

Narrative Report to the Isle of Wight Council Statement of Accounts 2018-19

The council is required to publish a [statement of accounts](#) to show how much has been spent on different services each year.

Much of the format, terminology and presentation of the full statement of accounts is prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom, which all local authorities are required to follow. The full statement of accounts is therefore, by nature, very detailed and contains a lot of technical jargon which can make it difficult to understand.

This narrative report attempts to communicate the key facts from the full statement of accounts, and put that financial information into the context of the council's aims and objectives, reporting on how the council has performed over the last year and how the council will deal with the challenges ahead in continuing to deliver services and support the local community. It aims to highlight issues which substantially impact on our ability to deliver our corporate plans and which are material to the authority. It also signposts where more information can be found by providing links to key documents like the full statement of accounts and corporate plan.

This report is intended to present a fair, balanced and understandable view of the journey so far.



Where we started from

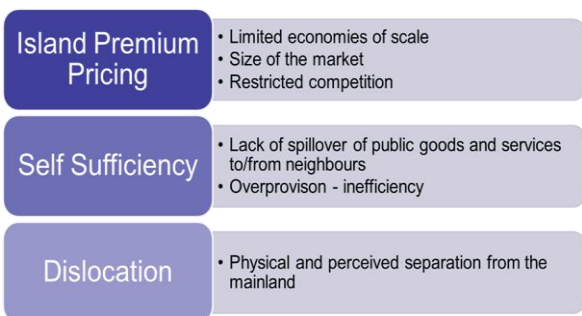
The Isle of Wight covers an area of 147 square miles, with a coastline that runs for 57 miles. The Island features a wide variety of natural, rural and urban landscapes. Over 50% of the Island is designated as an Area of Outstanding Natural Beauty, it has 28 miles of coastline is designated as Heritage Coast and also includes a very high number of internationally, nationally and locally important nature conservation sites. Whilst the overriding character of the Island is rural, about 60% of the Island's population live within the main towns of Newport, Cowes, East Cowes, Ryde, Sandown and Shanklin. Outside of these settlements there are around 30 villages and hamlets. The local population is approximately 140,000 but can double in the busy summer months.

The Island has a maritime and industrial tradition including boat building, sail making, the manufacture of flying boats, the world's first hovercraft and the testing and development of Britain's space rockets. The Island boasts some of the world's most innovative and high-tech solutions in the marine and aerospace environments. The Isle of Wight is well known for the quality of its environment, with its landscapes and coastlines enjoying a high level of special designation and protection. Whilst this helps to give the Island its unique character, it also presents us with the challenge of protecting, conserving and enhancing the environment, whilst at the same time facilitating regeneration and development.

The financial challenge faced by the council since 2011 has been described as the single biggest risk to sustainable public services on the Island. Since then, the council has had to find a way of balancing a savings requirement as a result of both cuts in Government funding and increasing costs. Whilst the Government has allowed councils to increase council tax by limited amounts, the vast majority of these savings have been found from efficiencies and by changing the way we work.

Many of the increasing costs relate to the Islands higher population of people over 65 (27.1% compared to the national average of 17%) which leaves us exposed to pressures from the costs of providing social care. This issue is expected to worsen nationally in future years as changes to NHS funding and services kick in and the knock on impact on councils' budgets becomes clear.

However, for the Island specifically, it also relates to the unique 'Island factor' which both increases costs and restricts our opportunities for growth. The council has made strong representations that the 'Island Factor' (i.e. the unique costs of providing services on an Island) needs to be reflected in future funding allocations.



Whilst we know that the Government is considering "remoteness" as part of its funding review, we won't know until the Autumn/Winter of 2019 the extent of additional funding, if any. We are therefore currently forecasting a further £13.5m of savings will need to be found in the next 3 years. Clearly, making further savings will not be enough to protect services in the long term and the council has had to consider how to respond to this. Indeed, councils across the country have had to change their thinking and look at opportunities for further increasing income and generating more funding locally.

A new direction

In recognition of this long term outlook, the council refocused its plans and in October 2016, adopted a [Regeneration Programme](#) which aims to regenerate the Island's economy and transform the financial position of the council by utilising its assets and working in partnership with the private sector to create jobs and bring in increased council tax, and business rates over 10 years.

