



**Narrative Report to the
Isle of Wight Council's
Statement of Accounts
2021/22**

Introduction

This narrative report has been produced to provide information on the Council, its main objectives and strategies and the principal risks it faces, as well as providing a commentary on how the Council has used its resources to achieve its desired outcomes. It provides a fair, balanced and understandable analysis of the Council's performance and summarises the key elements of the more detailed information included in [the statement of accounts](#). It also signposts other key documents and sources of information that are available if further detail is required.

The Council

The Isle of Wight Council is responsible for virtually all statutory local government activities on the Island as well as many discretionary services considered to be important to the local community. The Council is composed of 39 [councillors](#) who meet to decide the Council's overall policies and set the revenue budget and capital programme each year, as well as holding the Cabinet to account. [Our constitution](#) sets out the rules and procedures by which the Council operates.

The Cabinet is made up of the Leader and other councillors, each with a [portfolio of responsibilities](#) and is responsible for most day-to-day decisions. The Cabinet has to make decisions which are in line with the Council's overall policies and budget because whilst the budget, plans and strategies will be proposed by the Cabinet, it is Full Council that decides whether to accept or amend these proposals. This is part of the Council's wider governance framework which is reported on annually in an [Annual Governance Statement](#). Please note that this narrative report looks back at our plans and performance over the period 2021/22 and therefore refers to documents and strategies which were in place at that time.

Implementing the Council's policies and budgets are the Council's staff complement which includes some key posts shared with mainland authorities. This gives us the ability to exploit the skills and experience of far larger authorities whilst ensuring that our autonomy is maintained.

Our Councillors and our workforce, along with many other organisations, underwent a massive shift in working practices during 2020, when the national lockdown began in response to the COVID-19 pandemic. Thanks to significant investment in digital technologies in the past few years, we were well placed to respond to this and able to work in smarter and more agile ways to support decision making and maintain key services to our community from the outset. As we gradually move back to the 'new normal' we have tried to ensure that we learn from the lessons of this unprecedented shift and retain those things that worked well.

Save time, do it online...

Did you know that you can do most of your business with the Isle of Wight Council online?

More enquiries and tasks are now undertaken online, providing a quicker, easier, more flexible service to Islanders.

- Pay your council tax or parking fine
- Change your address with the council
- Check your waste collection
- Apply for housing benefit or council tax support
- Access information, advice and guidance and much more...

For council tax, you can:

- set up a direct debit;
- pay your bill;
- view your outstanding balance;
- register for paperless billing;
- apply for housing benefit and council tax support;
- change your address;
- view information about discounts, exemptions and other council tax queries – check out the full council tax information leaflet for 2019 online tool!

Our Strategic Priorities and Direction

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

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

Responding to climate change and enhancing the biosphere - an action plan has been introduced to guide the work needed to achieve the climate change strategy of a net carbon zero council by 2030, across the school estate by 2035 and as an island by 2040. We will need to both support and exploit our position as a UNESCO Biosphere Reserve to lever in funding and support for this work. We will work closely with town, parish and community councils to support them in helping to deliver our aspirations and we will challenge the utility companies and our partners to support us in making the Island a sustainable place to live and work. In so doing we will look to also address issues of fuel poverty and health inequalities by making homes more energy efficient and by creating new opportunities for local people to make better use of the landscape to support their well being. Over and above this, going forward, every decision taken must have regard to the need to reduce the Council's and the Island's carbon footprint and enhance our biosphere status.

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

The corporate plan directs the allocation of the Council's resources to its annual revenue budget and capital programme, which in turn are underpinned by a medium term financial strategy; capital and investment strategies; a treasury management strategy; and a risk assessment of levels of financial balances and reserves. The corporate plan is also underpinned [by a risk management framework and performance reporting](#) regime which are reported quarterly throughout the year in the Cabinet Committee papers.

The Risks

The Council has adopted a risk management framework that records strategic, service, programme and project risks in a risk register which enables us to regularly review and evaluate risks. It also records appropriate plans to mitigate those risks, whether that be by avoiding that activity in future, carrying on and accepting the consequences, transferring some or all of the risk to a third party, taking action to lower the probability or impact of the risk occurring, or exploiting an opportunity that may have arisen as a result of the risk being identified. Cabinet and Audit Committee receive regular reports on risks, in particular strategic risks which are those that have the potential to prevent the council from achieving its strategic priorities and the outcomes detailed in the corporate plan.

The strategic risk ratings for 2021/22 (as reported to cabinet in February 2022), are summarised in the table below with a comparison to the ratings for 2020/21 (as reported in July 2021).

