

Isle of Wight Council

Medium Term Financial Strategy 2009/2012





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Introduction

The existing Medium-Term Financial Strategy covered the financial years 2008/09-2010/11 and was developed to coincide with the first three year Revenue Support Grant settlement introduced by the Government. The MTFs has now been rolled-forward a year and updated to cover the next three financial years 2009/10-2011/12.

There will, however, be some longer term objectives and plans that go beyond the three year period such as School Re-organisation and Highways PFI and for these there will be longer term resource plans developed within this overall framework.

The purpose of the Medium-Term Financial Strategy is to ensure that the overall vision, objectives and outcomes sought for the local community is deliverable within the resources that are available or likely to be available in the medium term. Also that these resources are deployed to the priorities of the Council and that our strategies and activities are driven by the Vision and Corporate Plan and service plans and not just budget or resource led.

This means that over time we have to re-shape our budget and redirect resources away from lower priority areas and ensure we live within our means.

This is set against a backdrop of a deepening recession, fall in income and very constrained resources. This makes it even more essential that we have a well planned realistic and transparent strategy that identifies where resources will come from and how they will be used.

An essential ingredient to the Medium-Term Financial Strategy is the delivery of Value for Money and consequent achievement of significant deliverable savings from transformation and efficiency measures.

The Medium-Term Financial Strategy sets out the strategic financial framework that will support the achievements of the Council's Vision, the improvement priorities needed and the delivery of improved outcomes to our community.



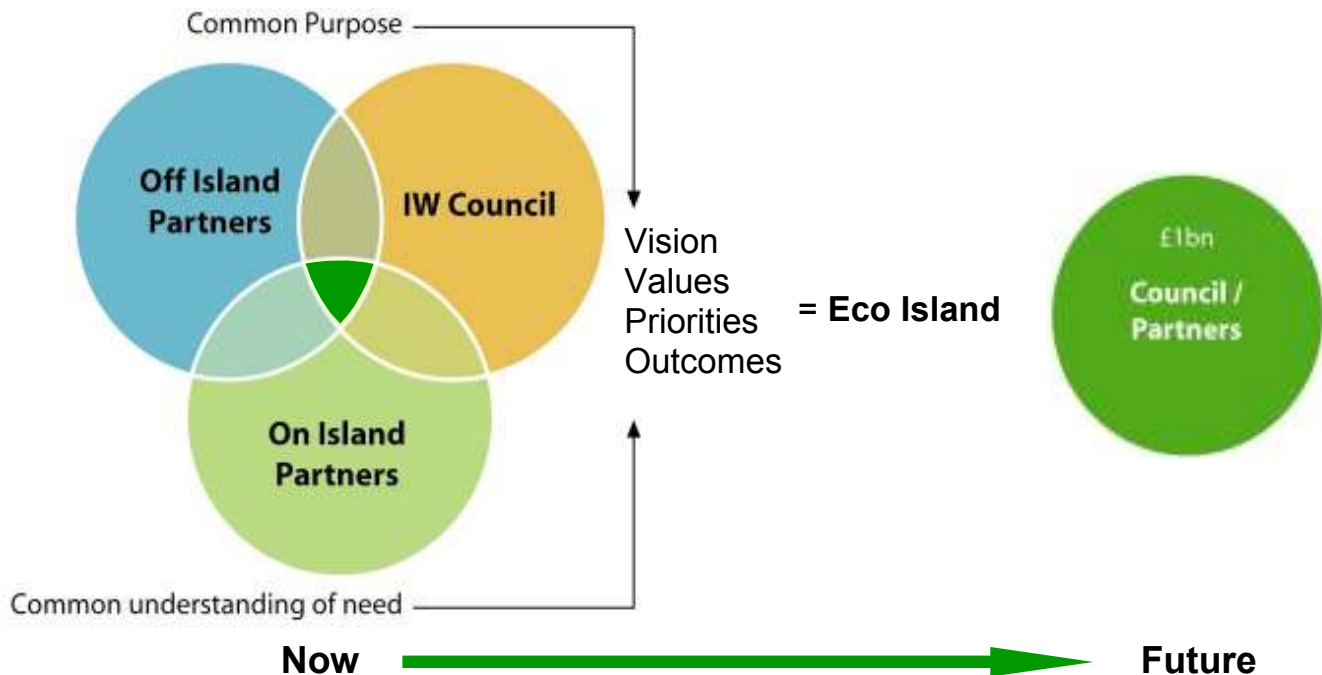
Cllr Barry Abraham
Cabinet Member for Resources,
Residents and Fire Service



Dave Burbage
Director of Resources

Strategic Context

The council has worked in partnership with community, voluntary and other public sector partners to agree our vision, value, priorities and outcomes for the medium term future of the island.



Vision

We want the Isle of Wight to become a world renowned eco island, with a thriving economy and a real sense of pride, where residents and visitors enjoy healthy lives, feel safe and are treated with respect.

Values

Our Island vision is driven by a clear set of personal and community values.

We have:

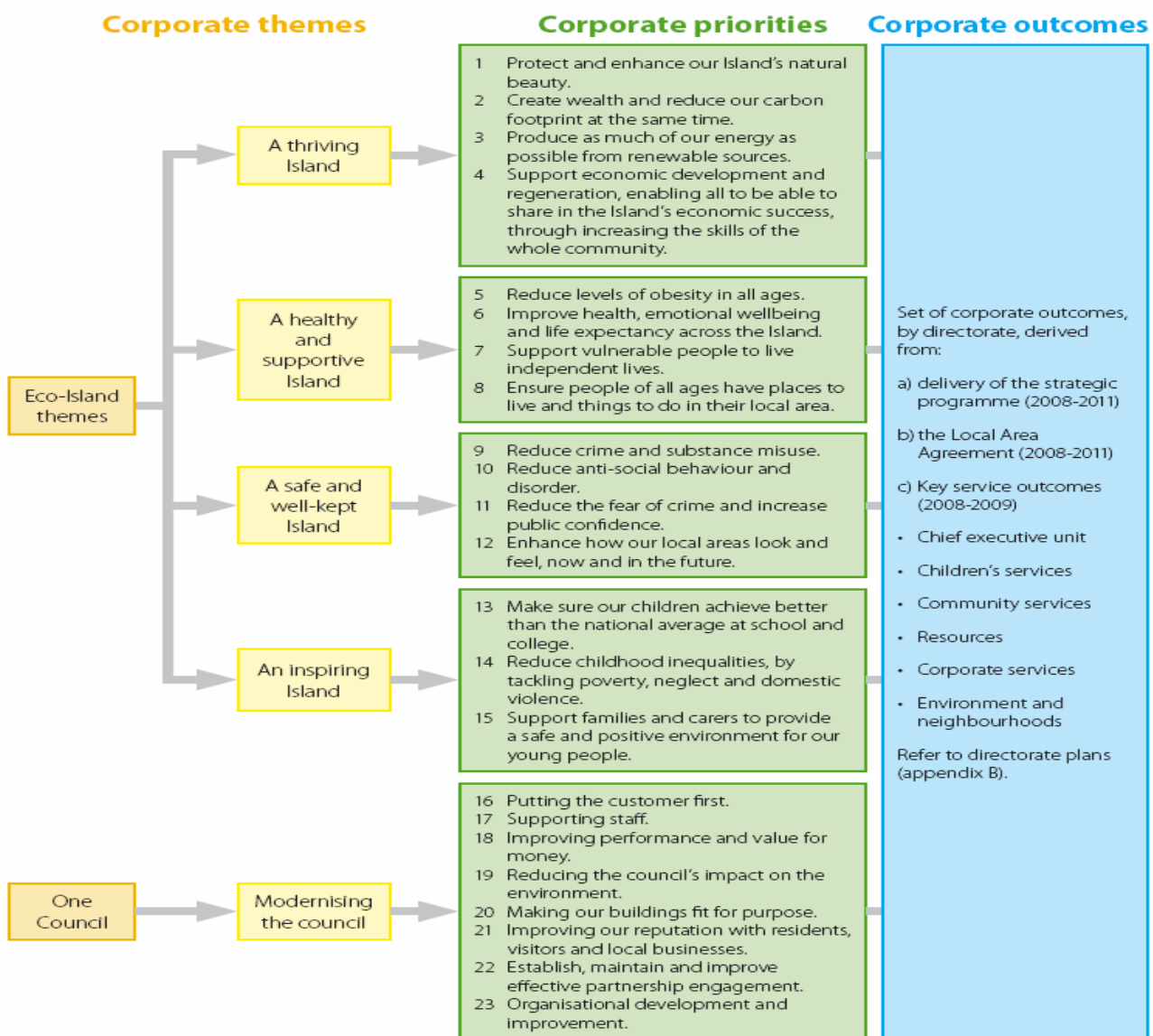
- A strong sense of community engagement
- A passion and enthusiasm for the Island
- A desire and willingness to improve what we do & what we have
- The uniqueness of the Island as the reason to get things done
- A positive, outward-looking approach
- A respect of others and their contribution

The Council's Corporate Plan was agreed by Cabinet in October 2008 as its main strategic planning document, providing a framework for the delivery of our services. It is a clear statement of the Eco-Island vision, strategic aims and priorities, and outlines the key actions which will support the delivery of these priorities.

The Corporate Plan is a key component of the authority’s performance management framework and sets out how the authority’s priorities are translated into action plans, and how the impact of those delivers outcomes for residents.

The themes in the Corporate Plan provide the basis for the setting of the Council’s budget to deliver the key strategic improvement priorities that will make a difference to the way services are delivered and improved for residents and visitors.

The corporate priorities and outcomes under the Corporate Plan themes are:-



The full corporate plan which includes the Local Area Agreement, strategic programme and service plans can be found at

http://www.iwight.com/council/documents/docFiles/CorporatePlan2008_2011.pdf

The 2009/10 revenue budget, 2009/10 council tax and the three year capital programme were agreed by Council at its meeting on 25th February 2009. Although this agreed the specific resources and spend levels for 2009/10, this was done within a medium-term approach.

The key elements of the Medium-Term Financial Strategy are therefore to

- Invest in key projects, priorities and change in services that deliver improved outcomes for residents
- Maintain and improve core service delivery and performance so that we are an effective Council
- Maintain appropriate levels of Council tax increases
- Reduce costs to ensure we are an efficient organisation that delivers Value for Money
- Invest up front in transformation, ICT, and property rationalisation to deliver long-term savings
- Be clear and realistic about the priorities of the Council and its capacity to deliver
- Balance the Budget and deliver a sustainable organisation that lives within its means on an ongoing basis

In delivering on the corporate themes of a thriving island, a healthy and supportive island, a safe and well kept island and an inspiring island the activities outlined in the service plans to deliver the required outcomes are supported by service budgets.

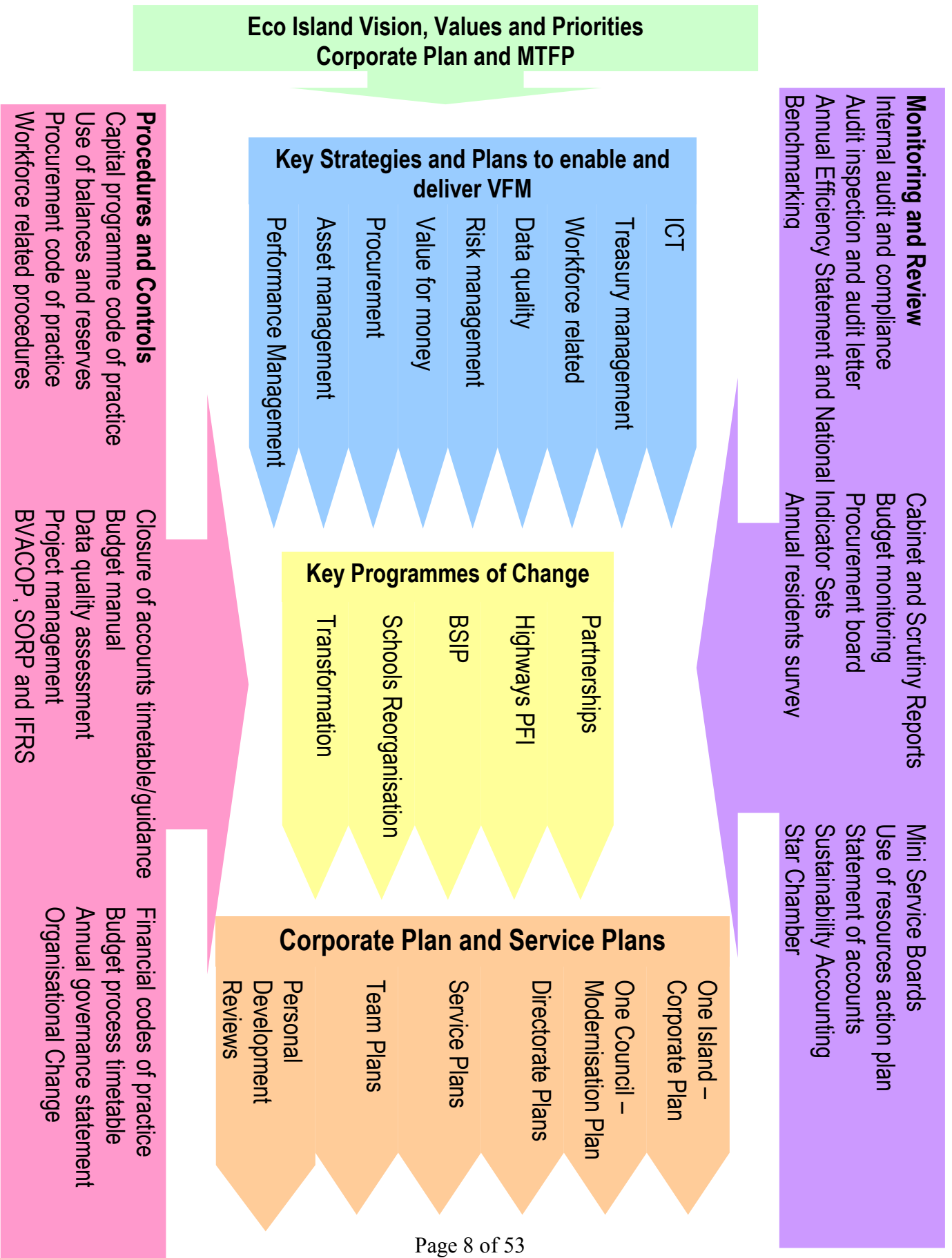
The transformation of services and the way we work in particular is also dependent upon investing up front to deliver improved performance, value for money and securing efficiency savings; and enabling the Council to achieve an ongoing organisation and delivery that matches resources available over time. This approach is underpinned by the principle that the Council should focus its resources on its declared priorities and that partner agencies should also make their contribution to the investment in services to residents. However the Council will also seek to support and stimulate the local economy, wherever possible, through its policies.