This aim was reflected in a new [Medium Term Financial Plan](#) which responded to the financial challenge by:

- Smoothing out savings requirements to avoid 'front loading' and buy time
- Rebuilding reserves and balances to improve our resilience
- 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
- Embedding a financial framework that promotes longer term planning, encourages more responsible spending, improves decision making and aligns financial accountability and discipline

Reflecting on this shift to a longer term view focusing on opportunities and growth, and in conjunction with the manifesto commitments of the [new administration](#) elected in May 2017, the council adopted a new [Corporate Plan](#) in October 2017 including a vision

'for the Isle of Wight to be an inspiring place in which to grow up, work, live and visit.'

The new Corporate Plan also sets out the outcomes the council aims to achieve, where our resources will be prioritised and the values as below that will underpin everything we do:



What resources do we have to achieve this?

Revenue funding

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.

Notes 8, 13 and 40 of the Statement of Accounts shows our principal revenue funding and this is summarised in the adjacent diagram.

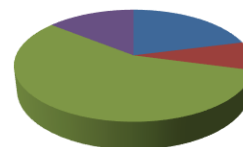


- Council tax - £82.688m
- Business Rates - £45.547m
- General government Grants - £24.089m
- Schools grants - £82.104m
- Fees, charges, contributions & other specific grants - £102.442m

Capital Funding

The council can also spend on one off capital projects. These are one off items of spend, 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.

Note 43 of the Statement of Accounts shows the capital funding used in 2018/19 and this is summarised in the adjacent diagram.

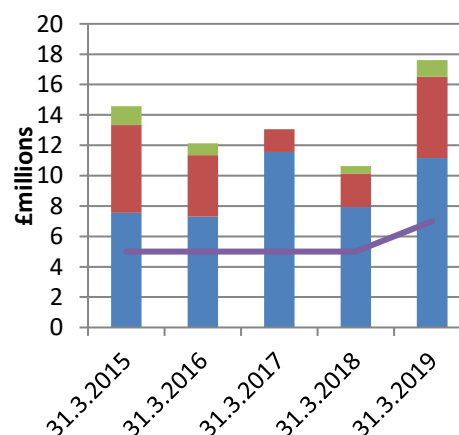


- Capital receipts - £13.060m
- Revenue contributions to capital - £5.109m
- Borrowing - £35.188m
- Capital grants & other contributions - £8.837m

Reserves and Balances

Councils can also set aside money in reserves in order to respond to unforeseen circumstances, or to take advantage of any opportunities that arise. This might include the ability to lever in external grants by providing match funding.

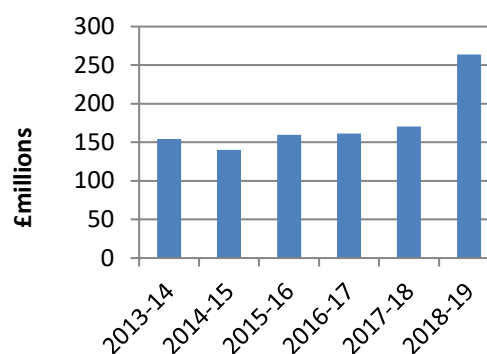
Note 10 of the statement of accounts details the council's reserves and balances and this is summarised in the adjacent chart.



- Repair and renewal
- Insurance & Risk reserve
- General fund
- Minimum level of general fund

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. Note 18 of the statement of accounts summarises the councils borrowing in 2018-19 and is summarised in the adjacent chart.



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 investments in 2018-19 which is summarised in the adjacent table.

	Balance at 31.3.2018	Balance at 31.3.2019
	£000	£000
Short term fixed	7,242	39,245
Cash and cash equivalents	11,003	24,212
Total	18,245	63,457

Further information on the council's borrowing and investments can be found in the [Treasury Management Strategy](#).

Partners and Community

In line with the values from the corporate plan of 'helping people to help themselves' and 'engaging with partners to maximise integrated working', the council continues to work with partners, service users and the community to protect and deliver services in new ways, such as the new 'one stop shop' in Newport. This brings together the council, Age UK and Citizens Advice, enabling clients to receive advice on a variety of subjects all in one place.

