

Narrative Report to the Statement of Accounts 2024/25



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. This document has been produced in relation to the 2024/25 financial year and the policies and structures in place at that time. **From May 2025 the Council moved from a cabinet based, to committee-based governance system.**

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 2024/25 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.

From 2022 the council adopted a digital strategy which looked to create the right conditions for digital technologies to bring about continuous improvements in how we delivery our services making digital, data and technology work for the benefit of all on the Island. The strategy achieves this by focussing on four priorities around Digital Island, Digital Citizens, Digital Council and Digital Intelligence.

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 wellbeing. 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 2024/5 (as reported to Audit & Governance in Mar 2025), are summarised in the table below with a comparison to the ratings for 2023/24.

No	Strategic Risk	2024/25 (Q3)	2023/24
1	Lack of financial resource and the ability to deliver the council's in-year budget strategy	Medium	Medium
2	Lack of financial resource and the ability to deliver the council's medium-term financial strategy	Medium	Medium
3	Insufficient staffing capacity and skills	Medium	Medium
4	A change in organisational culture fails to keep a pace with the speed of organisational change, negatively impacting on the delivery of the required transformation to deliver the corporate plan	High	High
5	Failure to improve educational attainment	High	Medium
6	Failure to identify and effectively manage situations where vulnerable children are subject to abuse	Medium	Medium
7	Failure to identify and effectively manage situations where vulnerable adults are subject to abuse	Medium	Medium
8	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	Very High	Very High
9	Failure in the Sustainability of the Independent Social Care Sector (Care Homes and Home Care)	Medium	Medium
10	Failure to manage unmet need in adult social care and housing services	Medium	N/A
11	TBC	N/A	N/A
12	Failure of the Highways PFI contract resulting in significant financial and operational disruption for the council and its residents	Medium	Medium
13	Failure of the Waste contract resulting in significant financial and operational disruption for the council and its residents	High	High
14	Failure to achieve the vision for the Island	High	High
15	Failure to protect the health of the Island population in the event of a pandemic or other significant infectious disease outbreak through the delivery of the Council's public health duties	Medium	High
16	Failure to deal effectively with threats to business continuity (including cyber incidents)	Medium	Medium
17	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 1949	High	High
18	Failure to manage coastal erosion and the impact on the Island's infrastructure, roads and utilities including the financial implications that could bring	High	High

The Financial Challenge

The climate for Local Government generally continues to be one where the pace at which costs rise is not matched by the pace at which income and funding rise, creating an underlying structural imbalance within the overall financial system.

Since 2011/12, savings of £100m will have already been made (over 40% of controllable spend) due to the combination of government funding reductions and increasing demographic cost pressures. Adult Social Care and Children's Services represent circa 70% of controllable spend, provide services to the most vulnerable, experience the greatest cost pressures, are the hardest in which to manage demand and have historically received significant protection from savings - resulting in proportionally higher savings across other Council Services.

Funding levels (e.g. Government Funding, Council Tax and Business Rates) have not kept pace with the cost pressures arising from rising levels of demand and exceptional inflation. The Council continues to operate in a climate of uncertainty created by prolonged inflation and its volatility, cost of living related increases in demand for services and the forthcoming review of the Local Government Funding system

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 ensuring we use our resources to best help those who need it most alongside building 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.

The Revised Budget for 2024/25 was approved in February 2025 to accommodate forecast overspendings arising from unexpected and unplanned exceptional cost pressures across Adults and Children's Social Care. This resulted in a required contingency provision of £11.3m (an increase of £7m) to meet these pressures (as per quarter three forecasts) and further risks to the end of the financial year. In order to achieve this level of contingency and after taking a £4m reduction in the Treasury Management budget into account an additional draw of £3m from the General Reserve was required.