Strategic financial planning

The Medium-Term Financial Plan (MTFP) for the Council sets out the projected resources from Revenue Support Grant, assumed levels of Council Tax and fees and charges and projected costs at current levels of activity plus inflation and known service changes.

The overall Revenue and Capital Budget Strategy sets out how the Council will resource the key projects, changes and improvements that flow from the Councils Vision and strategic objectives, along with the redirection of resources over time to meet these priorities, whilst balancing the Budget Gap.

The Medium-Term Financial Strategy (MTFS) encompasses both these elements plus the underpinning strategies and overall financial procedures and practices required to provide a comprehensive and coherent financial framework for all the Councils activities:





The MTFP and Revenue Budget strategy has been rolled forward a year to cover the period 2009/10-2011/12.

The Corporate Plan and Medium-Term Revenue and Capital Budget Strategy agreed by Council clearly sets out the priorities that the Council has and its investment plan for resourcing them.

The major projects that are to be developed and implemented are Highways PFI, School Re-organisation, Fire Service Modernisation, improvement of Leisure Facilities and Housing schemes to meet housing need and reduce homelessness.

In addition the Council recognises that it needs to live within its means, deliver VFM and reduce its costs. The transformation and efficiency agenda is therefore an essential element in achieving that and freeing up resources to meet the investment required for priorities.

The additional investment, efficiencies and savings required are:-

	2009/10	2010/11	2011/12
	£'000	£,000	£'000
INVESTMENT FROM REVENUE, RESERVES AND CAPITAL PROGRAMME			
1. Key Service improvements			
• Highways PFI	1,000	1,000	2,000
• School Re-organisation	500	500	500
• Fire Service Modernisation	300	300	300
•			
2. Upfront investment to deliver an efficient organisation			
• Transformation	750	250	0
• BSIP inc. Capital	3,000	2,000	700
• Property rationalisation	260	1,000	2,000
• ICT	730	615	500
3. Capital investment in Services			
• Fire Service Modernisation	0	3,000	5,000
• Leisure Facilities	1,700	3,000	3,000
• Housing	3,500	3,500	3,500
• Highways and transport	2,500	3,500	3,500
• LTP	5,343	4,835	4,000
• Public Toilets	1,000	0	0
• CCTV	517	0	0
TOTAL	21,100	23,500	25,000
EFFICIENCY SAVINGS			
• Cost reductions/ contingency review	1,390		1,000
• Restructuring/ staffing/cost review	1,483	2,750	3,500
• Containment of volume growth	2,350		
• BSIP	400	1,500	500
SERVICE REDIRECTION AND CHARGING			
• Redirecting costs	358		
• Targeting need and achieving more appropriate costs	2,019	750	
TOTAL SAVINGS	8,000	5,000	5,000

Updated MTFP and Budget Strategy

The Council adopted a three Year Budget Strategy (2008/9-2010/11) at its meeting on 20th February 2008 with the key underpinning investment and resources assumptions being:-

- Council Tax increases in line with inflation as measured by RPI at September, which is the measure by which pension and benefits uplifts are made.
- Investment to achieve the Vision and Aims
 - to deliver improvement and excellence
 - capital and revenue strategies to redirect resources to priorities
 - £30m of prudential borrowing to fund Capital investment
 - £5m revenue investment over three years
- Savings of £12.37m over three years from
 - achieving efficiencies and delivering value for money services
 - transforming services through working and delivering services differently and improving business processes
- Using Balances of £10.2m over three years
 - to enable a planned realistic approach to deliver major change and savings

The overall investment, spend and resource position can be summarised as:

	2009/10	2010/11	2011/2012
	£000	£000	£000
Gross spend	336,706	343,301	349,710
Less dedicated schools grant and benefits	128,885	132,481	136,178
Controllable base	207,821	210,820	213,532
Income from fees and charges and direct revenue grants	75,832	76,969	77,609
Net Revenue Budget	131,989	133,851	135,923
Revenue support grant	59,130	61,397	62,625
Council Tax	68,959	71,154	73,298
General Fund Balances	3,900	1,300	0
Total	131,989	133,851	135,923

Local Government Finance Settlement

The local government finance settlement sets out the resources that the council will receive over the three financial years from 2008/9 to 2010/11 as Formula Grant from the Government, including the Revenue Support Grant and funding set and distributed by the Government from business rates. The provisional local government finance settlement was announced on 6.12.07

and detailed the individual grant figures for each local authority. The final figures were announced on 24.1.08 and remained unchanged in the 2009 announcement on 21. 1. 09.

As previously, 'floors' have been used to protect councils that are heavy losers as a result of changes in the grant distribution methodology. This is paid for within the total amount available for local government by taking grant away from gainers and 'damping' their grant. We are a damped authority and lose £11.658m over the three years of the settlement. Early indications were that there will be no significant change in this position beyond 2010/11. However the ongoing effects of the economic recession may have an impact on the next three year grant settlement from 2011/12 to 2013/14, distributed as part of the Comprehensive Spending Review 2010. Currently the Council's MTFP assumes an increase in Formula Grant of 2% in 2011/12, with no significant change in damping.

	2007/08	2008/09	2009/10	2010/11
	£	£	£	£
RSG	10.900m	8.023m		
Damping	-3.614m	-4.254m	-3.861m	-3.543m
	7.286m	3.769m		
Service grants	2.881m	3.165m		
Total	10.167m	6.934m		
NNDR	43.415m	49.813m		
Total	53.582m	56.747m	59.130m	61.397m
Adjustments			0.43m	.006m
change		+3.165m	+2.427m	+2.273m
		+5.9%	+4.2%	+3.8%

Area Based Grant

In addition to the above changes in Formula Grants, certain grants that were paid by the government to the council as specific grants in previous years, were moved into a new area based grant (ABG) from 1 April 2008. ABG is a general grant allocated directly to local authorities as additional revenue funding to local areas. It is allocated according to specific policy criteria rather than by general formulae. However, local authorities are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

Government has significantly increased local authorities' flexibility over the use of their mainstream resources by moving over £4bn of grants into the new non-ringfenced ABG. This change is intended to minimise the barriers to local authorities using their mainstream resources to support local priorities where they wish to do so. However, it is important to recognise this is not new money, it is a redistribution of resources which are already provided by government and which support existing services. Any proposed redistribution of the grant to support local priorities will have an impact on existing service delivery, and should be matched by an impact assessment and exit strategy for the services affected by the proposal. Since 1 April 2008, ABG



has been allocated on a three year basis to maximise stability and certainty of the amount of grant available to local authorities and how it might be directed to support local priorities.

Area Based Grant	£ 2008/09	£ 2009/10	£ 2010/11
Communities and Local Government	516,864	457,045	5,964,500
Children, Schools and Families	3,231,306	3,587,965	3,293,698
Department of Health	3,598,539	3,645,734	3,681,000
Home Office	185,789	185,789	186,000
Department for Transport	543,482	560,202	563,000
Environment, Food and Rural Affairs	0	0	0
Work and Pensions	0	0	0
Total ABG	<u>8,075,980</u>	<u>8,436,735</u>	<u>13,688,198</u>

Capital and Revenue Budget Allocations

Capital Budget

The level of capital investment is dependent upon the resources available. These are essentially direct grant and support for specific schemes from government and other parties, capital receipts from disposal of assets, prudential borrowing and revenue contributions.

Whatever the resources available, however, the overall programme needs to directly reflect and support:

- (i) The Council's Vision and strategic objectives
- (ii) The Capital Strategy that will help deliver them
- (iii) The relationship to the revenue budget strategy and Medium-Term Financial Plan

In the light of the stated priorities of the Council, the overall resources position and deliverability, officers have undertaken a review of the overall capital programme. This has looked more realistically at the profile spend on committed schemes, looked at uncommitted schemes and potential additional bids for schemes not yet in the programme such as the review of leisure facilities and Fire Service modernisation.

Schemes have been reviewed and included on the basis of the following classification ;-

- Children's Services/Schools – projects to be met from specific funding allocations
- Local Transport and other capital projects with specific allocations/grants
- Committed Schemes within the already approved capital programme.

The remaining uncommitted schemes together with new bids have then been considered against the resources available, the capacity to deliver them and their match with the priorities of the Council.

For Fire Modernisation it will be necessary for Cabinet to consider a full report on the proposals, their rationale and detailed costings. Whereas provision has been made for potential revenue costs excluding the capital element, it is likely that to accommodate some £8m of capital costs additional prudential borrowing may be necessary. For prudential borrowing we need to demonstrate that the level of prudential borrowing is affordable and in line with prudential indicators set out in the statutory guidance.

Capital Receipts from disposal of assets have been based on a programme of identified sites and their potential proceeds. The ability to generate additional capital receipts will be reviewed as part of the overall property rationalisation and Strategic Asset Management Strategy.

The overall position on capital resources and investment would then be:-

	Estimated 2008-09 £'000	Estimated 2009-10 £'000	Estimated 2010-11 £'000	Total £'000
CAPITAL EXPENDITURE FORECAST				
Community Services	3,288	4,951	8,411	16,650
Children's Services	10,335	9,493	56,988	76,816
Environment and Neighbourhoods	8,098	19,223	20,057	47,378
Chief Executive	60	25	0	85
Resources	5,773	6,246	3,400	15,419
Less Slippage	-	-	-12,129	-12,129
TOTAL EXPENDITURE FORECAST	27,554	39,938	76,727	144,219
RESOURCES AVAILABLE				
Supported Capital Expenditure	10,647	8,231	13,642	32,520
Council funded	5,530	0	0	5,530
Prudential Borrowing	4,301	14,963	10,736	30,000
Grants & Contributions	4,383	14,452	50,077	68,912
Capital Receipts	2,300	1,920	1,900	6,120
Revenue Contributions	393	372	372	1,137
TOTAL RESOURCES AVAILABLE	27,554	39,938	76,727	144,219

Revenue Budget

The strategy assumes that the Council Tax increase will be in line with inflation as measured by the Retail Price Index (RPI) at September each year, for 2008/9 this was 3.9% and Council Tax was set at this level. For 2009/10 the comparable figure would have been 5%. However since then the annual inflation as measured by the RPI has dropped significantly. The inflation suffered by the Council will be higher than this as a result of pay awards and contract costs and it does not reflect additional costs for increased service responsibilities or the true impact of the national concessionary fares scheme.

In striking a reasonable balance between Council Tax increases, making further savings and reductions and increasing fees and charges, and in line with the results of the Budget consultation, it is felt that an increase of 5% would be too high, and that the assumed level set out in the Medium-Term Budget of 3.5% should be used. The Government has indicated that they will cap increases of over 5% and have written to all Councils urging increases to be lower than this. The formal Council Tax resolution has been approved by Council along with the final precept figures. At 3.5% a band D property would be £1,258.35p and increase of £42.55 or 82 pence per week. On top of this would be the Police precept and Parish precepts.

For future years and in view of the declining RPI %, the MTFP assumes an ongoing council tax increase of 2.5% per annum.

The Council Tax base for 2009/10 has been calculated at 54,892.50 based on the number of band D equivalents and an assumed collection rate of 99%.