Staff

The council has increased its staff numbers since 2018 from the full time equivalent (FTE) of 2,939 to 3,080 (including FTE posts in schools) in 2019. This is due to Sandown Bay Academy closing and the school site and staff becoming part of the new all-through council run school. Some key posts are shared with mainland authorities giving us the ability to exploit the skills and experience of far larger authorities whilst ensuring that our autonomy is maintained:

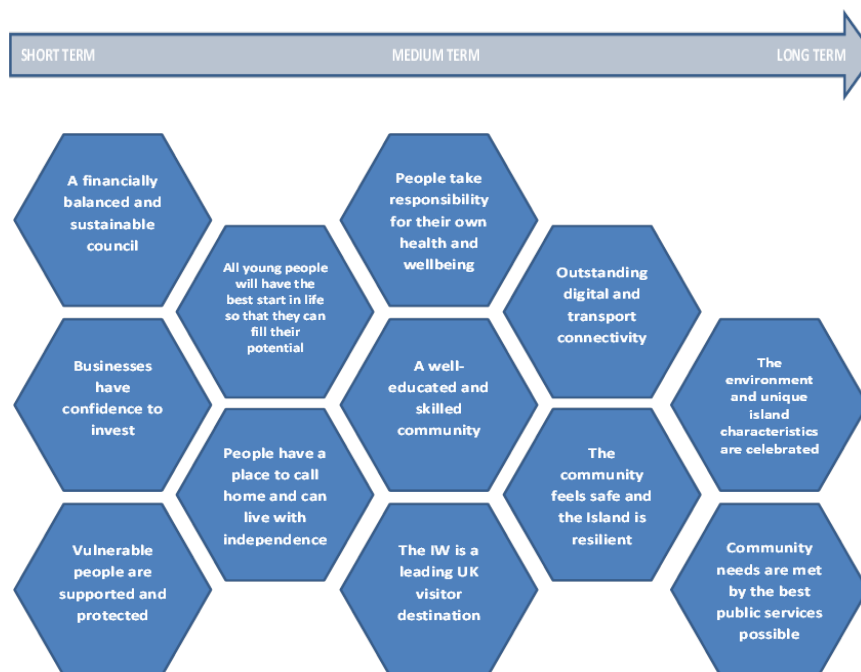
- Director of Children's Services - strategic partnership agreement with Hampshire County Council for the provision of Children's Services.
- Chief Fire Officer – strategic partnership with Hampshire Fire and Rescue Service.
- Finance Director/S151 Officer and the Chief Internal Auditor - strategic partnership with Portsmouth City Council.
- Director of Public Health – strategic partnership with Hampshire County Council.

Details of senior officers' remuneration are shown in Note 36 of the statement of accounts.

How do we decide where to use our resources?

The Isle of Wight Council was created in 1995 as a unitary authority, 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 [40 councillors](#) who meet to decide the council's overall policies and set the revenue budget and capital programme each year. The Full Council meeting is also the main setting for holding the Cabinet to account. This accountability is part of the council's wider governance framework which is reported on annually in an [Annual Governance Statement](#).

The Cabinet is made up of the leader and up to 9 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 and many plans and strategies will be proposed by the Cabinet, Full Council decides whether to accept or amend these proposals. Information from various sources is considered when making those proposals including results from [consultations](#) with service users, stakeholders and the general public, [needs assessments](#) undertaken on the island, national priorities and initiatives and the outcomes identified in the corporate plan. These outcomes underpin the allocation of resources and the activity undertaken by the council. The outcomes for the new corporate plan are shown below:



So how are we doing?

The council reports its performance quarterly throughout the year against the corporate plan outcomes and agreed performance indicators in the [Cabinet Committee](#) papers. It also looks at the costs of delivering those outcomes and the risks which could prevent them from being achieved. This is reported by each portfolio area and that categorisation is also used in the Statement of Accounts in the Comprehensive Income and Expenditure Account on page 7. The following pages summarises the key elements of the Statement of Accounts as well as some key outcomes from performance reports.

Leader and Strategic Partnerships

This is largely a strategic portfolio with responsibility for corporate planning, partnerships including the Solent Local Enterprise Partnership and the Partnership for Urban South Hampshire, and on going work with town and parish councils and other stakeholders.



During 2018/19, the council worked with Age UK and Citizens Advice to open Isle Help 'one stop shop'. Following on from this success, the 'One Public Service' (OPS) programme approach is being developed, with the key chiefs across public services on the IW endorsing the initial approach and focuses on 4 key areas:

1. Health and Care Sustainability plan for the IW
2. One Public Estate (Blue Light Hub; Pyle Street locality; and Sandown Bay locality)
3. ICT and Digitalisation approach
4. Joint resourcing opportunities

Revenue costs	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Leader and Strategic Partnership	1,211	-253	958

Community Safety and Public Protection

Consultation for a new combined fire authority was completed in 2018 and details were presented to fire authority members in Hampshire and the Isle of Wight in 2019. Both fire authorities voted in favour of a combination, so the next stage is the submission of a business case for the Home Secretary to ultimately decide on. The outcome is expected in the autumn which would enable the new combined fire authority to start in April 2020.