	2020-21	2021-22
Lack of financial resource and the ability to deliver the councils in year budget strategy	RED	AMBER
Lack of financial resource and the ability to deliver the councils medium term financial strategy	RED	RED
Insufficient staffing and skills	AMBER	AMBER
A change in organisational culture fails to keep pace with the speed of organisational change negatively impacting on the delivery of the required transformation to deliver the corporate plan	GREEN	GREEN
Failure to improve educational attainment	AMBER	AMBER
Failure to identify and effectively manage situations where vulnerable children are subject to abuse	AMBER	AMBER
Failure to recruit acceptable quality of professional practice across Adult Social Care and Housing Needs	AMBER	AMBER
Failure to identify and effectively manage situations where vulnerable adults are subject to abuse	AMBER	AMBER
Failure to secure the required outcomes from the integration of adult social care and health	AMBER	AMBER
Independent Social Care Sector Sustainability	RED	RED
Failure of the waste contract resulting in significant financial and operational disruption for the council and its residents	AMBER	AMBER
Failure of the highways PFI contract resulting in significant financial and operational disruption for the council and its residents	AMBER	AMBER
Achieving the vision for the Island	RED	RED
Dealing with threats to business continuity (including cyber incidents)	NEW	AMBER
Additional demands placed on the Isle of Wight Council and partners owing to pandemic flu or similar large scale outbreaks	RED	RED

The Financial Challenge

Since 2011, savings of over £90m will have already been made (over 40% of controllable spend) due to a combination of government funding reductions and increasing demographic pressures, particularly in Adults and Childrens Social Care. Adults social care and children's services represent more than 60% of our controllable spend, but are the hardest in which to manage demand and have historically received significant protection from savings, often resulting in proportionately higher savings across other council services.

The continuing financial impact on the council arising from the COVID-19 pandemic remains extremely uncertain and we have yet to see many commercially provided services (e.g. leisure) begin to recover to pre-pandemic levels of income generation. Resource shortages continue to be an issue, impacting on both our own workforce and that of contractors and we are also experiencing delays in the supply chain for materials, which is largely out of our control. In addition, the cost of living crisis which began to develop in 2021 is now impacting severely on costs associated with those materials (particularly in some of our large building projects). Of course the Council recognises that whilst it struggles with this, many Island families are facing financial hardship from increasing costs across many domestic supplies. The council is committed to supporting the community where it can and whilst many of these issues are worldwide and beyond our influence, we have adopted a corporate plan which includes priorities around economic recovery, affordable housing and climate change.

The Council's [Medium Term Financial Plan](#) (MTFP) adopted in 2016 and revised each year, continues to put us in a good position to respond to these challenges and looking forward has a strong focus on regeneration and building financial resilience by:

- Smoothing out savings requirements to avoid 'front loading' and buy time;
- Rebuilding reserves and balances;
- Providing funding to pump prime 'invest to save' initiatives;
- Maximising capital resources that can stimulate economic regeneration, jobs and housing;
- Targeting other resources to regeneration and transformational change; and
- Embedding a financial framework that promotes longer term planning, encourages more responsible spending, improves decision making and aligns financial accountability and discipline.

Continuing to ensure that Island resources are used in the most effective and efficient way to support and protect our community, whilst providing value for money is the most important thing that we must do as a council. Although at this stage, it is too early to have recovery plans set in stone, the Council, along with Government and partners are considering how we move forward, where and how we can use our resources to best help those who need it most, and how we build resilience against possible future events.



Our Revenue Spending

Where the Council has costs related to the day to day provision of services e.g. salaries, supplies and services, utilities, etc., these costs are called revenue expenditure. The amount of revenue we can spend depends on the revenue funding we receive from various sources.

During 2020/21 a COVID contingency was established to provide a good level of surety that the Council would be able to deliver all of its essential services as well as being able to respond to the continuing COVID-19 pandemic and its legacy impact. Draw downs from this contingency during 2021/22 have enabled us to manage the continued financial impact of COVID, particularly around the slow recovery of income generating services such as leisure and car parking, and the impact the pandemic has had on demand for social care. Despite the challenges faced by the Council, it ended the 2021/22 financial year with an underspend of £2.7m (1.7% of the net revenue budget). This has enabled additions to be made to the general fund reserve and the revenue reserve for capital which will support future years financial planning and our ability to prepare our financial statements on a going concern basis.