Isle of Wight Medium Term Financial Strategy

Budget Forecast Summary Draft

Base Option - Calculation Based on Three Year Formula Grant Settlement

Council Tax Increase Based on 3.5% in 2009/10 and 2.5% Thereafter

Budget Forecast

10/03/2009

	Working		2008-09		2009-10		2010-11		2011-12		Notes
	Paper		Schools	Other	Schools	Other	Schools	Other	Schools	Other	
	Ref		£000	£000	£000	£000	£000	£000	£000	£000	
Base Budget 2007-08/2008-09	R1		0	113,992	0	127,612	0	127,612	0	127,612	
Star Chamber 2009/10											
Base Budget Adjustments	R2					638		687		687	
Credit Crunch/Economic Downturn	R2					2,012		2,012		2,012	
Identified Savings Adjustments	R2					-738		-276		-414	
Car Allowances, Supplies etc	R3					-500		-500		-500	
Base Budget Adjustments											
Growth				2,948		0		0		0	
Savings				-1,138		0		0		0	
New Growth per Star Chamber 2008/9				2,440		0		0		0	
New Savings per Star Chamber 2008/9				-1,883		0		0		0	
Base Budget Changes from 2007/8	R4			268		0		0		0	
Redirection/New Growth				1,000		0		0		0	
Service Volume Pressures				0		0		1,346		1,928	
Contingency for Income Loss				0		0		250		500	
Inflation - Schools	R5		1,828		1,520		3,092		4,466		Current projection of the likely impact of inflation
Inflation (net) - Pay - 2.0, 2.0, 2.0; Prices - 2.5, 2.5, 2.5; Adjusted for Specifics e.g. Fuel; Income 0.0%	R5			2,805		4,227		7,486		10,754	
Inflation - Pay impact of 2007/8 Award				250		0		0		0	
Inflation - Contingency for 2008/9 pay				265		0		0		0	
Inflation - Contingency for 2009/10 pay				0		116		233		348	
Inflation - Cash Limiting				-500		0		0		0	
Capital financing costs - MRP	R6			1,300		673		1,323		1,843	Impact of capital financing costs of capital programme
Prudential Borrowing/SCE Interest	R6			256		902		1,491		2,011	
Revenue Implications of Capital				0		0		120		240	
Reduction in Interest Rates on Advances	R7					847		847		847	Interest on advances
Change in Dedicated Schools Grant	R8		-2,693		-1,475		-3,969		-6,269		Final DSG figures to be confirmed
Contractual pay increments			29	0	29	0	58	0	87	0	
Non-teaching staff pensions			0	0	60	0	120	0	180	0	
Spend to match Dedicated Schools Grant			836	0	-134	0	699	0	1,536	0	
Specific Grants											
LABGI grant				552		0		0		0	
Impact of grants into RSG				2,790		0		0		0	
Pension Fund Increases - 1.0, 2.0, 3.0	R9			0		450		900		1,350	Current projection of likely increases
Special expenses				250		0		0		0	
Demographic Changes - Adults				930		0		0		0	
Demographic Changes - Children				1,270		0		0		0	
Concessionary Fares Scheme				810		0		0		0	
Landfill Tax - £8 per tonne				320		0		320		640	
Highways PFI Revenue Costs	R10			0		0		0		565	
Highways PFI Contract Management	R10									500	
Earmarked reserves/carryover				687		0		0		0	
Savings target (-) 2008/9				-2,000							Ongoing saving in base budget
Further savings/growth (-) 2009/10				0		-4,250		-5,000		-5,000	
Further savings/growth (-) 2010/11				0		0		-5,000		-5,000	
Further savings/growth (-) 2011/12				0		0		0		-5,000	
Sub-totals			0	127,612	0	131,989	0	133,851	0	135,923	
Formula Grant				-56,747		-59,130		-61,397		-62,625	
Council Tax Yield	R11			-65,865		-68,959		-71,154		-73,298	
Withdrawal from balances				-5,000		-3,900		-1,300		0	



Isle of Wight Medium Term Financial Strategy

Net expenditure	0	0	0	0	0
Formula Grant	56,747	59,130	61,397	62,625	
Withdrawal from reserves	5,000	3,900	1,300	0	
Council Tax yield	65,865	68,959	71,154	73,298	
Tax base (band D equivalents)	54,484.2	54,892.5	55,167	55,443	
Basic	53,623	54,106	54,377	54,648	
Second homes	3,253	3,353	3,370	3,387	
Special expenses	0	0	0	0	
Collection Fund surplus	-377	-115	0	0	
Band D Council Tax	1,215.80	1,258.35	1,289.80	1,322.05	
Tax increase (%)	3.900	3.500	2.500	2.500	

Three Year Grant Settlement to 2010/11 only - 2% increase thereafter

Tax Base in future years increased by 0.5% per annum

Currently based on 2009/10 projections



Key Programmes of Change

Business Systems Improvement Project

The Council inherited a number of key systems from its predecessor authorities when it assumed unitary authority status in 1995. These systems included the general ledger, creditor payments and commitments, sundry debtors, cash receipting, payroll and HR, which were a combination of in-house developments and old, externally procured systems. Since that date the systems have largely been developed in isolation, which allows for minimal integration through overnight processes and means that up to date, on-line information is not readily available. In addition, because of their age the systems are not user friendly in modern terms, which makes purpose written reports difficult and, more significantly, resources are wasted through manual processes, duplication of effort and extended time taken to complete what should be simple tasks.

In December 2007 the Directors' Team approved the development of a business case to replace the existing systems with a modern suite of systems, fully integrated in order to provide maximum benefits to the organisation in terms of process improvements. The new systems will transform the way the Council does business and represent a significant step towards achieving modernisation. In particular, the systems will:

- improve financial management and monitoring

- provide self-service HR information for staff and managers, enabling better utilisation of HR staff time
- provide improved management reporting on Finance and HR to avoid duplication of effort, allow more time for analysis and interpretation and enable positive management action to be taken as a result
- introduce a purchase to pay system which covers all processes from placing an order with a supplier through to making payment
- enable improved value for money as spending will be restricted to fewer suppliers with centrally negotiated contracts, encouraging improved compliance and avoiding 'maverick' spending
- improve decision making and performance management
- provide an integrated facility in a modern technological environment which will prove easier for all staff in the Council to use
- improve the efficiency and cost-effectiveness of the Council

In order to achieve the benefits from an improved suite of business systems will require an up-front investment of £5.5m over a 5 year period (both capital and revenue). The resultant improvement in business processes and procurement options for the Council have been factored into a benefits realisation model, which indicates that the project will deliver efficiency savings for the Council amounting to £27.6m over a ten year period. In total, and including the costs of borrowing and interest payments on the capital investment, the net benefit to the Council is estimated to be £18.8m on a Total Cost basis over ten years.

Highway Maintenance PFI Pathfinder Project

On 25 March 2008 it was announced by the Transport Minister that the Council's Highway Maintenance Private Finance Initiative (PFI) bid had been approved. This pathfinder PFI scheme will allow the Council to address the backlog of maintenance and repairs on the Island's roads. The level of funding, which equates to £853m over 25 years, is unprecedented on the Island and will require a dedicated team of people to deliver this critical project in partnership with the successful bidder. The Outline Business Case is currently planned to be submitted to the Department for Transport by September 2009. Once the Department for Transport and the Treasury have considered and ratified the Outline Business case, the procurement phase will commence.

The project bid envisages investment of £138m over the initial 7 year period to address backlog maintenance, with a further £135m of ongoing maintenance at today's prices. The inclusion of optimism bias and inflation equates to £853m by the end of the project. This is funded by an initial PFI grant of £325m, increasing to £604m over the 25 year period. The balance will be funded by the Council from its revenue budget, augmented by interest accrued on available project balances from year to year. In order to secure a successful outcome, the Council has procured professional advice for legal, financial and technical aspects of the project. The initial broad estimate of the preparation costs was £3m and this has been provided for from reserves and balances. It was always anticipated that a detailed review of the costs of all the preliminary

elements required would be undertaken once a full-time project Director was in post and the project team was up and running. This has now been done and including external legal and financial fees the costs spanning the next three years will be some £7.6 million . The additional preparation costs over and above the £3m will not fall to be met until after 2009/10 and further provision for these will be made then

Schools Reorganisation

At a meeting of Isle of Wight Council's Cabinet on 24 November 2008, members agreed with the officers' recommendation (Option C) and voted in favour of proceeding with the education proposals that were formally consulted on from 23 June to 10 October 2008, with some amendments. Below are some of the main areas agreed as part of the proposed reforms following the decision:

- Establish a new primary (4 - 11 age range) and secondary (11 - 19 age range) school system. The primary sector will have no schools below a 1 Form Entry (A maximum of 30 new pupils in a year group) and no schools larger than a 2 Form Entry (A maximum of 60 new pupils in a year group)
- All community secondary schools will be established as new schools and be let under government competition rules. The council will not bid to run these schools as this will allow the authority to adjudicate the submissions.
- Recommendations in respect to individual schools are approved, in relation to the revised list.
- Council officers prepare a full business case analysis for the provision of an appropriate school transport system.
- In areas where there has been significant response or concern to the proposals, an independent education panel has been established to review the proposals. This panel has now published a report.

The full Cabinet paper can be seen by clicking below:

[Cabinet Papers](#)

Transformation

The Isle of Wight Council has a vision to become

“an efficient council meeting the needs of the island”

and the Transformation Programme is key to the delivery of this. To achieve the vision, the Transformation Programme must deliver a council:

- with optimised use of resources,
- with no unnecessary causes of inefficiency,
- with proper control of expenditure,
- with the agility to respond to changes in demand,
- with a clear view of the outcomes service delivery is intended to achieve,

- which understands the expectations of citizens, communities and customers,
- which delivers services that predictably meet these expectations,
- which is able to reliably forecast future demand.

The Transformation Programme will focus on delivering phased organisational improvement within the following key areas:

- Workforce Development,
- Process Improvement,
- Information Management,
- Resource Management,
- Asset Management,
- Service Design,
- Finance Management,
- Performance & Planning,
- Technology,
- Energy Management.

Partnerships

Island Strategic Partnership

The Isle of Wight Council is committed to adopting a community leadership approach to driving improvement in all that it does, and the Audit Commission has identified the following key aspects of effective councils in adopting this approach

1. Local democratic leadership
2. Leadership through partnership
3. Communities leading themselves/community development

One Council One Island Change Management Plan identifies that the Council's ability to lead and/or contribute to partnerships will be increasingly important if they are to secure improvements in local communities. In addition, the Government's Comprehensive Performance Assessment (CPA) is placing an increasing emphasis and importance on partnerships; and Comprehensive Area Assessment (CAA) will focus on the Council's approach to political, managerial and community leadership and how outcomes are delivered through partnership working.

The ISP is the Island Strategic Partnership - bringing together representatives from the public, business, voluntary and community sectors to deliver a Community Strategy for the Island.



Eco Island is the Sustainable Community Strategy for the Isle of Wight. Eco Island is based on the needs of the Island and what residents and business have told us, Eco Island is a roadmap to a sustainable future for the Island and sets the agenda for the ISP.

Eco Island will be supported by many plans and strategies including the 2008 [Local Area Agreement](#) (LAA) - a contract between the government and the Isle of Wight that identifies targets for change that will help to deliver Eco Island.

From April 2008, the ISP has been governed by an ISP Board (like a board in a private company) comprised of community leaders from the public, voluntary, community and private sectors on the Isle of Wight and in the South East.

The ISP has created four key delivery partnerships that will work together to deliver Eco Island's four main themes:

- A thriving Island
- A healthy and supportive Island
- An inspiring Island
- A safe and well kept island

Working in an open and accountable manner is central to the partnership. Meetings of the ISP Board are open to the public and details of activities are publicised in the local media and on this website in the meetings section.

More about the ISP and how it works can be found by [clicking here](#).

Participatory Budgeting

The Sustainable Communities Act 2007 encompasses the encouragement of economic, social and environmental wellbeing in a local area, including participation in civic and political activity. There are a number of development opportunities within related legislation which could benefit the Island and the Council. Participatory Budgeting (PB) was introduced in the Local Government and Public Involvement in Health Act 2007, subsequently clarified through statutory guidance: Creating Strong, Safe and Prosperous Communities, CLG 2008. In the recent White Paper, Communities in Control, the Government reaffirmed its intention to extend PB to all local areas by 2012. It is an area which is being emphasised by the Secretary of State as key to success for LSP leaders in a local area.

PB involves the delegation of control of identified funds to the most local level. It is seen by Government as a powerful mechanism for local groups and communities to control their local services, even including delivering those services themselves. The funds would come from a pot agreed by the Council and/or the ISP. However, the concept of PB is not suitable for the majority of local authority mainstream spending. It is more suited to uncommitted, new or flexible resources at the margins of the revenue budget which should be ongoing rather than

one-off. In order to be a success advice is to start small, but with a worthwhile amount, building the scheme up as expertise grows and benefits are realised.

