



**Narrative Report to the
Isle of Wight Council's
Statement of Accounts
2023/24**

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 2023/24 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.

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 too!

Our Strategic Priorities and Direction

In November 2021, the Council's Administration published the new corporate plan outlining its strategic priorities and direction for the period 2021-2025. The Administrations 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 connected 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 the Audit & Governance Committee receive regular reports on risks, in particular strategic risks. These are risks 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 2023/24 (as reported to cabinet in May 2024), are summarised in the table below with a comparison to the ratings for 2022/23 (as reported in June 2023).

	2022-23	2023-24
Lack of financial resource and the ability to deliver the councils in year budget strategy	GREEN	AMBER
Lack of financial resource and the ability to deliver the councils medium term financial strategy	AMBER	AMBER
Insufficient staffing and skills	RED	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	AMBER	RED
Failure to improve educational attainment	AMBER	AMBER
Failure to identify and effectively manage situations where vulnerable children are subject to abuse	AMBER	AMBER
Insufficient staffing capacity and skills within Adult Social Care and Housing Services	AMBER	AMBER
Failure to identify and effectively manage situations where vulnerable adults are subject to abuse	AMBER	AMBER
Failure to champion the “place-based agenda” within the Integrated Care System (ICS) to ensure that the needs of our citizens are being appropriately considered within the Integrated Care Board (ICB) agenda	N/A	RED
Independent Social Care Sector Sustainability (care homes and home care)	RED	AMBER
Failure of the waste contract resulting in significant financial and operational disruption for the council and its residents	AMBER	RED
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)	AMBER	AMBER
Additional demands placed on the Isle of Wight Council and partners owing to pandemic flu or similar large scale outbreaks	RED	RED
Ability to manage the impact of the cost-of-living crisis (CoLC) on the council’s activities and sustain service delivery	RED	RED
Failure of coastal defences (where the policy is to “hold the line”) resulting in high risk to people, property, infrastructure and land, significant impact on communities and the council finances. The Isle of Wight Council has a vested responsibility for controlling coastal erosion under the Coast Protection Act 1948.	RED	RED
Coastal erosion, the impact on the Island's infrastructure, roads and utilities and the financial implications that could bring	N/A	RED

The Financial Challenge

Since 2011, savings of over £97m 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 70% of our controllable spend, but are the hardest areas in which to manage demand and have historically received significant protection from savings, often resulting in proportionately higher savings across other council services.

Within 6 months of the Comprehensive Spending Review being set in the Autumn of 2021 and just 1 month before it came into effect, the financial environment changed rapidly precipitated by the war in Ukraine and also other economic factors causing inflation to escalate rapidly across the globe. The enduring impact of elevated inflation has led to unavoidable and unplanned cost increases in the delivery of Council Services as well as a "cost of living crisis" for residents which, in turn, has increased the demand for Council Services. Despite this climate of increased cost and demand, the funding envelope for local government has remained unchanged. Consequently, the Budget setting process over this period has been some of the most challenging that the Council has experienced and has rendered the aspirations of the Administration to avoid savings impossible. 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. The Council continues as we move forward, along with Government and partners, 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 2023/24 have enabled us to manage the continued financial impact of COVID, particularly around the impact the pandemic has had on demand for social care and the slow recovery of income generating services such as leisure. Despite the challenges faced by the Council, it ended the 2023/24 financial year with an underspend of £2.4m (1.3% 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.