By Portfolio	Budget £000's	Actual Spend £000's	Actual Pressure /- saving £000's
Adult Social Care, and Public Health	55,553	55,543	-10
Children's Services, Education and Lifelong Skills	29,060	29,523	463
Community Protection, Digital Transformation, Housing Provision and Housing Needs	10,169	8,788	-1,381
Environment, Heritage and Waste Management	6,529	6,530	1
Highways PFI, Transport and Infrastructure	17,409	17,630	221
Leader and Strategic Partnerships	1,129	968	-161
Planning and Community Engagement	767	600	-167
Regeneration, Business Development and Tourism	2,410	2,074	-336
Strategic Finance, Corporate Resources and Transformational Change	35,479	34,067	-1412
Total	158,505	155,723	-2,782
NDR S31 grant adjustments		70	70
Transfer to General Fund Reserve		1,000	1,000
Transfer to Revenue Reserve for Capital		1,712	1,712
Net final position		158,505	0

Our Capital Spending

The Council can also spend on one off capital projects. These are one off items of spend, which are time limited and create or improve assets that have a life of more than one year, such as buildings, land and equipment. Once again the amount we can spend on capital projects depends on the capital funding we receive from various sources.

The table to the right shows spend across the councils portfolio areas and how that was funded.

The Council delivered £28m of capital projects during 2021/22 despite contractor shortages and delays in the delivery of materials. The main areas of spend were in schools including the new build primary schools funded from the Priority Schools Building Programme; in highways with the St Georges Way junction project and capitalised costs within the PFI contract; disabled facilities grants made to support people returning to or staying in their own home; Howard House aiming to provide temporary accommodation and support to the homeless; decarbonisation of council properties; and the development of Branstone Farm, a prime regeneration site for the Island.

Work also commenced on the development of the East Cowes Venture Quays site, the Transforming Cities project in Ryde and the new primary school in Freshwater, all of which will continue in 2022/23.

Spend by Portfolio	£000's
Adult Social Care, and Public Health	212
Children's Services, Education and Lifelong Skills	8,814
Community Protection, Digital Transformation, Housing Provision and Housing Needs	3,094
Environment, Heritage and Waste Management	3,040
Highways PFI, Transport and Infrastructure	6,545
Leader and Strategic Partnerships	0
Planning and Community Engagement	0
Regeneration, Business Development and Tourism	5,602
Strategic Finance, Corporate Resources and Transformational Change	481
Total Expenditure	27,788
Funded from	
Borrowing	3,691
Corporate resources incl capital receipts	4,066
Grants	20,031
Total funding	27,788

The Council has budgeted a further £184m for capital schemes over the next 5 years including £41m for coastal protection schemes to protect homes and employment (levering in funding from Government); £12m investment into school buildings (funded mainly from grant); £7m into waste recycling and disposal; £19m for highway improvement and safety schemes (funded mainly from grant); and £80m for regeneration schemes including £40m for housing.

Balances and Reserves

In general, maintaining adequate reserves is a measure of responsible financial management and strong financial health. They are required in order to be able to respond to "financial shocks" without having to revert to the alternative of quick and severe services reductions. Equally, they can be a vehicle to take advantage of any opportunities that may arise which are in the financial interests of the Council (for example, matched funding opportunities which could lever in additional funding for the Island). Importantly, they also enable differences between expenditure and funding levels to be "smoothed out" and "spread out" in a managed and planned way over time. In accordance with Best Practice, a review of the Council's reserves and balances has been undertaken as part of the budget process. The review considers the Council's potential financial risks over the next few years in order to determine the prudent level of balances that should be retained, based on the Council's risk profile. The assessment of the minimum level of General Reserves takes account of, but is not limited to, the following:

- The agreement to provide for a COVID-19 contingency
- The current relatively low level of General Reserves representing just 2.8% of gross expenditure
- The increasing susceptibility to budget pressures given the magnitude of savings that have been made in the past (i.e. £90m)
- The required level of future savings necessary to remedy the forecast deficit of £6.0m
- The inherent volatility of the Business Rate Retention system both now and in the future
- Potential for reduced Council Tax collection rates associated with the reduced level of support provided by the Local Council Tax Support scheme
- Potential liabilities for some substantial disputes against the Council.

General Reserves Balances	Actual 2021/22 £m
Opening Balance	13.6
In Year Surplus/Deficit	-1.5
Closing balance	12.1

It is considered, given the weight of financial risk being carried by the Council and the other reserves that are maintained for specific purposes, that the minimum General Reserves that should be maintained is £7.0m.

Borrowing and Investments

Councils are also allowed in some circumstances to borrow, either to fund capital projects or to ensure that money is available at key points in the month or year, when large payments are due. The Council tries to minimise borrowing where possible and when necessary take short term borrowing at low interest rates. Councils can also invest funds where income is received in advance of spend, or where they hold reserves and balances. Our objective when investing money is primarily to protect the sum invested from default before any consideration of the level of return achieved. Note 18 of the statement of accounts details the Council's borrowing and investments. Further information on the Council's borrowing and investments can be found in the [Treasury Management Strategy](#).