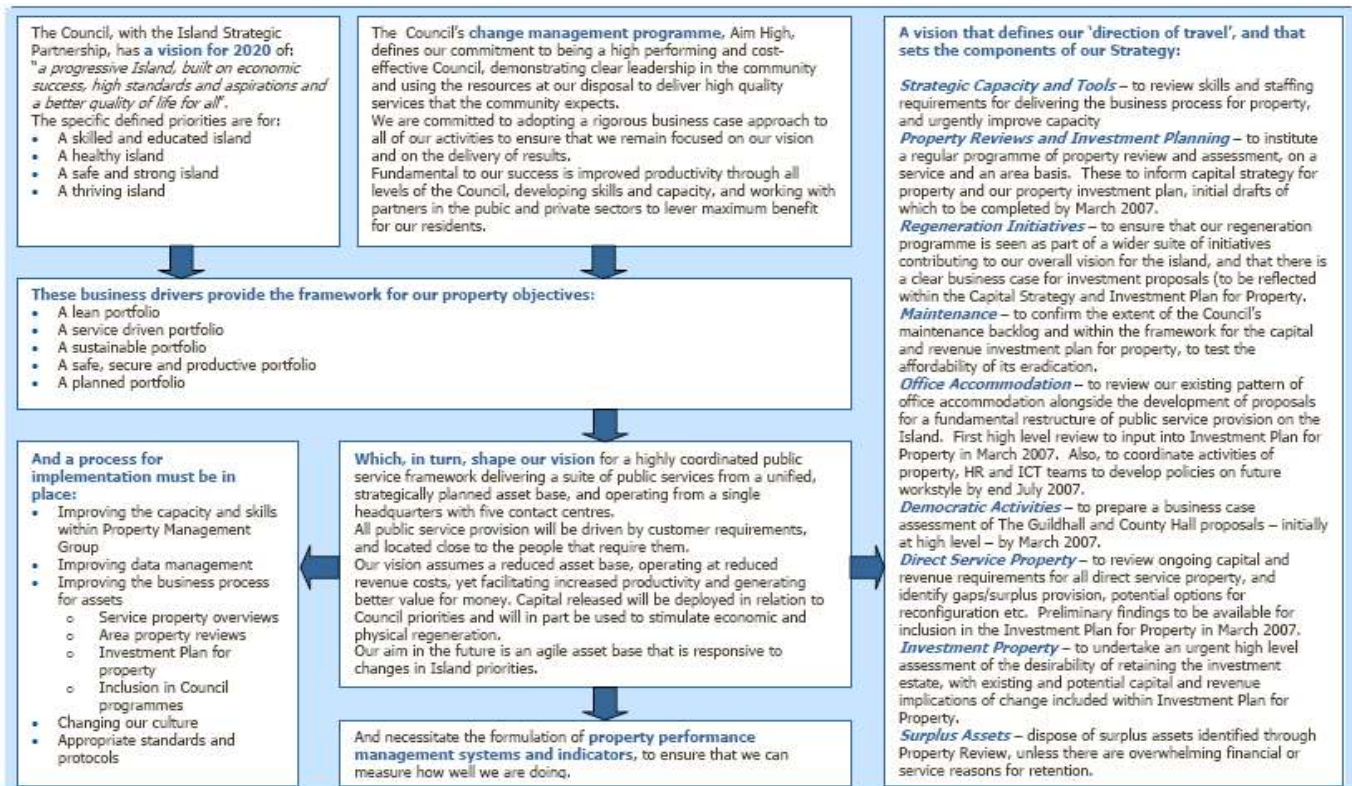
The council is currently considering how PB could be introduced with the intention of introducing a scheme in 2009/10.

Key Strategies and Plans to enable and deliver VFM

Asset Management

The Council's Strategic Asset Management Plan sets out the overall business goals and objectives of the Council, and identifies the implications for Council property. It develops the property objectives and property critical success factors, which are designed to guide property decision making and performance measurement in the future. A vision for the Council's future property portfolio is set out which although it may change over time, provides a backdrop against which the current portfolio can be evaluated and assessed. Each category of the portfolio is considered in turn to highlight broad actions needed to drive the Council towards achievement of its property objectives. A specific action plan is proposed, involving a series of business case assessments and reviews of property performance to determine a precise course of future action, and to ensure that judgements made about the portfolio are evidence-based.

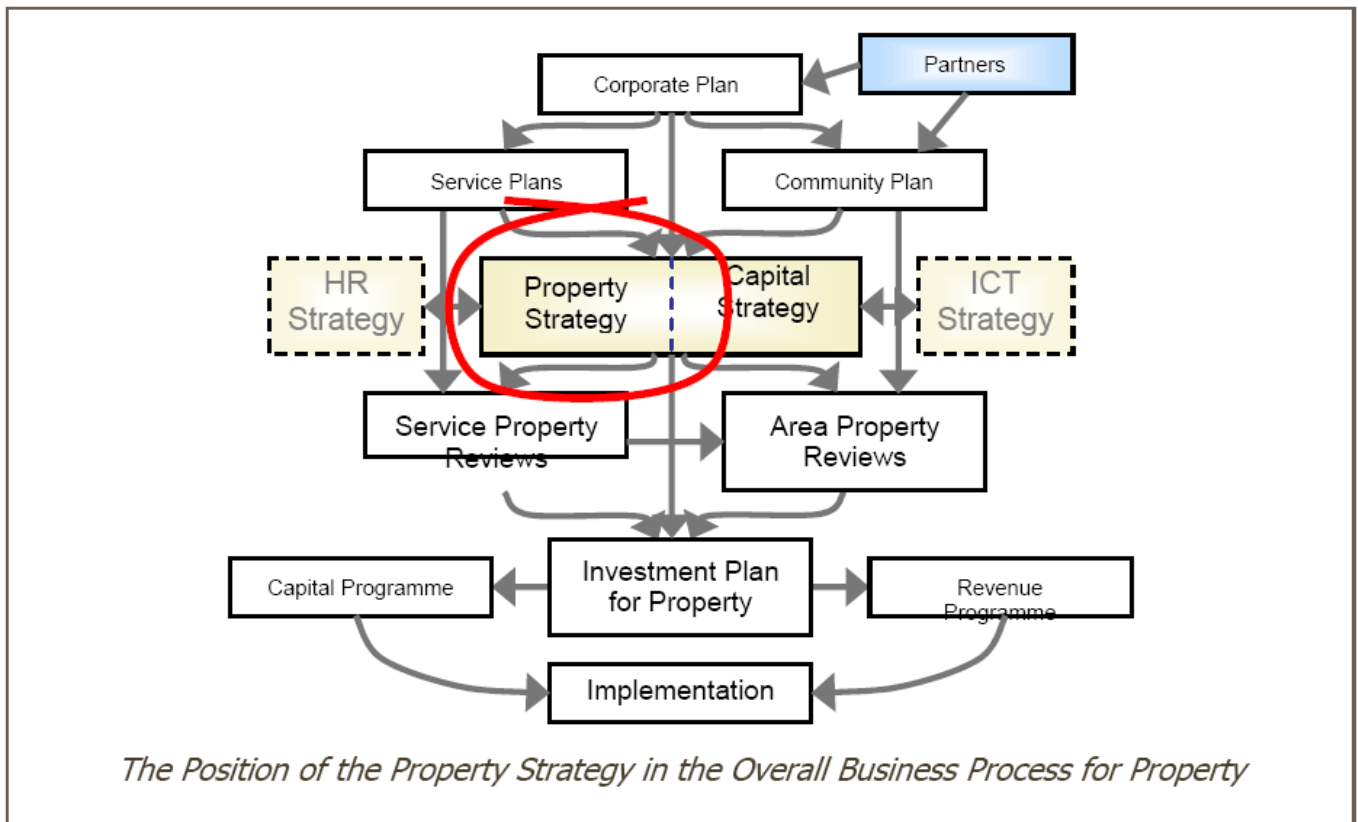
The property strategy is summarised below:



The full SAMP is available at <http://www.iwight.com/council/committees/cabinet/7-11-06/agenda.htm>

Property Review

A series of reviews of property, service needs, investments and regeneration opportunities are underway with a view to moving the asset management plan forward.



Education

Asset Management Plans (AMP's) are developed by Local Education Authorities in consultation with schools and dioceses. They will provide the information to help local decision-making on capital spending priorities and inform the Department for Education and Skills on capital allocations.

To access the Isle of Wight Council's Schools Asset Management Plans click on the link below:
[Isle of Wight Council's Schools Asset Management Plans](#)

Engineering asset management plan

The Council acknowledges that the highway asset had deteriorated due to a lack of investment in the past; our long term aim is to have a highway network that is fit for purpose and more able to meet the demands of an Island seeking regeneration as part of the Eco-Island agenda.

To ensure that funding was targeted the Council has prepared a Transport Asset Management Plan (TAMP), published in July 2006. The TAMP considers all parts of the highway asset and sets out an approach that considers and prioritises the management of the highway network. The TAMP is considered essential for a number of reasons, these include:

- The effective management of the highway.
- Delivery of LTP schemes
- Consideration, development and delivery of our PFI bid.

Transport Asset Management Plan (TAMP)

The TAMP sets out the Council's standards and priorities for maintaining the Island's transport network for all users, whether they be pedestrians, cyclists, motorists or users of public transport. The plan covers all elements of the transport infrastructure managed by the Council, from roads and footways to street lights and traffic signs. The plan aims to ensure that a safe, usable and sustainable network is provided for all transport users.

The Council is acutely aware of the importance of managing an effective highway network as the ramifications extend beyond transport. It is fundamental to the economic, social and environmental success of the Island.

Improving our Management Systems

To ensure that the TAMP is fully implemented an ongoing management system needs to be in place which includes the following elements:

- Calculation of the highway assets value – including an assessment for depreciation.
- Asset Register – inventory data of all assets and values.
- Condition Assessment Regime.
- Performance Management Targets.
- Improvement Programme – three and ten year strategies.

By implementing the above management systems the Council aims to achieve the following objectives:

- Ensuring value for money including Gershon savings.
- Targeting spend.
- Achieving corporate aims and objectives.
- Financial risk assessments.
- Support the PFI bid.

What is included in the TAMP?

The TAMP included the following highway assets:

- Highway Structures
- Carriageways, including roads and footways
- Public Rights of Ways including cycle tracks, bridleways and footpaths
- Street Lighting
- Street furniture
- Public Car Parks
- Cowes Chain Ferry – linking Cowes and East Cowes and used by foot passengers, cycles cars and light vehicles.
- Wightbus – The Council's in house bus fleet.

Completion and refreshing the TAMP

The TAMP has been completed and is in the process of being refreshed. The TAMP has formed an essential part of the PFI bid which was submitted in September 2006. The TAMP process has assisted the Council with the compilation of an asset register which has in turn

assisted with the current capital programme and in doing so ensuring that money has been targeted to the areas with the greatest need, whilst still offering value for money.

Procurement

The Procurement Strategy's principal purpose is to set the overall context for procurement and, by building on some current elements of good practice, to map the future developments and likely improvements in the way the Isle of Wight Council approaches its procurement activities as a whole. Delivering quality public services is an overriding objective of Government – both at central and local level. The Isle of Wight Council will actively strive to obtain value for money in the way it spends its available resources, so that it may in turn offer value for money services to the public it serves. In doing so the Council will seek:

- To ensure all procurement activity undertaken by and on behalf of the Council is carried out with integrity and is compliant with all relevant legislation, and that it is conducted in a fair, objective and transparent manner.
- To ensure that the appropriate procurement skills are developed and embedded throughout the organisation (recognising the highly devolved nature of the organisation and the fact that the great majority of spending is carried out by front-line staff in individual Service Units).
- To identify and pursue a range of options and tactics most suitable to the particular procurement being undertaken, having regard to the “procurement positioning matrix” set out in this strategy.
- To systematically review all current contracts (and non-contract expenditure) to identify potential opportunities for improvements through, *inter alia*:-
 - More effective demand aggregation
 - More suitable “repackaging “ of the service work content
 - Alternative methods of service delivery (including partnership/ collaborative/ outsourcing/ internalising options, etc.).
- Furthermore, to ensure that such efforts are not diluted or undermined by the existence of artificial barriers such as departmental boundaries (and ensuring the mandatory use of any established corporate contracts throughout the Council).
- To recognise the Council's position in the local community as both a significant customer and a key strategic player in the well-being of the local economy, and thus to seek to develop a range of procurement initiatives (where practical and legally allowable) to encourage the development of the local supplier base.
- To actively encourage the identification and utilisation of a range of “environmentally friendly” products and services by the Council as a whole, thereby contributing positively to the Council's Agenda 21 strategy and its commitment to sustainability issues in general.
- To present to the marketplace as a whole a positive image of the Isle of Wight Council as being an “intelligent client” with whom suppliers and contractors would wish to do business. This to be reinforced through:-
 - Good standards of procurement documentation and communications generally
 - A balanced approach to risk
 - Open and fair conduct throughout
- To review and develop effective and efficient information systems relevant to the needs of a modern day procurement activity, including the development of e-procurement capability.

- To invest in the Compliance Section of the Council's Financial Services Department the necessary resources and authority to effectively focus on, co-ordinate and help deliver the key elements of this procurement strategy, and the dissemination of procurement best practice throughout the Council.

A full copy of the strategy document is available at
http://www.iwight.com/council/documents/strategies_and_schemes/#17

Although the Procurement action plan was produced in response to the Undercliff Drive investigation, its recommendations are not restricted to that scenario but rather seek to ensure that procurements practices within the authority are improved overall and the wider issues addressed. These issues can be best summarised as:

- Inadequate supervision and line management of staff.
- Some senior officers taking a narrow and restrictive view of their role.
- Failure to follow Standing Orders and Financial Procedures.
- Failure to consult or keep Members informed.

It also outlines the need to lead the development of a culture that sees constructive supervision and line management as the norm, where officers take pride in delivering an all round customer driven service and where following Council procedures is second nature and where appropriate working relationships exist between officers and Councillors. Achieving such a "cultural" shift needs to be reflected in how we recruit, train and develop staff, what is encouraged and rewarded, how we continue to improve the standards of services we offer in line with the best in Local Government and last but certainly not least, the behaviour of senior managers and Councillors in leading the improvement journey. The Implementation Plan will play a significant role in managing the risks associated with major procurement and will mitigate the strategic risk identified in the Council's Strategic Risk Register, in addition to the newly approved Procurement Code and Board.

The full action plan can be viewed at <http://www.iwight.com/council/committees/cabinet/8-1-08/agenda.pdf>

Value for Money

The Council has a duty to achieve best value in its activities and use of resources. The Council is required to demonstrate that it achieves Value for Money and the Comprehensive Performance Assessment (CPA) and Comprehensive Area Assessment (CAA) include a significant element for a Value for Money judgement.