Revenue costs	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Community Safety and Public Protection	10,080	-2,613	7,467

Capital investment has been made in the replacement of personal protection equipment for fire fighters in 2018/19 which will continue into 2019/20.

Capital Projects	18/19 spend £000's
Community Safety and Public Protection	96

Additional funding for fire fleet is also made available in 2019/20 and 2020/21.

Adult Social Care, Public Health and Housing Needs

This portfolio has one of the larger budgets in the council (around 37% of the council's total costs) and is historically one of the most volatile in terms of the ability to predict and manage pressures and peaks in service demand, and the Council has been pursuing various actions to address this.

The success of the Adult Social Care (ASC) "Care Close to Home" programme has driven down the rate of admissions to permanent residential or nursing care, supporting people to stay independent in their own homes. The council is ahead of its three year and ten year targets and the national average.

Via the leadership of the Safeguarding Adults Board, the council have developed a new 'threshold and decision-making tool' and provided risk training to all agencies who work with adults at risk. As a result, we are beginning to see a continued reduction of the number of concerns. There has also been a reduction in falls & medication errors.

However, performance in Delayed Transfers of Care (DTOC) (where there is a delay on discharging someone from hospital who is medically fit for discharge) have seen both Adult Social Care and the NHS significantly above the required local targets. This is clearly an issue which will require the council and the NHS to work together to support these vulnerable individuals.



Revenue costs	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Adult Social Care, Public Health and Housing Needs	83,301	-32,007	51,294

The capital programme in this area has included investment in essential equipment and buildings at council run care and learning disability homes, in particular, the refurbishment of the Gouldings to provide bigger en-suite rooms able to cope with bariatric clients and increasing levels of care needs.

Capital Projects	18/19 Spend £000's
Adults Social Care, Public Health and Housing Needs	853

Further investment will be made in the Gouldings in 2019/20 and 2020/21 as well as the Adelaide and Westminster House so that our facilities are able to cope with future demands and provide reablement services which will support people returning to their own homes and living independent lives.

Children's Services

Again, this is historically one of the more volatile areas for the council (around 21% of all costs) covering a wide range of services including children's social care and safeguarding as well as education services, home to school transport and youth services.

At the end of Quarter 3, 79.5% of Isle of Wight primary schools were rated good or better compared to 87% nationally. 42.9% of Isle of Wight secondary schools are rated good or better compared to 75% nationally. All maintained schools with disappointing performance in 2018 have a bespoke package of support in place. Work on the primary mathematics programme continues and early impact on learning is promising. The impact of these interventions will be analysed following the release of 2019 outcomes. A professional development programme for 2019/20 is being constructed in time for April 2019. The extension to the strategic partnership arrangements with Hampshire County Council should ensure a continuity of the improvements secured so far and support our plans for the future.



The number of looked after children continues to rise locally as it does nationally. The new transformation programme is intended to provide a resilience-based social work approach with families to keep children at home. The reunification programme that is underway is designed to return children in care back to their families where and when it is safe and appropriate to do so. Currently the rate for the Isle of Wight is 92 per 100k compared with 51 in the South East region and 64 nationally.

Revenue costs	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Children's Services	108,968	-84,110	24,858

Children's capital spend in 2018/19 relates mainly to works to schools to improve building conditions, provide free school meals and to provide the additional places in the appropriate parts of the Island that reflect the growing population.

Capital Projects	18/19 Spend £000's
Children's Services	5,705

Further investment in schools will continue in future years and we have commenced design work for the Priority Schools Building Programme which is funded from Government grant.

Regeneration and Business Development

The council's October 2016 medium term financial plan made an investment in regeneration and business development intended to generate sufficient growth in the economy to support the council's financial position by increasing council tax and business rate income.

The consultations on the draft regeneration and Island plans have generated significant interest and commentary from the wider population towards helping make these key documents reflective of the needs and aspirations of our population. The need to act to address deficits in our local housing market has focused effort around identifying the necessary structures to directly influence the availability of affordable housing, using our own land and buildings and working with the wider housing development community to enable more completions.

Progress in realising our "Digital Island" ambitions has also taken a major step forward with the preparation of clear strategy and priority actions supported by investment from UK Government in rolling out the full fibre programme across the island to public sector and community buildings in the rural areas.