What we delivered

Although many council services were impacted significantly by the COVID-19 pandemic and are still in the process of recovery, the council has also begun to focus on the wider island recovery and positive steps have been made towards achieving our corporate plans key priorities. Some of those achievements include:

- The commencement of the development at Branstone Farm to provide a multi unit business park and housing, expected to complete in 2022/23
- Support for 2 'pop up' shops in Newport in December 2021 selling goods from local providers, and free parking in Newport, Ventnor and Yarmouth on small business Saturday. This followed on from similar pop ups in the summer.
- The purchase of 7 new waste vehicles by the Councils waste contractor, boasting enhanced engine efficiency and greater safety for pedestrians and other road users
- 'Decarbonisation' of many of the councils buildings with the introduction of more energy efficient heating and power systems including air source heat pumps and solar power, as well as better doors, windows and insulation being installed
- The connect4communities programme delivered food vouchers to families with young children, care leavers and those in receipt of council tax benefit, provided funding to set up community pantries, and provided grants for community and voluntary organisations and Citizens Advice to provide assistance with fuel and utility bills. In addition a food voucher scheme for children eligible for free school meals was provided for the summer and autumn school holidays.
- 5 e-cycle projects including an e-cycle 'pop up' roadshow to introduce people to e-cycles in a safe environment. It welcomed its 500th participant in November 2021, half way to the 1000 target
- Work was completed on an upgrade to the Mews Lane shared use route as part of our work to encourage greater use of cycling and walking
- Work on the new west wight primary school began in November which will provide modern educational facilities for around 210 pupils on the site of the former All Saints Primary School.
- £5.8m was awarded from the Levelling Up Fund to support the regeneration of the East Cowes waterfront and create a new marine hub for the island including improvements to the Columbine building, renovating the Victorian Barracks building, and improvements to the public realm. It will be a first step toward the wider regeneration of East Cowes.
- Nearly £0.5m of funding was awarded from the Governments Rough Sleeping Accommodation Programme to provide 5 units of supported accommodation for local people which be matched with a further £389k from the Council.
- Wightcare received full accreditation from the Telecare Services Association, the national standards body for technology-related care and support services. Wightcare provides a community alarm and telecare services to enable residents to live independently in their own home.

Our outlook and future plans

The Covid-19 pandemic has had a significant impact on the budget proposals for 2022/23 and for future years. The budgets for 2022/23 have therefore been prepared on the basis of delivering services at pre-pandemic levels with all related costs and income losses met from the Covid-19 contingency. This contingency has been established to provide a good level of surety that the council will be able to deliver all of its essential services as well as being able to respond to the continuing longer term impact of the pandemic.

The impact of COVID-19, inflationary cost pressures and the underlying financial pressures in Children's and Adults Social Care present the most significant challenges in seeking to balance the Budget for the 2022/23. Additional funding to Adult Social Care and Children's Services of £6.0m is provided to ensure that the financial position of these services remains robust both in the short and medium term. It is however recognised that COVID-19 will continue to pose risks to the budgets of Adult Social Care and Children's Services but also to the Council more generally.

The coming financial year was the originally intended date for the Local Government Funding Reform to coincide with the Comprehensive Spending Review. Due to the uncertainty presented by the COVID-19 pandemic, funding reform has been further delayed until at least 2023/24. Funding reform covers the following:

- The "Fair Funding Review", (to determine a new formula methodology which will set each Local Authority's baseline funding level)
- The Retained Business Rates system which involves the removal of all existing growth retained to date (amounting to £7.1m) and re-distributing that growth nationally according to relative need (rather than where it was generated).

The Council's future forecast has been estimated in the context of the uncertainty set out above. For the 3 year period 2023/24 to 2025/26 it is estimated that the Budget Deficit will be £6m. This requires the Council to make incremental budget savings of £2m per annum for each of those years. The Forecast Deficit is predicated on assumed Council Tax increases of 2.99% per annum, representing 1.99% for general purposes and 1% for Adult Social Care. The most significant risk to the Forecast Deficit of £6m is the Local Government Funding Reform described above (and the extent to which it accommodates any "Island Deal") as well as other unavoidable cost pressures that may arise, particularly in Care Services. Taking these risks together, the Forecast Deficit has the potential to vary by between +/- £3m which when spread over 3 years would vary the annual savings requirements by +/- £1m per annum.

During this unprecedented level of uncertainty, it is imperative that the Council continues to plan for savings of £2.0m per year in the future, retaining the COVID-19 Contingency and General Reserves at the levels agreed in February 2022 so as to retain the necessary financial resilience to be able to respond in all circumstances.

Chris Ward
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