In any event the Council has a clear priority to achieve Value for Money from all its activities, whether they are funded from Council Tax, Government Grant or any other source.

The Council has constrained resources and to deliver the maximum outcomes residents need means being effective in the delivery of services at optimum cost.

The Council has generated efficiency savings of £25 million over the past 5 years and achieved the required Gershon efficiency savings of 2.5% per annum between 2004-05 to 2007-08, from April 2008 a new national indicator was introduced NIS 179 Value for money – total net value of ongoing cash - releasing value for money gains that have impacted since the start of 2008-09. In 2008/09 the Council achieved £4.7 million and is forecasting to achieve £5.7m in 2009/10.

The objective of the Value for Money Strategy is to ensure that the Council has in place a framework and the necessary activities and monitoring and review processes that enable Value for Money to be delivered across all Council's services.

This means not only having the necessary foundations upon which Value for Money can be built such as sound financial management procurement procedures, budgetary control, performance monitoring etc., but also having key monitoring information on what things cost, benchmarking, cost comparisons, outcome measurement etc. so that effective decisions can be made.

Risk Management

This Strategy and Policy Document and Practical Guide to Risk Management, reviews and revises the previous Risk Strategy and Policy Document March 2003 and Risk Management at the Isle of Wight Council revision May 2005 and provides the framework for the management of risk across the Isle of Wight Council and guidance to all employees and Councillors relating to their responsibilities in respect of risk management. It informs the supporting processes agreed by the Council to identify, assess, manage, review and report its strategic and service (operational) risks.

The aim of the Isle of Wight Council's approach to risk management is to contribute to the achievement of the Council's Vision by:

- Improving services;
- Minimising losses and waste of resources;
- Maximising opportunities;
- Protecting staff, citizens and clients;
- Protecting the Council's assets, reputation and operational capacity.

The Council has a defined and agreed framework and process for identifying, assessing, managing, controlling, reviewing and reporting its risks There are a number of fundamental principles surrounding risk:

- The Council is *pro-active* in both identifying and managing risk. It will not simply allow risk to materialise and thus impact on the Council's aims or on its ability to deliver services to the public.
- The Council will deploy its *performance management* systems to actively manage risk. Some of its management focus will therefore be deliberately aimed at controlling risk to an acceptable level or otherwise removing it.
- The organisational structure, its reporting mechanisms, and defined responsibilities of members, management and staff all have a part to play in managing risk.
- Risk will be a consideration in *all* activities that the Council undertakes, including projects,

decision making, procurement, partnership working, and risk management techniques will be applied consistently to all such situations.

- Risk will be managed at the lowest appropriate level within the Council.

A full copy of the risk management strategy is available at:

www.iwight.com/council/documents/strategies_and_schemes/#18

A risk management report is produced on an annual basis for Full Council outlining the achievements of the past year and the improvement planned for the following year. Copies are available on <http://www.iwight.com/council/meetings/current/committeeDetail.asp?cmteld=17>

Workforce Related Strategies

Rising customer expectations, the need to deliver joined up person centred services, more effective partnership working and the need to deliver efficiencies and value for money, whilst still responding to the ever increasing inspection regime means that old solutions are no longer effective. As a council we need to raise our corporate game to deliver real and lasting change. This means developing a high performing culture, becoming a learning organisation, shifting the focus from service delivery to service transformation and excellence, boosting capacity, maximising the cross fertilisation of ideas, pooling resources and sharing knowledge and skills. The council's organisational development strategy, refreshed overarching people strategy and workforce development plan set out the underpinning actions that will assist the council in moving towards being recognised as a high performing authority.

Implicit in all aspects of these workforce related strategies are three guiding principles which acknowledge that:

- People want to contribute
- People want to work for an organisation they can be proud of
- People want their contribution to be recognised

Key themes for strategy and policy direction will therefore include:

- Planning for future workforce requirements
- Transforming people management practice
- Developing the skills of people at all levels

Performance Management

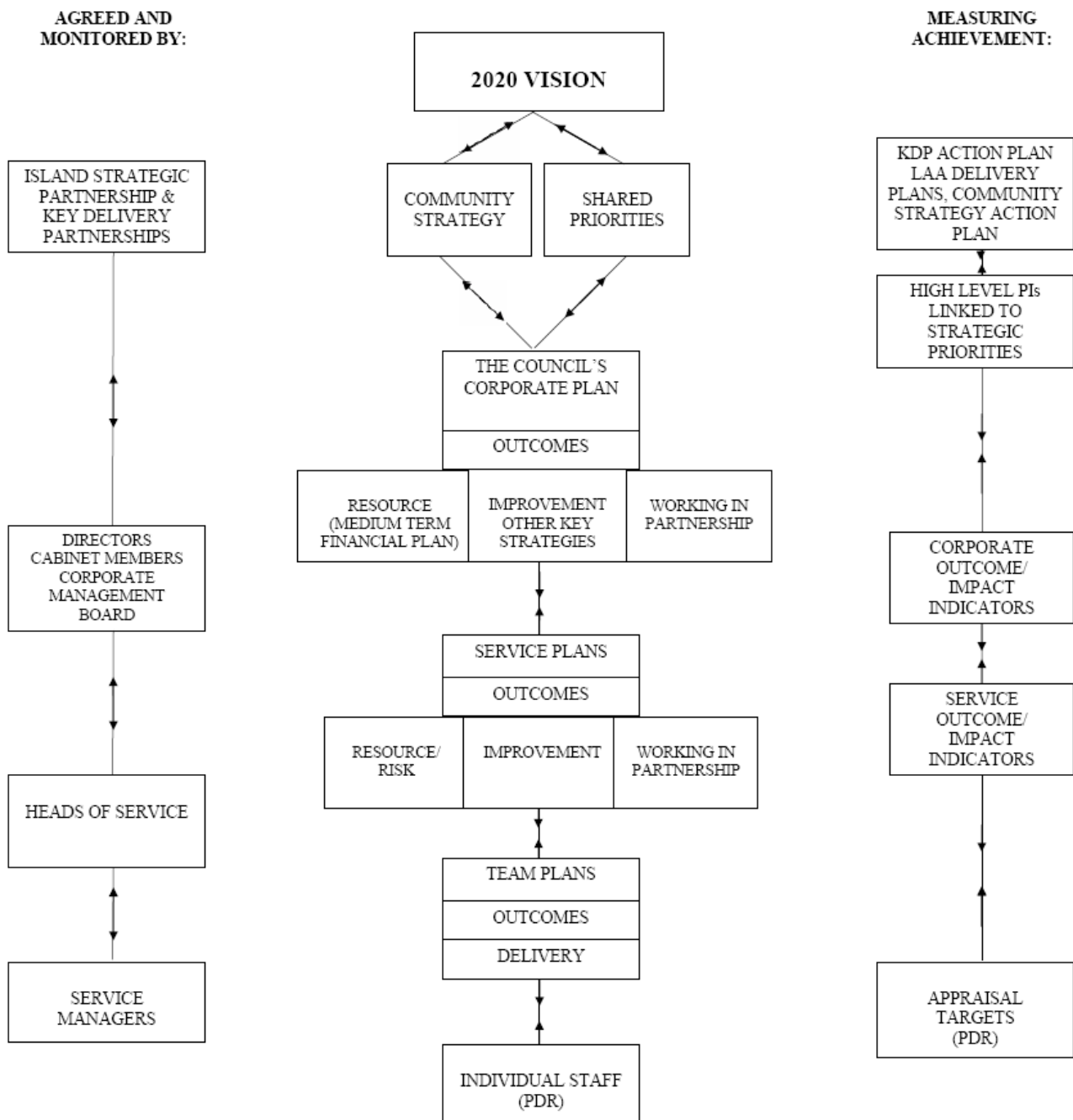
The Performance Management Strategy is an essential document in the delivery of the council's suite of key strategic plans to set out how services are monitored through a consistent process to improve delivery to residents and visitors. It is the tool by which the Corporate Plan will be monitored and reported internally to Members, officers and staff and externally to residents,

partners and central government. The Performance Management Framework is also part of this report in that it underpins the reasoning and aspirations that are in the overall Strategy.

The Performance Management Framework is essential to the council if it wishes to aspire to being what we understand as a four-star authority in the forthcoming Comprehensive Area Assessment judgement and to demonstrate to residents that we are committed to improving service delivery and have a performance-oriented culture. It sets out expectations of Members, Directors and staff and provides the strategic links between the Corporate Plan, directorate plans, service plans, team plans and staff personal development reviews in line with the council's themes and priorities as set out in the Corporate Plan. It is also an essential tool for all managers and those staff involved in collating and analysing performance data, risk assessment, financial management and project progress as it sets out the process and expectations of the council in its commitment to embed performance management.

The full performance management strategy and framework is outlined below and further information can be found at <http://www.iwight.com/council/committees/cabinet/21-10-08/Paper%20C.pdf>

**ISLE OF WIGHT COUNCIL
PERFORMANCE MANAGEMENT FRAMEWORK**



ICT

The provision of ICT across the organisation is varied to say the least and there are significant gaps in service provision at both the operational and strategic levels. This is recognised and work is in progress to address these gaps as quickly as the funding and other resources allow.

The current priorities have been determined on the basis of the contents of the ICT Strategy, the emerging requirements of the e-government targets and the need and ability of current services to support operational requirements.

Overall, the emphasis at present is squarely on creating an effective infrastructure for ICT across the organisation, based on the assumption that higher level needs cannot be effectively addressed without such an infrastructure being put in place.

The current priorities are therefore seen as being:

- the standardisation and upgrading of the PC base across the organisation
- the provision of effective networks across the organisation
- the introduction of effective ICT training and development
- the development and implementation of policies, procedures and practices
- the implementation of e-procurement
- the development of transaction based web sites
- the implementation of electronic payments at any point in the authority
- the implementation of a land and property gazetteer
- the introduction of document image processing across the authority
- the evaluation and possible implementation of a customer relationship management system across the authority
- the provision of ICT to Members

It should be noted that the above priorities are specifically designed to increase the back-office capabilities of the organisation, and as such, are enabling rather than delivering technologies.

It will be necessary in the future for the organisation to focus on the way it carries out its activities and in particular to re-engineer services to take advantage of new ways of working which new technologies make possible.

For further information on the progress of these and other projects please see the [projects section](#).

Data Quality Strategy

The Council recognises the importance of using reliable data for decision making purposes (i.e. data which is relevant, accurate, timely and complete). Councillors, officers and partner organisations need to feel they can rely on information produced to make sound decisions on spending, service planning or performance improvement. The general public also needs to have trust and faith in the quality of decisions made. Performance information is also used internally to monitor and manage performance, aid benchmarking, set targets and allocate resources. The Council now has an approved Data Quality Policy and Strategy in place which is supported by an action plan to implement these strategies across the authority. Our objectives in relation to data quality are as follows:

- To ensure that the information we use is of high quality, relevant, consistent, timely, comprehensive and held securely and confidentially.
- To put in place arrangements at senior level to secure the quality of data we use to manage our services and demonstrate our performance
- To make clear what we expect from our staff and members in terms of the standards of data quality
- To put in place systems, policies and procedures to ensure the highest possible data quality, particularly where information is shared with partners.
- To ensure that we put in place the right resources, and in particular have the right people with the right skills, to ensure we have timely and accurate performance information
- To ensure we have the right controls in place to ensure we meet what is expected of us by central government and the electorate
- To ensure that data is stored, used and shared in accordance with law including the Data Protection Act and Freedom of Information Act.

Full copies of the Data Quality Policy and Strategy are available at:

[Data Quality Policy](#)

[Data Quality Strategy](#)

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[Data Quality Action Plan](#)

[Data Quality Action Plan update Outstanding Issues October 2007](#)

[DQ Action Plan update- January 08 Corporate Update January 2008](#)

[DQ Action plan update- April 08 Corporate Update April 2008](#)



Treasury Management Strategy

The Council's Treasury Management activities include the following:-

- Cash Flow (daily balances and longer term forecasting)
- Investing surplus funds
- Borrowing to finance day to day cash fluctuations
- Funding of capital investment through borrowing, capital receipts, grants or leasing
- Management of debt (including restructuring and monitoring an even maturity profile)
- Interest rate exposure management
- Dealing procedures with brokers, banks and the Public Works Loan Board (PWLB).

The Council has adopted policy and guidance around:

- An annual investment strategy;
- A borrowing strategy;
- Sources of financing;
- Minimum revenue provision;
- and external advisors.

A full copy of the strategy is available at <http://www.iwight.com/council/committees/mod-Council/20-2-08/agenda.pdf>

Key Resources and Financial Procedures and Controls

Procedures and Controls

Financial codes of practice

Budget process timetable

Annual governance statement

Organisational Change

Closure of accounts timetable/guidance

Capital programme code of practice

Use of balances and reserves

Procurement code of practice

Budget manual

Data quality assessment

Project management

Financial Codes of Practice

The rules which govern the Council's financial affairs are set out in the Financial Procedure Rules as part of the Council's Constitution. Reference to the Procedure Rules will provide details of the specific duties and responsibilities of elected members and officers. A full copy of the financial procedure rules are available on the council's intranet at <http://wightnet.iow.gov.uk/general/departmentContent.aspx>

Budget Manual

A budget manual for the Council is currently in the process of being produced. However it largely follows the Guide to Local Government Finance Settlement which is available at www.local.communities.gov.uk/finance/0607/simpguid.pdf

Use of balances and reserves

Earmarked reserves represent funds held by the council for specific purposes. They include unspent allocations of budget held by schools, as well as money for insurance and risk management and to support future capital investment. Such reserves are held to meet future liabilities or spending commitments, as well as promoting good financial management by allowing a degree of flexibility between years. Planned use of these reserves over the next four years will make a significant contribution to delivery of the council's One Island improvement agenda.