We continue to work with our partners across the region, in particular, supporting the Solent Local Enterprise Partnership (SLEP) in their work to develop a Local Industrial Strategy ensuring the Island's priorities are adequately reflected in any regional interaction with UK government.



Revenue costs	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Regeneration and Business Development	1,838	-450	1,388

Capital spend in this area has provided funding for the purchase of land for commercial development and the commencement of planning work to release 'stalled sites' which, with a public sector kick start, have the potential to attract private sector investment.

Capital Project	18/19 spend £000's
Regeneration and Business Development	1,120

Provision has also been made in future years for investment in other regeneration schemes which may come forward and which prove to be financially viable.

Infrastructure and Transport

The appointment of a Strategic Manager for Planning and Infrastructure, a new Director of Neighbourhoods and a Transport Manager has provided the capacity to consider the wider infrastructure needs of the island responding to the Infrastructure priorities identified in the new Island Plan.



Outstanding digital and transport connectivity

Progress on discounted travel for those with medical appointments and potential funding for improvements at Ryde interchange inform initial plan priorities.

The council is continuing discussions with Island Roads to agree an extension to the conditional approval of Milestone 10, which was due in March 2018, and will be linking it to the resolution of a number of historical contractual issues. The first phase of the savings programme will be implemented in April 2019.

Works on footways and structures are continuing over the winter along with operations and maintenance works, winter service and street cleansing. All town and parish councils have now had an opportunity to comment on the large volumes of requests for improving the highway in their areas and they have short-listed their preferred schemes. A rolling capital programme of improvement schemes will be put in place to deliver the short-listed schemes commencing April 2019. A number of historic improvement schemes which are already in progress will also be delivered over the coming months.

As at the end of December 2018, 83.5% of Hierarchy 1 roads have been rehabilitated to meet the PFI contract specification. Revenue spend for this portfolio is summarised below and includes the PFI contract.

Revenue costs	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Infrastructure and Transport	13,994	-6,110	7,884

Capital spend includes the start of the works to Newport junctions to be delivered over the next 5 years which has attracted a capital grant of £9.6m as well as on going capital investment in highways assets which weren't included in the PFI network. We also commenced a 2 stage project to replace car park machines which again weren't included in the PFI network.

Capital projects	18/19 spend £000's
Infrastructure and Transport	645

All of these programmes continue in future years as well as a project to complete urgent repairs to Newport Harbour Walls.

Planning and Housing Renewal

A report on the council's approach to housing delivery was presented to Cabinet in November. Work is on-going to research the setup of a development company and into the tools/powers the council have to work with developers and regeneration providers in a partnership approach.

People have a place to call home and can live with independence

We are also working on a revised empty property strategy and a revised housing strategy to be relaunched in 2019.

Consultation on the Island Plan began in December 2018. The end date was extended to 26 February 2019. All responses will be reviewed, and changes will be made to the Island Planning Strategy. This Strategy will then be submitted to government, where it will be examined independently by a planning inspector. If successful, the Island Plan will be adopted as a major planning document that will guide all future Island development.

Revenue costs	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Planning and Housing Renewal	3,495	-2,565	930

Capital funding for disabled facilities grants has supported households to afford adaptations that enable them to stay in their homes for longer and this work will continue on going. This helps to avoid the costs associated with residential care and ensure that delayed transfers out of hospital are avoided wherever possible.

Capital Projects	18/19 spend £000's
Planning and Housing Renewal	1,934

In future years, additional funding will be provided to develop community housing and more extra care housing on the island.

Environment and Heritage

The Council is considering the opportunities for securing the long-term sustainable access to the Island's historic collections through a feasibility study. The feasibility study was subject to a tendering process which ran through the autumn of 2018. A contract was awarded to the successful bidder who commenced their work in January and are due to report back early in the Q1 of 2019-20. A contract start up meeting was held on site on 10 January where six high level concepts were presented and discussed; since then the contractor's building and structural engineers have visited the site to undertake inspections that will inform the building condition and structure reports.



An Environment Conference was held at the end of June 2018. In reviewing the suggestions from the conference, a number of themes emerged relating to (i) council procurement, (ii) public information and marketing, (iii) regeneration and (iv) council policy. An action plan has been prepared that could be progressed in 2019 with existing resources.