Despite the challenges faced by the Council, it ended the 2024/25 financial year with a modest underspend £3.55m (1.8% of the net revenue budget). This has enabled additions to be made to the replenish the general fund reserve, the transformation 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	Forecast Outturn £000	Variance +Pressure/- Saving £000
Adult Social Care & Public Health	62,021	70,246	8,225
Children's Services, Education & Corporate Functions	48,955	52,622	3,667
Deputy Leader, Housing & Finance	49,311	34,976	-14,335
Economy, Regeneration, Culture & Leisure	2,301	2,113	-188
Leader, Transport Infrastructure & Strat. Oversight	18,927	18,631	-296
Climate Change, Biosphere & Waste	5,830	5,905	75
Planning, Coastal Protection & Flooding	1,387	1,732	345
Regulatory Services, Community Protection & ICT	8,786	8,110	-676
Sub-Total	197,518	194,335	-3,183
NNDR & Levy Account Surplus adjustments	0	-370	-370
Total	197,518	193,965	-3,553
Transfer to General Fund Reserve			1,200
Transfer to Transformation Fund			500
Transfer to Revenue Reserve for Capital			1,853
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 Council delivered £21m of capital projects during 2024/25 despite price, and demand pressures both internally and with external contractors. The main areas of spend were in relation to the Ryde Cultural Centre, schools capital maintenance, housing, disabled facilities grants made to support people returning to or staying in their own home, refurbishment of the Gouldings and Adelaide Adult Social Care facilities.

The Council has budgeted £197m for capital schemes over the 2024/25 to 2029/30 period including £39m for coastal protection schemes to protect homes and employment (leveraging in funding from Government); £8m investment into school buildings (funded mainly from grant); £7m into waste recycling and disposal; £12m for highway improvement and safety schemes (funded mainly from grant); £13m for regeneration schemes and up to £41m for housing.

Portfolio / Service Area	Total Spend & Funding £000
Adult Social Care & Public Health	575
Children's Services & Corporate Functions	2,754
Deputy Leader - Housing & Finance	3,497
Economy, Regeneration, Culture & Leisure	5,442
Leader - Transport, Infrastructure & Strategic Oversight	4,138
Climate Change, Biosphere & Waste	1,962
Planning, Coastal Protection & Flooding	1,794
Regulatory Services, Community Protection & ICT	898
TOTAL EXPENDITURE	21,059
Funded by	
Borrowing	2,798
Corporate resources including capital receipts	3,440
Grants	14,821
TOTAL FUNDING	21,059

Balances and Reserves

In general, maintaining adequate reserves is a measure of responsible financial management and strong financial health. They are required to be able to respond to "financial shocks" without having to revert to the alternative of quick and severe reductions in services. Importantly, they also enable differences between expenditure and funding levels to be "smoothed out" and managed in a 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 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 current relatively low level of General Reserves representing just 2.1% of Gross Expenditure
- The experience in the current year (2024/25) of the serious fall in General Reserves of £4.1m, leaving a balance of £9.1m being just £1.1m above the minimum level
- The continuing risks associated with the escalating cost pressures for Social Care
- The required level of future savings necessary to remedy the forecast deficit of £6.5m
- The susceptibility of the Council's forecast to vary by +/- £6m due to inflation and demand volatility plus the outcome of the Fair Funding Review and the Business Rate Retention "reset"
- The increasing susceptibility to budget pressures generally given the magnitude of savings that have been made in the past (i.e. £100m)
- Potential for Council Tax and Business Rates collection to reduce associated with the legacy of the covid pandemic as well as the cost-of living crises
- The inherent volatility of the Business Rate Retention system (previously described) both now and in the future.

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.

It has been a key feature of the Council's MTFS to repair and gently build General Reserves so that they are available to draw on and "smooth savings" at lower levels but over a longer period as well as being available for financial shocks should they arise. It is crucial that the Council take all opportunities to restore General Reserves to provide additional protection from financial risk.

The underspend for 2024-25 reported in the previous section and a planned contribution in 2025/26 will allow general reserves to be restored to an estimated £12.0m at the end of 2025/26 assuming that required level of £1.5m savings is achieved, representing modest headroom of £4m above the minimum level.