Capital and accounting reserves consist of: the capital financing account representing capital expenditure already financed from cash sources (with the balance of assets financed from long term borrowing); and the pensions reserve which represents the total pension liabilities offset by investment assets held within the Isle of Wight Pension Fund. The change in value in year has arisen as a result of increased values of assets and an actuarial valuation of the pension fund, reducing the amount of the liability.

General balances are required to provide adequate funds year on year to meet any unforeseen calls on the council's available resources. The council had previously estimated that the minimum amount necessary to meet such financial risks is £2 million, and the general fund balance was consistently held at that level for a number of years. However, the balance is relatively low as a percentage of net operating expenditure when compared with other similar councils, and a full review of reserves and balances during 2007/8 sought to increase the General Fund balance to £15.2 million by transferring amounts from other reserves, with a view to reducing the balance over time to support the medium term budget strategy, providing sustainable modernisation savings were made over the same period to support a robust budget strategy. In addition, there is a need for financial risks need to be predicted and managed effectively in order to avoid any significant unplanned calls on the general fund balance, and a non-insurable risks reserve is retained for that purpose, informed by a risk assessment.

Reserves and Balances – Key Changes for 08/09	
General Fund Balance	Some £800k higher than anticipated in the budget due to a transfer of from the Provision for Doubtful Debts (£468k) and the Organisational Development Reserve (£332k higher than anticipated)
Organisational Development Reserve	Reserve closed down and remaining balance transferred to the General Fund
Earmarked Revenue and Capital	The balance is made up of the underspends carried forward from 2007/8 (£3.265m), LABGI Grant for 2007/8 received after the year end (£0.658m) and the LPSA2 Pump Priming Grant for year 3 of the LPSA2 delivery period (£0.367m). It is anticipated all of these amounts will be fully used during 2008/9
Repairs and Renewals Funds	An amount of £750k set aside for ICT Business Continuity and anticipated to be fully used in 2007/8 is being rolled forward against commitments in 2008/9
Earmarked – Education	The unspent amount of Standards Fund Grants received in 2007/8 for the period up to August 2008 are rolled forward in an earmarked reserve for use in the provision of services in the period April 2008 to August 2008
Earmarked – Other Services	Increased amount set aside for specific requirements from grants received in advance, interest on investments, savings in interest payments etc; in particular a sum £2m has been set aside to accommodate the preliminary costs necessary to make progress towards the Highway Maintenance PFI project, £350k for the costs of the Strategic Property Review and another £350k for grants received in advance for specific Environment and Neighbourhoods projects
Schools Balances	The amount of Schools Balances is restricted for use by schools and not available to support other General Fund services
Insurance and Risk Funds	The amount included within the Non-Insurable Risks Reserve has been increased to accommodate a number of potential financial risks including costs of backdating single status claims, asbestos removal and contaminated land, annual aggregate limits for insurance policies, contractual liabilities and increased costs arising from changes to the concessionary fares scheme and not supported by Government Grants

2009/10 Estimates
Reserves and Balances Analysis

Appendix 10

2008/9	Balance 1 April 08 £000's	Contributions £000's	Payments £000's	Estimated Balance 31 March 09 £000's
General Fund Balance	16,001	159	-5,159	11,001
Earmarked Revenue and Capital	4,290	70	-4,360	0
Repairs and Renewals Funds	1,261	67	-778	550
Earmarked - Education	1,835	0	-1,444	391
Earmarked - Adult	177	0	-177	0
Earmarked - Other Services	2,367	56	-1,328	1,095
Highways Maintenance PFI Preliminary Costs Reserve	2,002	1,000	0	3,002
Schools Balances	2,692	0	-79	2,613
Insurance & Risk Provision	2,616	0	0	2,616
Non-insurable Risks Reserve	4,655	0	-434	4,221
Doubtful Debts Provision	1,794	0	-296	1,498
Total	39,690	1,352	-14,055	26,987

Notes

1) Earmarked Revenue and Capital - balance is made up of net service underspends in 2007/8, LABGI grant for 2007/8 received after the year end and LPSA2 Pump Priming Grant for year 3 of the delivery period, all of which have been fully used to support priorities in 2008/9.

2) Earmarked Reserves - amounts set aside to deliver key corporate priorities from service budgets, grants received in advance

3) Highway Maintenance PFI Reserve - specific earmarked reserve for preliminary costs of the Highways PFI project to be recovered from the project budget once the project commences

4) School Balances - restricted to use by schools and not available to support General Fund services

5) Insurance & Risk Provision - specific sum set aside for insurance liabilities arising from an actuarial valuation of outstanding claims from previous years and previous insurance arrangements by local authorities

6) Non-insurable Risks Reserve - an amount retained to accommodate potential financial risks to the Council, including any costs of backdating equal pay claims, asbestos removal and contaminated land, storm damage to Council properties, contractual liabilities, demand led budgets, income budgets and inflation assumptions

02/02/2009

Regular updates on balances and reserves are given in the quarterly financial monitoring report to Cabinet. Minutes are available from

<http://www.iwight.com/council/meetings/current/committeeDetail.asp?cmteld=92>

Annual governance statement

The Council has a statutory requirement to provide an Annual Governance Statement (AGS) which must be published with the annual accounts. For 2007/8, the Annual Governance Statement replaces the Statement on Internal Control.

The key process to prepare the AGS is an 'assurance framework' which requires all heads of Service to complete an assurance declaration confirming that effective internal control has operated throughout the year in their service areas. If Heads of Service cannot confirm this, then they are asked to identify the weakness, its cause and planned action to address the problem. Only 'significant' control issues identified through this assurance process need to be reported in the final AGS. The way this is delivered is that the preliminary results of the assurance process are moderated by:-

- a review by the council's Chief Internal Auditor to ensure that it reflects his perception of the Council's control environment
- a cross-Council group of middle managers including those who are also risk champions who represent their directorates on the Risk Management Group
- Directors Team which has an opportunity to consider the draft content of the AGS and, in particular, the nature of the control weaknesses which are being highlighted.

The Audit Committee plays a valuable role in the development of the AGS through its overview of the Council's control environment and its understanding of internal control issues. These give the Committee an almost unique ability to validate the Statement. The Committee can challenge the content of the Statement if it believes that there are material omissions from it. The Statement is subject to consultation with the Chief Internal Auditor, Risk Management Group, Directors Team and Audit Committee before the final version has been presented to Audit Committee.

The statement for 2007/08 was approved on 23.6.08 and can be viewed at <http://www.iwight.com/council/committees/Audit%20Committee/20-5-08/agenda.pdf>

Closure of accounts

The Statement of Accounts shows the financial performance of the Council in a given financial year and provides details of our finances. Our accounts are prepared in accordance with the Code of Practice on Local Authority Accounting and are subject to an independent external audit each year. The legislation determining the deadline for the closure of accounts is contained within the Accounts & Audit Regulations. The 2006 (Amendment) Regulations require local authorities to have their Accounts approved by Members by 30th June each year, with publication of the Statement of Accounts by 30th September after the External Auditors have issued their opinion. Copies of the close down procedures and frequently asked questions are available on the council's intranet at

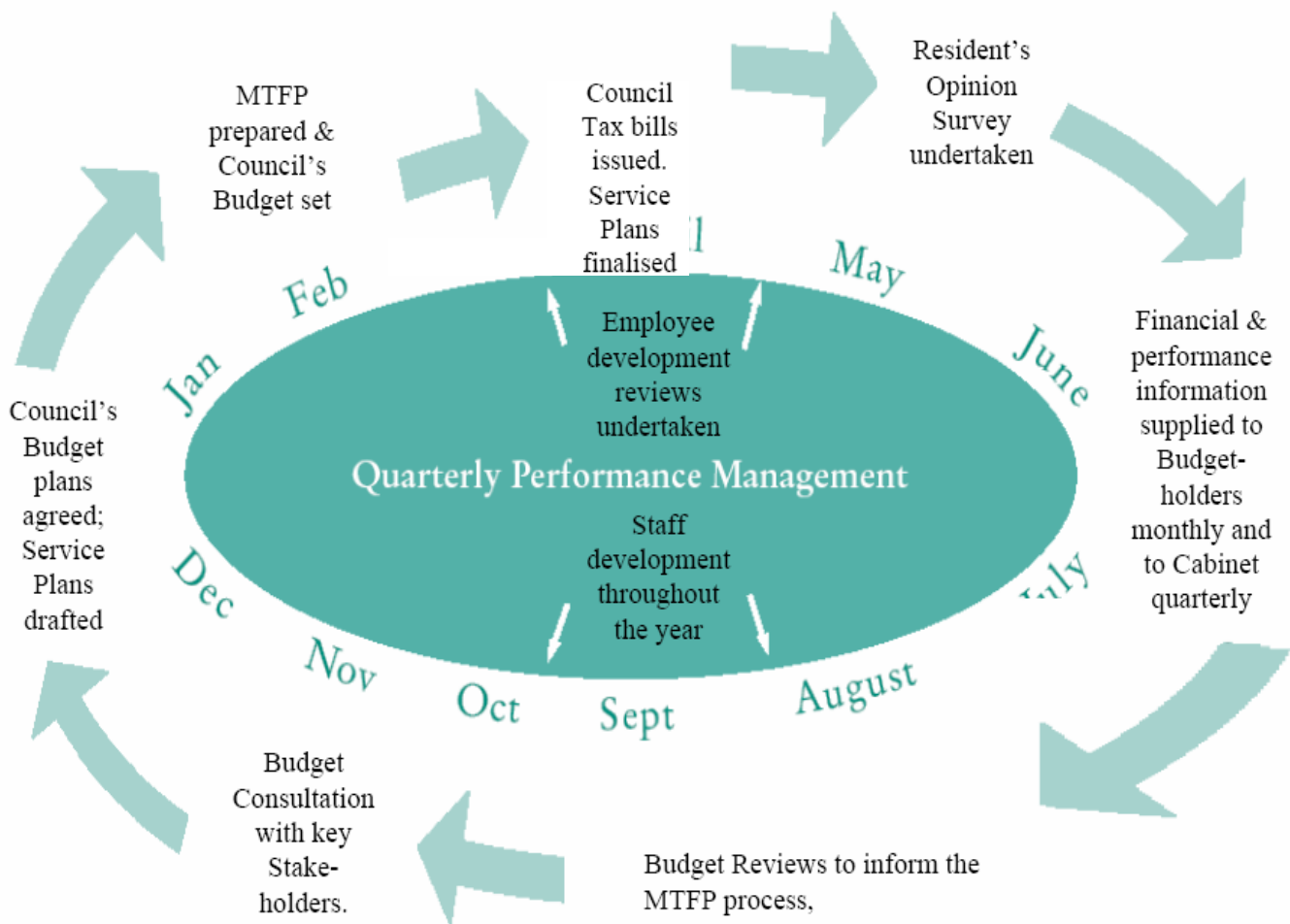
<http://wightnet2000.iow.gov.uk/directorates/finance/budget/closureo.asp>

Capital programme code of practice

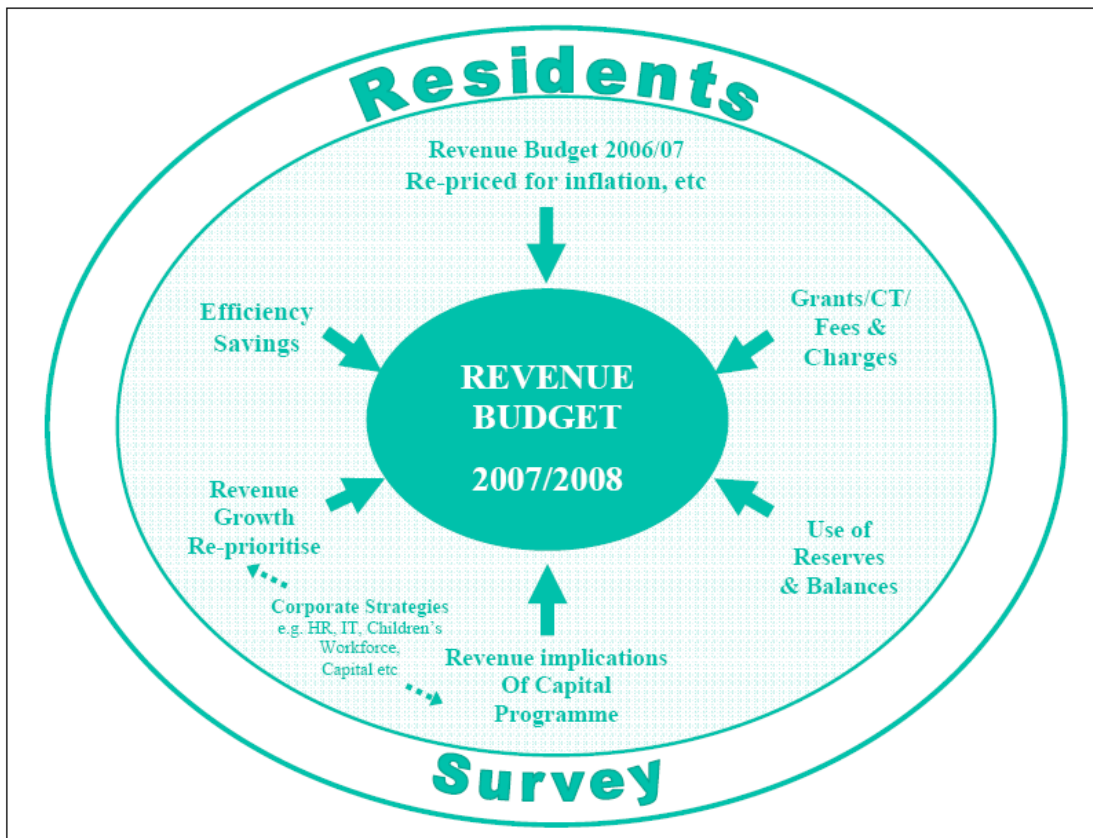
The Code of Practice sets out the processes for developing and managing the Council’s Capital Programme on a five year rolling basis. The Code has been drawn up in order to provide a sound framework for developing a strategic approach to the Capital Programme and to ensure the proper consideration and approval of individual Capital Projects and for their effective monitoring, management and delivery. The code links in directly to the project management and reporting framework being developed by the programme office. Key projects will also feature within the monitoring arrangements for One-Island deliverables. A copy of the code is available on the council’s intranet site at www.iwight.com/council/committees/cabinet/19-3-08/Paper%20C.pdf

Budget Process

The MTFP is prepared co-terminus with the detailed budget and council tax setting over the period November-March. The current cycle is shown in the diagram below,



The following diagram illustrates the mechanics of Revenue Budget preparation in particular how the current ('base') budget is amended for inflation, growth, etc. However, the *main driving force* behind many of the budget changes is the Resident's Survey and the 'steer' that it provides to the Council when it decides on priorities and resource allocation for the future.



