessionary fares savings</b>	£267,000	£267,000
<p>The draft budget costings ignore the possibility and likely outcome of an appeal by the bus company, which would negate most of the planned savings. This item corrects that error.</p>		

	2010/11	Full year
<b>4c) Retain existing 24/7 concessionary fare scheme</b>	£13,000	£13,000
<p>This is a minimal cost for avoiding several thousand additional car journeys at peak congestion periods, and at the same time helping the less well off over-60s to get to work.</p>		

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	2010/11	Full year
<b>4d) Performance related pay for cabinet members</b>	-£13,000	-£13,000
One of the 2005 Conservative manifesto commitments was performance linked allowances for Cabinet members. This seems an appropriate time to introduce it, as the reduction would very usefully fund the retention of 24/7 concessionary fares (see 4c above)		

	2010/11	Full year
<b>4e) Energy Conservation (non-schools)</b>	-£190,000	-£285,000
When asked some time ago to quantify investment in energy conservation, and resultant savings, the nominally responsible Cabinet member was unable to give a response either at the time, or subsequently. With the UK's international obligations to cut CO <sub>2</sub> , and an increase in energy prices, this seems an ideal point at which to introduce a modest 10% reduction in energy wastage, with a further 5% per annum thereafter.		

	2010/11	Full year
<b>4f) Remove layer of management – Environment &amp; Neighbourhood Officers</b>	-£450,000	-£600,000
The role of ENOs introduces an extra layer of bureaucracy between the Council and its taxpayers. Properly trained and dedicated elected members and effective channels of communication between citizen and service are a cheaper and more effective solution.		

	2010/11	Full year
<b>4g) Return Senior Management structure to 2005 levels</b>	-£750,000	-£1,120,000
After allowing for national pay awards over the last 5 years and excluding staff involved in PFI and schools, where exceptional circumstances apply, the cost of the current senior management structure is at the very least £1,120,000 more per annum than it was in 2005. It is difficult to see how this is justified on a performance basis, and the District Auditor's view that strategic direction is lacking is a telling one. Phasing in of the savings allows plenty of time for implementation, based on a similar project in 2002. Although by definition none of these senior management posts are "front line", the saving in central departments, where costs have risen in four years by 75%, will be greater than in service departments where the rise is (only) 48%.		

	2010/11	Full year
<b>4h) Internal communication/performance transferred to service managers</b>	-£295,000	-£295,000
In most organisations internal communication is, for very good reason, a prime responsibility of the management structure. The presence of a central function with responsibility for this does not seem to be working very well, or at all. Similarly, most aspects of performance management are a fundamental part of the manager's role, which is not enhanced by a duplicating bureaucratic bolt-on.		

	2010/11	Full year
<b>4i) Abolish propaganda budget</b>	-£350,000	-£350,000
Instead of telling a sceptical world how wonderful the Administration is, this item redirects those resources to front line service delivery, which the local community should find even more impressive.		

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	2010/11	Full year
<b>4j) Prudential borrowing – self financing schemes only</b>	£350,000	£1,470,000
<p>This is a term misleadingly applied to any borrowing undertaken in the absence of Government support in the form of grant aid. In reality, because repayments fall wholly on the local taxpayer, it is only “prudential” if the authority concerned can afford it (which is clearly not the case here) or it generates a positive rate of return. This item removes £14,293,000 of capital spending which would otherwise represent a direct burden on the local taxpayer equivalent to an additional 2% on Council Tax.</p>		

	2010/11	Full year
<b>4k) Financial Recovery</b>	-	£2,235,000
<p>Many of the proposals here have a larger effect in 2011-12 and beyond, which if not frittered away should give significant help in minimising both Council tax rises and service cuts for the foreseeable future.</p>		

	2010/11	Full year
<b>4l) Protecting services – adult services</b>	£523,000	£523,000
<p>These are fairly self explanatory reversals of proposed cuts, some of which will destroy important local facilities which have been built up over many years and currently lever in massive voluntary effort. We do not believe the explanations and assurances provided.</p> <ul style="list-style-type: none"> <li>• Learning disability centres (£250k)</li> <li>• Carers advocacy (£13k)</li> <li>• Saturday respite service (£11k)</li> <li>• Haylands Farm (£21k)</li> <li>• Riverside Centre (86k)</li> <li>• Osel (£112k)</li> <li>• Homelessness and temporary accommodation (£30k)</li> </ul>		

	2010/11	Full year
<b>4m) Supporting People/Client Numbers</b>	£1,850,000	£1,850,000
<p>The current financial mess unfortunately does not allow a complete reversal of these appalling reductions in support for the vulnerable and elderly. This contingency is provided at a level of 50% of the proposed reduction, to be ring fenced and only released with agreement of full Council, in mitigation of the worst effects.</p>		

	2010/11	Full year
<b>4n) Trade Union support</b>	£50,000	£50,000
<p>Without a clear understanding of the positive role that Trade Unions can and do play in periods of major organisational upheaval, there is little chance of success.</p>		

	2010/11	Full year
<b>Council Tax</b>	1.5%	

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Many of the Island's residents are on fixed or index linked benefits and pensions which, unlike the state pension, will not rise this year. Given the generous Formula Grant, low levels of inflation, and the proposals in this amendment, the Council should be aiming to be in the lower range of tax rises nationally.

### 5) Quality Control and Data Provenance

Most, though not all, of the information on which this amendment is based has been provided by the Council, and by the Director of Corporate Services in particular. Some has been derived, for example, from Government and other public realm databases. Subsequent analysis has then been carried out by appropriately qualified independent HR and financial advisers.

Their view is that the assumed phasing of the proposed financial savings is sufficient to allow reasonable time for introduction and to fund transitional costs, and that when taken together the likelihood of significant error is low. Within that overall conclusion, the following items deserve particular mention:

- a) The calculated saving from abolishing the resident parking permit is derived directly from information supplied by the Council, which has then been adjusted in accordance with the monthly profile of permit sales to calculate the part year impact. In order to estimate the cost of retaining commuter permits, it was necessary to rely on usage data which predates the permit's introduction, since when behaviours might have changed. However, variance analysis indicates that the margin of error is acceptably low.
- b) There is clearly a major difference of opinion on the level of savings that will arise from the abolition of peak time concessionary fares for the over 60s. However, the amendment provides adequate funding for retention of the concession regardless of which view is correct.
- c) Proposed changes to the senior management structure have been based on a post by post analysis. The 2005 dataset used is known to be 100% complete, which may or may not be the case with the 2010 information we have used. That is why the calculated savings are quoted as a minimum.

Cllr. Reg Barry

15<sup>th</sup> February 2010.