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

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 preparation for the change in governance system from cabinet based to committee based from May 2025.
- Within Childrens Services & Education, the creation of the Island's own Multi Agency Safeguarding Hub (MASH)
- The waste team and our service provider are pleased to have reached the completion of all commissioning and acceptance tests on the Energy Recovery Plant at Forest Park.
- Reached the milestone of appointing our 500th apprentice. This brings our total investment to over £2.25 million, emphasising our commitment to developing our workforce and fostering professional growth.
- Significant progress on grant supported projects at The Department in Ryde, and Sandown Town Hall refurbishment.
- The Island has confirmed £20 million Town Funding for the Ryde area to regenerate town centres and improve transport, and £13 million grant for the green link to support new walking and cycling routes across the Island.

Our outlook and future plans

The Budget setting process for the financial year 2025/26 continues to be as challenging as ever.

The Budget proposals for 2025/26 are framed by the experience of the unexpected and unplanned exceptional cost pressures of £11.3m being felt in the current year that will inevitably carry over into 2025/26 and future years. The impact of those cost pressures plus further growth in demand and inflation generally requires that substantial increases for both Adult Social Care of £11.1m and Children's Services of £4.7m are provided within the 2025/26 Budget proposals.

For the Council, additional spending of £15.8m in Adult Social Care and Children's Services is required next year simply to maintain services at existing levels. It makes some provision for the National Living Wage increase of 6.7% and the impact of changes to the Employer's National Insurance rates and thresholds.

Whilst there has been some relief for the escalating costs of Social Care within the Local Government Finance Settlement (£3.1m) and there remains the ability to increase the Council Tax by a further 2% (amounting to £2.2m), there remains a very substantial Social Care Funding Gap of £10.5m between the additional costs amounting to £15.8m and the additional funding of just £5.3m

Despite the proposed additional spending in Adult Social Care and Children's Services, cost pressures are still expected to remain within the system. As part of the financial management responsibility to remain within approved cash limits, mitigation plans to manage the escalation of demand and other cost related increases will also be put in place. This is significant and for Adult and Children's Services and amounts to £3.4m and £1.0m, respectively.

The increase in the Council Tax of 4.99% and a Savings Requirement of £1.5m for 2025/26 will avoid the Council dropping below the minimum level of Reserves and further compromising its overall financial resilience but running a "structural deficit" of £4.3m.

To meet the "Structural Deficit" and achieve a Balanced Budget, the Council will be relying on substantial sums from "One-Off" sources which will not be available in future years and will have to be replaced by real savings over future years. These are:

- i) Surplus on the Collection Fund of £5.2m
- ii) Use of the Covid Reserve of £2.1m
- iii) Releasing funding from the Capital Programme by reducing / deleting schemes of £0.9m
- iv) Additionally, these "One-Off" income / funding sources are also required to meet "One-Off" expenditure amounting to £2.1m

The Council's Forecast Deficit to the end of the period 2028/29 is now estimated at £6.5m and consequently the Council's Forecast Savings Requirements for future years has increased to £2.5m in 2026/27 and £2m per annum in 2027/28 and 2028/29.

The Forecast Deficit of £6.5m to 2028/29, is founded on several assumptions relating to cost, demand and funding. Not least that it is assumed that the Council will be only £1m worse off from the forthcoming Fair Funding Review and Business Rate Reset announced for 2026/27 and that Council Tax will increase by 4.99% per annum. Cognisant of the risks associated with funding, social care cost pressures and inflation generally, the Council's Forecasts have the potential to vary by +/- £6m over the forecast 3-year period (or £2.0m p.a).

Given the uncertain nature of the Forecast for future years, the forecast of £2.5m savings in 2026/27 must be considered as indicative at this stage.

During this extreme level of uncertainty, it is imperative that the Council continues to exercise financial restraint and manage its cost base carefully if it is to remain well placed to respond to any inflation and service demand volatility, as well as the review of Local Government Funding. Equally, the Council should retain reserves at the levels proposed in this report to provide some limited financial resilience to be able to respond to any adverse financial conditions, should they arise.

Chris Ward
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