The council consults each year with residents on issues around its budget for the following year. The consultation for 09/10 was particularly important given the pressures we face. In summary the results of the 2009/10 budget consultation are as follows:

The report indicates some key findings; that the majority of people at the focus groups and those completing the on-line survey would pay more for the residents' car parking permit, some indicated even if it did not include on-street parking. The majority of people completing the on-line survey (73%) were prepared to pay £25 more, if it included on-street parking.

At the focus groups there was a consensus that the council tax rise should be 5% to maintain services but in the on-line survey the majority of people chose a 3.5% increase in council tax and reduction in services by £990,000.

Many people at the focus groups thought that the over 60s concessionary fares should be kept to a minimum, which was also the top choice in the on-line survey for how to make up the difference in council tax if the rise was less than 5%. However, others at the focus groups expressed concern that restricting the times it was used would not save much money as people

would change their journey times. Others thought that tourists should not be able to use the concessionary fares on Island buses, that donations should be made for the 'free' service and that bus services are a lifeline for older people and cuts would cause isolation, depression and other issues for the elderly.

Many people at the focus groups felt that the council should not consider reducing spending on adult learning disability services and this came low in the list to make up the difference in council tax in the on-line survey.

A great number of respondents in the on-line survey suggested that the council should look at reducing councillor's and senior managers salaries, the number of councillors, bureaucracy, the number of consultants used, heating and lighting in council buildings, and generally becoming more efficient. These topics were also raised at the focus groups.

Data quality

The Audit Commission makes an annual assessment of our data quality arrangements based on a set of "Key Lines of Enquiry" (KLOE'S) [Key Lines of Enquiry](#)

A copy of our Data Quality Assessment report and response to the recommendations can be found below:

[2005/06 Data Quality Audit Commission Report](#) [2005/06 Recommendations Response](#)
[2006/07 Data Quality Audit Commission report](#)

The Council is trying to improve its data quality arrangements through the implementation of the Data Quality Action Plan. If you need further information please contact

brigitte.hawkins@iow.gov.uk

Procurement code of practice

The Council has developed this Procurement and Contracts Code in line with its Procurement Strategy. The Code outlines policy and procedures for the procurement of goods, works and services at the Council. The Code aims to:

- Set out the Council's own rules in relation to procurement and contract management;
- Provide clear and easy-to-read instructions on the procurement process;
- Ensure that the Council complies with EU Procurement Directives and the UK Public Procurement Regulations;
- Protect staff against accusations of bias; and
- Ensure that all contractors are treated equally and procurement takes place in an open and transparent manner.

The Code must be adhered to by all Members and officers of the Council that are responsible for awarding, managing and monitoring Council contracts. Failure to comply with the requirements may result in disciplinary action. It is strongly advised that Schools also follow the rules and related contracting procedures of the Code.

A full copy of the code is available at
http://wightnet2000.iow.gov.uk/directorates/corporate_services/procurement_section/Policies_Procedures_and_Rules/procurem.asp

Project management

The Council will ensure that all Programme and Project work is delivered through a robust management regime against an identified and prioritised need. The ability to deliver strategic vision, policies, strategies and plans will be enhanced through the application of a uniform corporate methodology, providing a common language and approach.

This policy for Programme and Project mandates that:

- All Programmes and Projects must deliver identifiable, measurable benefits (tangible and intangible)
- All Programme and Project work must conform to governance defined by the IWC Project Management policy, framework, strategies and plans.
- All Programme and Project work must be planned, estimated, monitored, managed and owned at a level appropriate to the classification of the project.
- All Programme and Project work must be appropriately budgeted, funded and resourced
- Programme and Project Management capacity and capability must be developed across the organisation through a specific Project Management People Strategy
- Future changes to the Programme and Project Management process must align with the established corporate governance frameworks for finance, performance and risk.
- Benchmarking against Association of Project Management standards must be used to target increases in capability of the IWC.

A full copy of the policy can be found at
<http://wightnet.iow.gov.uk/onecouncil/modernisation/projManagement.aspx>

Organisational Change

The level of Local Authority funding is not keeping pace with the increased requirements and expectations of our customers especially in times of recession when income is more difficult to generate. The council is therefore facing a period of fundamental change in the way it operates in order to cope with the increasing pressures it faces to maintain services.

Key changes in the way we work include the Business Service Improvements Project which is designed to improve our technical capacity and speed up business processes, re-structuring within directorates and in schools and more flexible working arrangements. Services to the public will be designed to be cost effective and efficient whilst allowing greater flexibility and choice.

In taking forward these changes the council is committed to working with its staff in an open and transparent way and has drawn up a charter of principles based on our SUCCESS values to

show how the change will be managed. The Charter for Change and the Organisational Change Policy and Procedures are available on the council's intranet at <https://wightnet.iow.gov.uk/>

Workforce Related Procedures

The launch of the e-induction programme shortly will require all new staff to complete a series of modules which will familiarise them with key facts and information and important policies and procedures. This will compliment workplace induction and the corporate induction event in which staff can be formally welcomed to the council and to receive information about corporate priorities.

The Council has a full suite of employment related policies and procedures which can be found on the intranet at <http://wightnet.iow.gov.uk/keyDocuments/>

These policies and procedures ensure that the council is in a position to be able to address its statutory obligations with regard to the local government standard for equality and diversity, consistently across the organisation.

BVACOP, SORP and IFRS

To ensure all local authorities' accounts are presented on a consistent basis, and to reduce the likelihood of differences in accounting treatment and comparison, local authorities compile their accounts in accordance with the 'CIPFA Code of Practice on Local Authority Accounting' (ACOP). The Accounts and Audit Regulations require the Council to prepare its accounts each year in accordance with proper practices. For these purposes, proper practices means the ACOP and other relevant Codes of Practice and Financial Reporting Standards.

The ACOP is a prescriptive document which specifies the format and content of the Statement of Accounts, as well as accounting policies to be followed. In addition to the ACOP, local authorities are also required to comply with the Best Value Accounting Code of Practice (BVACOP). The BVACOP prescribes the format and composition for reporting service expenditure on the Income and Expenditure Account on a Total Cost basis, to allow comparison between authorities and to aid compilation of other statutory external reports.

Local authorities are also required to compile their accounts in accordance with relevant Financial Reporting Standards (FRS) as a key part of the governance framework. Over recent years, this practice has been designed to move local authority accounts more into line with UK Generally Accepted Accounting Principles (UK GAAP). However, UK GAAP is now moving towards convergence with International Financial Reporting Standards (IFRS) and, in order to deliver a single set of common accounting standards across the public sector (Central Government, NHS and Local Government), local authority accounts will move towards compliance with IFRS in future, the first year of reporting being 2010/11. This change in reporting standards will have an impact on a number of services in the Council, not just Finance, and a project plan will be developed in the coming months to ensure the Council is in a position to comply with the requirements from 2010.

Monitoring and Review

Monitoring and Review	Cabinet and Scrutiny Reports	Mini Service Boards
Internal audit and compliance	Budget monitoring	Use of resources action plan
Audit inspection and audit letter	Procurement board	Statement of accounts
Annual Efficiency Statement and Benchmarking	National Indicator Sets	Sustainability Accounting
	Annual residents survey	Star Chamber

Internal audit and compliance

The objective of Internal Audit is to provide reasonable assurance to the Council and its Section 151 Officer of the adequacy of the control framework in operation to manage the Council’s key risk exposures. Each year the Chief Internal Auditor presents a report to the Audit Committee on the work carried out by Internal Audit during the financial year. This report includes the Chief Internal Auditor’s opinion on the level of assurance that can be placed on the Council’s overall control environment. This report is based on the results of audit work undertaken throughout the year, taking account of progress achieved against control and risk issues identified. The report supports the Annual Governance Statement by providing an independent assessment against which the Audit Committee members can consider the statement provided by the Council’s management.

The Chief Internal Auditor is responsible for ensuring the delivery of the Council’s internal audit service. This will be achieved by:

- Determining and preparing a plan of the audit coverage to be achieved in the forthcoming year, based primarily on an assessment of the Council’s risk profile. The Council’s key managers will be consulted in the preparation of this plan (to ensure the plan includes relevant local and national issues). The plan will be presented for approval by the Audit Committee. The plan should clearly demonstrate an appropriate consideration of the Council’s key risk exposures and should be focused towards the provision of reasonable (as opposed to absolute) assurance. Whilst the plan is primarily focused on risk-based assurance coverage, it should also provide for the coverage of the Council’s core financial infrastructure, the provision of audit support to key change projects and contain a degree of flexibility to allow for changes during the year.
- Identifying and providing the resources required to achieve that audit plan.

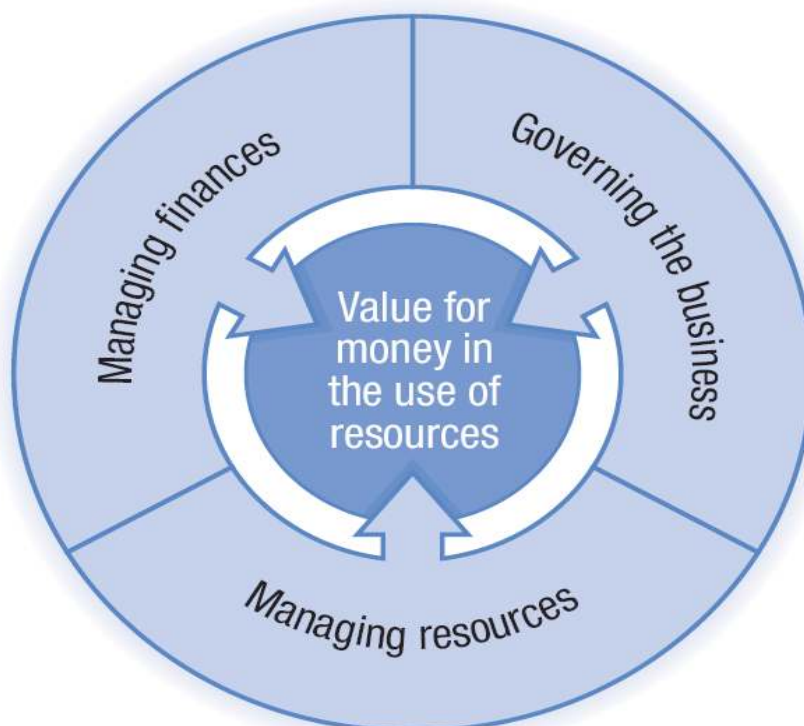
The internal audit service will continue to be provided from internal resources. Internal Audit will aim to cooperate effectively at all times with both the Audit Commission (as the Council's external auditors), the internal audit functions of the Council's partner organisations and internally with the other functions comprising the Council's governance framework. It is essential that the Council's internal audit arrangements and the work undertaken by Internal Audit complies with professional standards.

Following the Audit Commission review of Internal Audit in 2007/08 a substantial improvement plan has been developed to ensure that the internal audit arrangements and methodology meet best professional practice. These changes include the design and implementation of a robust quality assurance framework to ensure that audits will be completed to high standards. This should ensure that from 2007/08, the Audit Commission will be able to have full confidence and be able to gain appropriate assurance from the work of Internal Audit. Full information can be found at <http://www.iwight.com/council/meetings/current/committeeDetail.asp?cmtId=130>

Use of resources action plan

The annual Use of Resources (UoR) assessment forms part of the overall CAA framework operated by the Audit Commission. It considers how well organisations are managing and using their resources to deliver vfm and better and sustainable outcomes for local people. It is structured into 3 themes that focus on the importance of sound and strategic financial management; strategic commissioning and good governance; and the effective management of natural resources, assets and people.