Portfolio/Service Area	Budget £000	Actual Spend £000	Actual Pressure/- Saving £000
Adult Social Care & Public Health	59,577	63,653	4,076
Children's Services, Education & Corporate Functions	43,593	47,499	3,906
Deputy Leader, Housing & Finance	39,836	31,916	-7,920
Economy, Regeneration, Culture & Leisure	2,263	2,265	2
Leader, Transport Infrastructure & Strat. Oversight	18,463	17,852	-611
Climate Change, Biosphere & Waste	5,502	5,513	11
Planning, Coastal Protection & Flooding	1,507	1,501	-6
Regulatory Services, Community Protection & ICT	8,321	7,313	-1,008
Sub-Total	179,062	177,512	-1,550
NNDR & Levy Account Surplus adjustments	0	-807	-807
Total	179,062	176,705	-2,357
Transfer to Revenue Reserve For Capital			1,257
Transfer to General Fund Reserve			1,100
Net Position			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 £26m of capital projects during 2023/24 despite contractor shortages and delays in the delivery of materials. The main areas of spend were in relation to the Ryde Transforming Cities fund, schools capital maintenance, refugee housing, disabled facilities grants made to support people returning to or staying in their own home, refurbishment of the Gouldings Adult Social Care facility, and works to Venetor esplanade funded by the Environment Agency.

The Council has budgeted a further £147m for capital schemes over the next 5 years including £38m for coastal protection schemes to protect homes and employment (leveraging in funding from Government); £6m investment into school buildings (funded mainly from grant); £5m into waste recycling and disposal; £13m for highway improvement and safety schemes (funded mainly from grant); £26m for regeneration schemes and up to £42m for housing.

Spend by Portfolio	£000s
Leader, Infrastructure, PFI and Transport	6,593
Deputy Leader, Housing and Finance	5,752
Adult Social Care and Public Health	1,711
Children's Services and Corporate Functions	4,796
Regulatory Services, Community Protection, and ICT	1,216
Planning, Coastal Protection and Flooding	3,130
Economy, Regeneration, Culture and Leisure	3,044
Climate Change, Biosphere & Waste	153
Total Expenditure	26,396
Funded from	
Borrowing	2,108
Corporate resources incl capital receipts	5,964
Grants	18,324
Total funding	26,396

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 2.9% of gross expenditure
- The increasing susceptibility to budget pressures given the magnitude of savings that have been made in the past (i.e. £97m)
- The required level of future savings necessary to remedy the forecast deficit of £3.0m
- 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 2023/24 £m
Opening Balance	13.0
In Year Surplus/Deficit	0.2
Closing balance	13.2

It is considered, given the weight of financial risk being carried by the Council and the other reserves that are maintained for specific purposes, that the minimum General Reserves that should be maintained is £8.0m.

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

Many council services were impacted significantly by the COVID-19 pandemic and are still in the process of recovery alongside continued pressures as a result of the current cost of living crisis. Despite this, the council has also continued 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:

- Significant progress continued to be made on the Ryde transport Hub project, bringing the project to near completion.
- Over £2m was invested in housing to support refugee families to settle on the Island
- A major refurbishment of the Gouldings facility for Adult Social Care was completed, providing vital support and respite for Island residents in regaining and maintaining independence. The investment brought the building up to date and enabled it to accommodate specialist equipment to meet peoples needs.
- Urgent works were completed to Ventnor Esplanade supported by the Environment Agency over a 12 month project that saw over £4.8m of government investment in sea defences, protecting homes and business for years to come.
- Works continued using funding awarded from the Levelling Up Fund to support the first phase of regeneration of the East Cowes waterfront and create a new marine hub for the island including improvements to the Columbine building, renovating the Victoria Barracks building, and improvements to the public realm .
- The Island has secured £536,000 Rural England Prosperity Fund as part of the Islands UK Shared Prosperity Fund (UKSPF). The fund is aimed to support new and existing rural businesses across the Island to develop new products and facilities that will be of wider benefit to the local economy and tourism. The Fund will be launched in April .

Our outlook and future plans

The Budget setting process for the financial year 2024/25 has been one of the most challenging experienced by the Isle of Wight Council. Within 6 months of the Comprehensive Spending Review being set in the Autumn of 2021 and just 1 month before it came into effect, the financial environment changed rapidly precipitated by the war in Ukraine and also other economic factors causing inflation to escalate rapidly across the globe. The enduring impact of elevated inflation has led to unavoidable and unplanned cost increases in the delivery of Council Services as well as a "cost of living crisis" for residents which, in turn, has increased the demand for Council Services. These effects have been experienced in the current year particularly across the Care Services and will endure into next year and beyond .