Many of the services in this portfolio are to some extent discretionary, meaning that councils are not required to provide them, but if they are considered local priorities, they can. Previous budget consultations have shown that the community feels that those who choose to use these services should pay for them directly rather than have them subsidised by council tax so many of these services charge users. As a result a large part of the funding for this portfolio comes from fees and charges.

Revenue costs	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Environment and Heritage	7,960	-5,355	2,605

Capital spend in 2018/19 includes the completion of works at the Heights Leisure Centre to provide additional fitness facilities, and the commencement of works at Dinosaur Isle. An annual programme of works to improve seafronts, rights of way, parks and playgrounds and coastal defences were also completed, and further works in these areas have been funded in future years.

Capital Project	18/19 spend £000's
Environment and Heritage	1,643

The council has also funded the development of further beach huts in 2019/20, the replacement of Astroturf in Sandown, and the replacement of self service equipment in libraries. The council is also funding heat and power systems at Medina Leisure Centre which will keep utility and running costs down in the future.

Resources

This portfolio includes the majority of 'back office' functions, as well as a focus on financial planning and use of resources. The council is declaring a £0.5m underspend for 2018/19 despite pressures particularly around children's residential and foster care placements. These pressures were offset by savings in treasury management and central services. This underspend represents a 0.3% saving on the council's budget for 2018/19.



Revenue costs	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £00's
Resources	96,658	-50,349	46,309
Reserves (to restore financial resilience)	3,232		3,232

Similar to most businesses, the council has to keep its buildings and equipment in good condition in order to provide good quality services and ensure the safety of its staff and customers. The major capital investment in this portfolio in 2018/19 was the purchase of 4 investment properties which will generate revenue income which will turn support other council activities but also includes on going investment to improve ICT infrastructure, the property portfolio and vehicle fleet.

Capital Projects	18/19 spend £000's
Resources	37,953

Procurement, Waste Management, Projects and Forward Planning

The procurement and contract monitoring team is now at full capacity following a successful recruitment programme and there has been rapid progress in the introduction of new contract management processes and software. The success of the green waste scheme continues with further subscriptions in 2019/20 and further investment in the islands waste disposal infrastructure.



Revenue costs	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Procurement, Waste Management, Projects and Forward Planning	6,133	-718	5,415

Significant capital investment has been made in the Forest Road site which the council will continue to own whilst the new facilities will be operated by Amey. We aim to divert 90 per cent of waste away from landfill and recycle 55 per cent of household waste once the plant is fully operational.

Capital Projects	18/19 spend £000's
Procurement, contract management, special projects and forward planning	12,244

What's next?

The budget for 2019/20 provides for £5.5m of savings in line with the council's medium term financial strategy, an inflation based council tax increase of 2.99% and a forecast for the 3 year period beyond 2019/20 that will require a further £13.5m in savings.

In summary, the budget:

- Seeks to re-invest the savings made from strong financial stewardship in the current year into meeting the needs of our communities
- Invests in the critical essential care services that are relied upon by our most vulnerable residents
- Makes the necessary funding available to continue with programmes to modernise and transform the council's service delivery
- Prioritises capital investment to support the council's economic ambitions for the Island as well as improving its core public services to residents

The plan also makes a £4m contribution from the revenue budget, to support capital investment into council services aimed at safeguarding the delivery of frontline services over the next 3 years when capital funding is expected to be severely constrained and revenue funding is exposed to unprecedented uncertainty. Approval has also been given to borrow up to £25m to support our regeneration aspirations, specifically for viable schemes which improve services and/or employment and deliver a financial return by way of savings or income.

Together, the revenue and capital budgets also enable the council to further "smooth out" the necessary savings requirements to reduced levels, but only made possible by the approval of £5.5m of savings in the forthcoming year.

There remains considerable funding uncertainty from 2020/21 due to a comprehensive overhaul of the Local Government funding system. This will determine a new formula methodology which will set each Local Authority's baseline funding level. It is expected that, with numerous other changes, the new formula will recognise the unique costs of providing public services on an Island. Alongside this, a new system for retaining future business rate growth / loss will be implemented, taking away all existing growth (amounting to £5m for the Isle of Wight Council) and re-distributing that growth, nationally according to relative need (rather than where it was generated). For that reason, the council's future forecast deficits could reasonably be expected to vary between +/- £3m.

During this unprecedented level of uncertainty, it is imperative that the council continues to follow its medium term financial strategy (MTFS), planning for savings and building reserves to retain the necessary financial resilience to be able to respond in all circumstances.

Chris Ward

Chief Financial Officer and S151 Officer