Use of resources framework 2008/09



There is also a fourth theme on managing performance. This will assess how well the organisation is delivering outcomes and sustainable improvements in line with locally agreed priorities, and whether it has the leadership, capacity and capability to deliver future improvements.

The council has published a Manager's Guide to enable a better understanding of how the Council's drive for improvement has and will continue to deliver better use of resources. This is an honest and frank account of the Council's improvement journey. Where necessary it acknowledges that there is still much that needs to be done.

http://wightnet2000.iow.gov.uk/directorates/finance/finance_business_services/

Procurement Board

PB is the senior officer group responsible for overseeing contract letting and management within the Council. PB encourages contract policy development, provides strategic advice, and defines and disseminates best practice. The Director of Finance is the Chairman of the PB. The quorum for PB will be 3 members.

The role of PB will be to:

- consider the award of all contracts over £50,000 in value at the award stage;
- consider re-let strategy reports for contracts over £50,000 at least 9 months before the end of a contract (12 months in the case of OJEU contracts);
- consider any contract reports which are to be presented to the Cabinet;
- review problems and issues raised by Directors and their Heads of Service, providing advice wherever possible;
- agree contract extensions, except where the original contract award report made provision to extend a contract;
- agree any waivers to the Contract Standing Orders;
- act as a forum for departments to exchange information on a regular basis on lessons learned as a result of their contract tendering, monitoring and management arrangements;
- consider cross-cutting contracting issues, i.e. all current and future contracting arrangements proposed by one department which may affect other departments, advising the Directors Team as necessary;
- approve new forms of contracts;
- ensure that contract monitoring guidelines are in place for all term contracts over £50,000;
- monitor contractual and financial performance of contracts over £50,000 on a 6 monthly basis;
- consider exception reports on all contracts where contract performance is poor or where serious issues have been identified;
- consider the first six months performance of a term contract which has been let for the first time or has been re-let with significant changes to general levels of service;
- consider the Corporate Annual Contracts Monitoring Report for contracts over £50,000 in value that were let or were "live" within the previous year; and

- manage and interpret the Contract Standing Orders and recommend to the Chief Executive any updates or revisions that may become necessary

PB is made up of the following members:

- Director of Finance – permanent member;
- Director of Legal and Democratic Services – permanent member;
- Head of Human Resources – permanent member;
- Head of Procurement – permanent member;
- Head of Compliance – permanent member;
- Value for Money Officer
- A Director of Service – a rotating appointment, whose period of office shall be decided by the Director of Finance.

It is proposed that the Board will meet initially on a monthly basis, the frequency to be determined once the level of workload is fully realised.

The meetings will be fully minuted and signed by the Chair.

Copies of all documentation are available on

http://wightnet2000.iow.gov.uk/directorates/corporate_services/procurement_section/

Statement of accounts and Annual Report

The statement of accounts summarises the Council's transactions for the financial year and its position at the year-end. It is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2006 (the SORP) and is published at

http://www.iwight.com/council/departments/finance_business/statemen.asp

A summary of the statement of accounts is also published in the Council's annual report. This document brings together three key documents:

- The annual governance statement
- The statement of accounts
- The best value performance plan

It also provides an update on the council's environmental footprint and links all 4 sections into the eco island themes and priorities. A full copy is available at:

<http://www.iwight.com/oneislandmagazine/downloads/One%20Island%20Sept%202008.pdf>

Budget monitoring

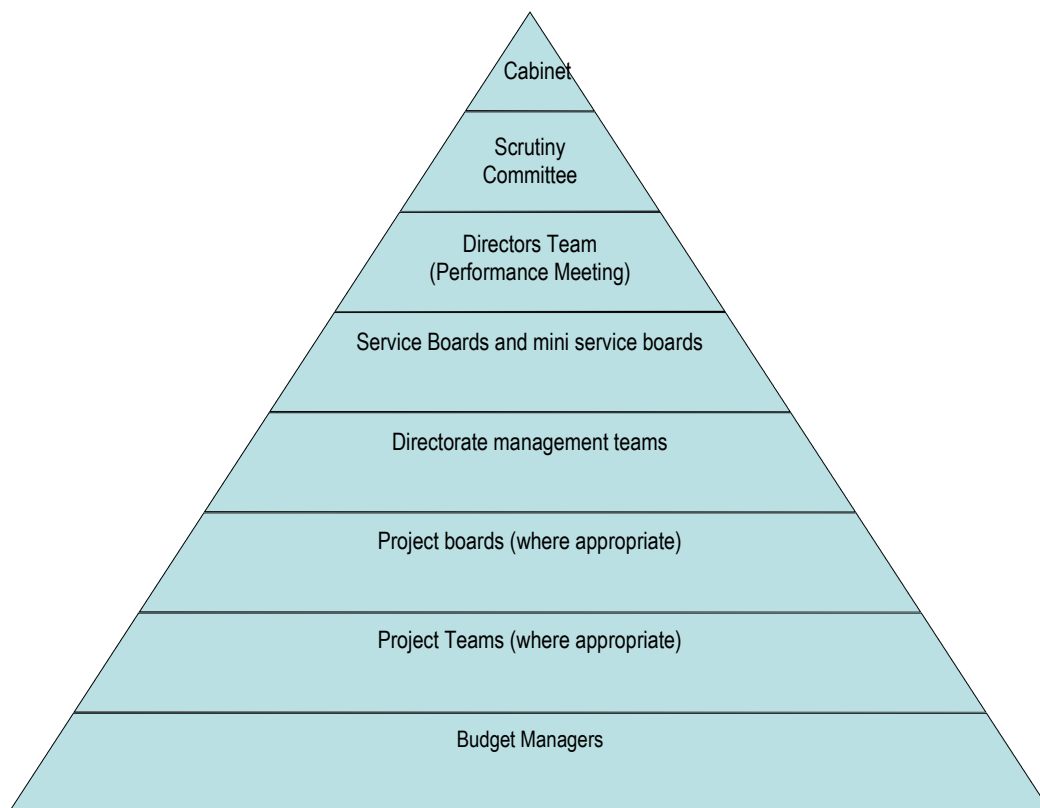
The Council's system of financial management and budgetary control includes the examination of relevant financial issues at quarterly service boards and monthly mini service boards. As such, senior management of the Council have a direct involvement in discussions about financial management on a routine basis. As part of the Council's improvement agenda, regular financial management reports are also taken to the Scrutiny Committee to provide up to date information and to allow an element of independent challenge and feedback to the Cabinet. Copies of these reports are available at <http://www.iwight.com/council/meetings/current/committeeDetail.asp?cmtelId=105>

Audit inspection and audit letter action plan

The annual audit inspection and audit letter issued by the Audit Commission provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit and inspection of the Council, and from an analysis of the Council's performance and its improvement over the year to December 2007, as measured through the Comprehensive Performance Assessment (CPA) framework. The letter is presented to Cabinet and published on the internet at http://www.iwight.com/council/documents/use_of_resources/

Cabinet and Scrutiny Reports

Regular quarterly reports to cabinet and scrutiny are at the top of the reporting framework which is summarised below:



Service Boards and Mini Service Boards

Service Boards were successfully piloted and introduced in autumn 2007 to enable four key elements of performance, risk, finance and projects to be discussed on a monthly basis within Directorates.

This also enabled collective agreement on action to be taken to improve service performance and to prepare and agree information to be presented to Cabinet and Scrutiny.

Monthly Mini Service Boards are held by Heads of Service/Strategic Managers with their management teams to discuss and agree actions on performance, risk, finance and projects for their services similar to the process for Directorate Service Boards. These discussions may be stand alone, or form part of regular management team meetings. The resulting minutes from Mini Service Boards will act as evidence that these four core areas are regularly discussed at service level and subsequent actions/decisions taken, therefore the retention in a central place within Directorates and services is imperative for future access by inspectors.

Further information on both meetings can be found within the [performance management framework](#).

Annual Efficiency Statement and NIS returns

The Annual Efficiency Statement (AES) is a statutory return required by Government to monitor efficiency gains delivered by local government in response to targets set as part of the Comprehensive Spending Review 2007 (CSR07). The Council's target over the three year period was to deliver efficiency gains of £8.233m of which 50% should be cashable efficiency gains. In the event, the Council delivered a total of £9.405m efficiency gains of which £8.097 (86.1%) were cashable savings.

The Council's strategy for identifying and monitoring efficiency gains is based around the principles of community leadership, sustainability, high performance and cost effectiveness which are the key drivers in shaping the Council's approach to service delivery. The Council's One Island programme has been developed after consultation with residents through both a residents' survey and a One Island budget consultation exercise. The programme will focus priorities on meeting the needs of the local community whilst also delivering a demanding level of efficiency savings over the next three years. The ultimate goal of One Island programme is to provide good value local services by raising standards and creating opportunities. The programme has three key themes, respect, pride and value and each of these will be applied to delivering the Council's corporate objectives.

An integral part of the One Island programme is to ensure that the Council is fit for purpose to deliver the challenges. As a result the Council has developed a One Council programme to operate in tandem with One Island and deliver internal improvements. Within that context, the Council's intention is to deliver its strategic objectives whilst at the same time controlling its budget by limiting the annual increase in Council Tax to no more than inflation. New management processes have delivered sustainable budgets and an improved performance, risk and project management framework which will assist the delivery of continuous service improvement through in-year performance management. The Council's approach to efficiency savings is to adopt cross-cutting efficiency targets which will assist the objective of controlling Council Tax increases, whilst also releasing resources to deliver corporate priorities and allow

the implementation of new initiatives. To that extent, the local cashable efficiency targets are higher than those required by the DCLG in order to provide flexibility in the delivery of service improvements in key areas. The efficiency strategy is based on collaboration with partners, both public and private sector, to improve service delivery to the local community. Other elements of the efficiency strategy include maximising the use of existing assets and resources on the Island, both Council assets and those currently utilised by other public sector organisations, to ensure quality assets are retained whilst disposing of those surplus to service requirements; improving performance by implementing a workforce strategy and an ICT strategy enabling on-line access to services; and wherever possible seeking cost efficiencies by redeploying staff, particularly if it assists the delivery of the Council's strategic objectives and improved customer services.

The Single Set of 198 National Indicators (the National Indicator Set – NIS) was announced by CLG in October 2007, following the Government's Comprehensive Spending Review 2007. The NIS will be the only set of indicators on which central government will performance manage local government, replacing all other existing sets of indicators, including Best Value Performance Indicators (BVPI's) and Performance Assessment Framework (PAF) indicators, from 1st April 2008.

In particular, NIS 179 relates to the achievement of efficiency savings in the period 2008/9 to 2010/11. By contrast with the Gershon savings in the previous three year period, no specific targets are set for each local authority. However, the overall aim is to achieve 3% cash savings in the period. Specifically, the definition of NIS 179 is as follows:

- NI 179 – value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008/9 financial year

The Council will need to ensure it has a robust methodology in place for identifying and recording cash-releasing efficiency gains from all areas to achieve the target figure of 3%

Sustainability Accounting and Reporting

A working definition of sustainability accounting and reporting in public service organisations is:

'A public account of an organisation's sustainability performance achieved through a combination of leadership; strategic partnering; stakeholder engagement; policy outcomes; and the management of the organisation's impact on the local environment, social well-being and economic prosperity.'

As part of the CAA process the council is required to :

- Promote external accountability by including information and analysis about the council environmental footprint in our annual report
- Make effective use of natural resources and demonstrate that the council understands and can quantify our use of natural resources and main influencing factors, manage our performance to reduce our impact on the environment and manage the environmental risks we face working effectively with partners.



Clearly our work in this area ties in with our Eco Island vision and values and will continue to develop as we progress this initiative.

Benchmarking

Monitoring changes in performance over time, and comparing our performance with other Local Authorities, is an important part of understanding where we are now, and where we will be as an organisation in the future, if trends continue.

Our Best Value Performance Indicators (BVPI's) are compared to the top and bottom quartiles of other authorities each year.

The full BVPI 2007-08 results including the quartile information for each indicator can be accessed [here](#).

Annual residents' survey

This year's study revealed overall satisfaction with the council had increased by nine percentage points since from 2007 to 63 percent. In terms of particular services, the area of most satisfaction were libraries, parks and beaches and open spaces, closely followed by street cleaning and refuse collection - a marked difference to many other authorities nationally who are experiencing more concern from residents as a result of fortnightly bin collections.

Resident perception about problems in the area has also dropped significantly with nine out of 12 issues that could be perceived as problems – such as speeding, litter, dog fouling and drugs - showing improvements and the other three remaining stable.

Areas of greatest concern included highway maintenance and public toilets – both of which are to be improved by multi-million pound schemes already announced by the IW Council. Perhaps in recognition of this investment, the survey highlights a feeling that the council is making

Full results are available from [here](#).

Star Chamber

The role of Star Chamber is to review and approve/reject recommendations for entry into the council's work programme and revenue and capital budgets as required. Bids for additional funding are tabled with the Star Chamber which considers the bids strategic fit, value for money, deliverability and affordability and ensures a robust and consistent approach is taken to service and financial planning.

Glossary of Terms

A Glossary of Terms is available by following this link:

http://wightnet2000.iow.gov.uk/directorates/finance/finance_business_services/General_Information/jargonbu.asp