The challenging budget process has rendered the aspirations of the Administration to avoid savings impossible. In stark contrast, the financial position of the Council, prior to the announcement of additional funding in January 2024 relating to social care, was such that the Council faced a Budget Deficit for 2024/25 of £8.5m. This deficit being after applying an increase in Council Tax of 4.99% in accordance with the Government's own assumptions.

Whilst funding from Government for Social Care generally has increased by £4.7m (including our share of the additional funding announced in January 2024) , the Council agreed to increase spending in Adult and Children's Social Care by £11.3m, resulting in a Social Care Funding Gap of £6.6m. The increase of £11.3m will just maintain current service levels and ensure that the financial position of these services remains robust in the short and medium term.

The Social Care pressures of £11.3m plus a further £8.2m of unavoidable costs across all other Council Services resulting from the substantial and prolonged financial impact of inflation has culminated in total additional costs for the Council of £19.5m in 2024/25.

Despite the additional funding from Government, an increase in Council Tax of 4.99% and savings proposals amounting to £2.75m, the Council will still enter 2024/25 with a "Structural Deficit" and needing to draw on General Reserves of £1.2m.

The Council must be narrowly, if not singularly, focussed on addressing its medium term Budget Deficit if it is to plan responsibly for the future delivery of the Councils' statutory duties. The imperative is for the Council to maintain a record of responsible financial management and to achieve a "structurally balanced" Budget in the future. Looking ahead to 2027/28 it is forecast that the Council will have a 3 Year Deficit of £3m and is assuming:

- An Island Funding award of an additional £3m (i.e. £4m in total)
- Budget Savings in 2024/25 of £2.75m
- Assumed Council Tax increases of 4.99% per annum, representing 2.99% for general purposes and 2% for Adult Social Care in 2024/25 and an equivalent 4.99% for all future years of the forecast.
- Adoption of a 100% Council Tax premium for second homes amounting to £4.2m from April 2025.

Our outlook and future plans

The combination of these factors has substantially improved the Council's future forecast financial position and mitigated the scale of the future Budget Deficit upon which savings are based.

Based on these assumptions, the Council is forecast to achieve a "structurally balanced" Budget in 2025/26 although the Council's General Reserves will have been reduced to £10.9m in 2024/25, leaving "headroom" above the minimum level of reserves (£8m) for financial risk of just £2.9m.

The Council should take every opportunity to restore its General Reserves "headroom" to £4m or more to guard against known uncertainty and financial shocks such as those experienced over the past 2 years and which rapidly saw the Council experience over £30m of unplanned financial pressures. Underlying General Reserves at £10.8m over the medium term are extremely modest and represents just 2.5% of total gross expenditure.

Whilst the £3m Deficit is a "central base case" assumption for the Council's future forecast, there remains risk attached to this forecast which could vary between +/- £5m due to cost risks and funding uncertainty. The most significant risks are:

- The impact on Council Services of the prolonged elevated levels of inflation both on its own costs and in demand for Council Services
- Unavoidable cost pressures that may arise, particularly in Care Services
- The level of successful business rate appeals arising from the revaluation in 2023/24
- The impact of the review of Local Government Funding

Taking these risks together, the Forecast Budget Deficit has the potential to vary by between +/- £5m, which when spread over 3 years, would therefore amount to annual savings requirements of £1m p.a. (central base case annual sum) +/- £1.67m per annum.

Given the uncertain nature of the Forecast Budget Deficit for future years, the forecast of £1m savings for the years 2025/26, 2026/27 and 2027/28 must be considered as indicative at this stage.

Chris Ward

Section 151 Officer