

Narrative Report of the Chief Financial Officer

Introduction

I am pleased to introduce the Statement of Accounts for the 2019/20 financial year for South Ribble Borough Council. The accounts are produced annually to give electors, local taxpayers, members of the Council, employees and other interested parties clear information on the Council's finances and the financial outlook for the future.

The accounts must be completed by law and in accordance with the requirements of the Code of Practice on Local Authority Accounting. The accounts provide all of the financial information for the 2019/20 financial year and there is a narrative that provides a high level overview of the key issues that affect the accounts including information on the Council's achievements during the year and a section that looks at the outlook for the future. Similar to all organisations, the Council was affected by the Coronavirus outbreak from March 2020 and the measures taken by the Council have had a minimal effect on the 2019/20 financial year. This is referred to at various points in these accounts.

I hope you find this report and the Statement of Accounts useful in understanding the Council's financial position and performance for the year.

I'd also like to express my thanks for the hard work and dedication of staff across the whole of the Council who have worked to consolidate the financial stability of the Council and ensure the production of the Statement of Accounts in very unusual and difficult circumstances.

James Thomson CPFA
Deputy Chief Finance Officer/Section 151 Officer

South Ribble

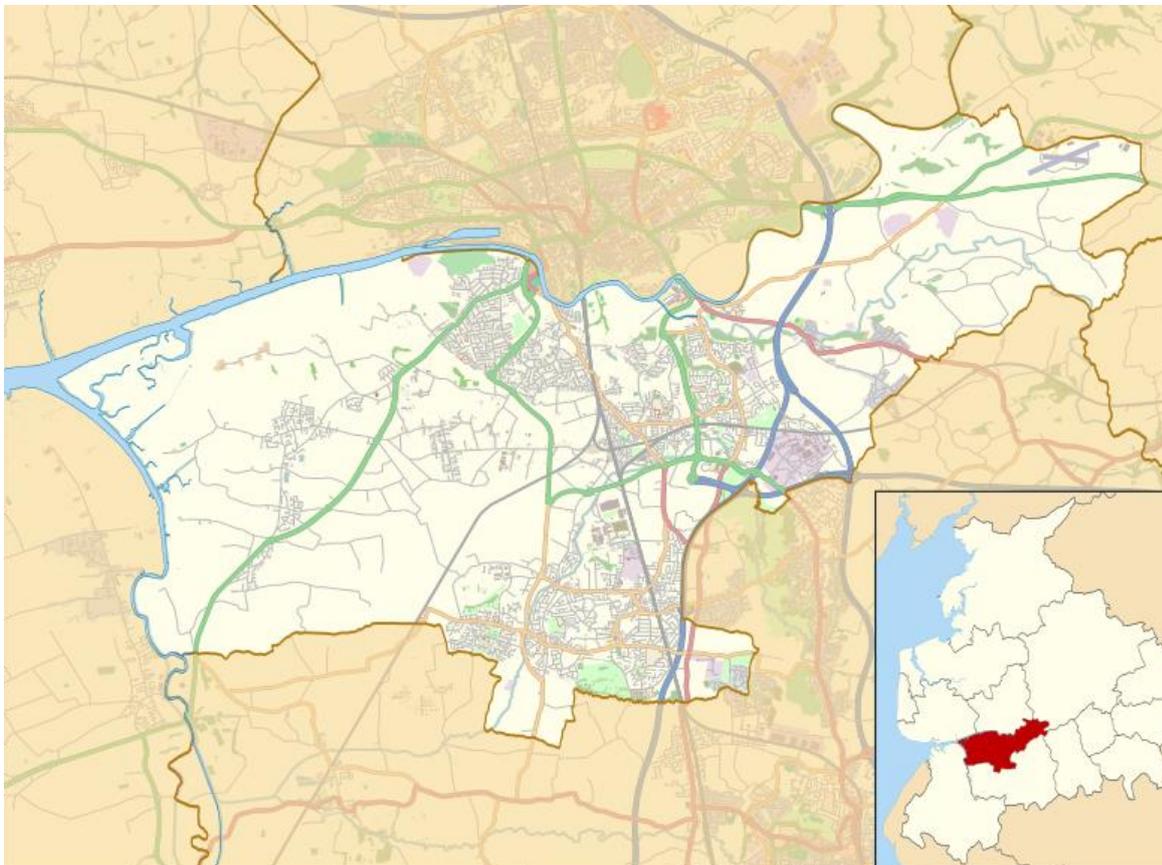
South Ribble Borough is located in Lancashire at the centre of the North West region, situated right on the M61, M6 and M65 motorways with easy access to the West Coast mainline and airports at Manchester and Liverpool with the Borough extending to about 113 km² (approximately 44 square miles). The Borough is on the edge of the West Pennine Moors with beautiful scenery and countryside and is just a short drive from the Lancashire coastline. The latest available Office for National Statistics (ONS) figures estimate that the total population of the borough was estimated as 110,527 in 2018.

The Council is based in the town of Leyland in the south of the borough with other notable population areas being Penwortham, Longton, Hutton, Walton-le-Dale, Bamber Bridge, Lostock Hall, Moss Side and a significant part of Buckshaw Village.

The district was formed on 1st April 1974 under the Local Government Act 1972, from Leyland and Walton-le-Dale urban districts, along with part of Preston Rural District. The borough shares its borders with Chorley, West Lancashire, Blackburn with Darwen, Ribble Valley, Preston and Fylde Councils.

Regeneration, Inward Investment and working with partners to deliver the City Deal agreement are recognised as being very important to the future prosperity of the borough and are key priorities for the Administration. The Council has to provide services such that it meets the needs of its citizens, serving both an urban and rural environment. Another key priority for the Council is its Green Links programme for the protection of its parks and open spaces, leisure and sports facilities, encouraging this green environment and to take on the increasing issues of Air Quality associated with the transport infrastructure.

Location and map of South Ribble borough



South Ribble Borough Council

South Ribble Borough Council is part of a two tier system in Lancashire that consists of a County Council, two unitary councils and 12 district councils. South Ribble Borough Council works collaboratively with a wide range of partners to deliver its vision of 'Working together to make South Ribble and its communities, great places to live, work, visit and play'. The Council is committed to working across organisational boundaries to improve outcomes for local people and communities and to ensure that high-quality services are readily accessible to the people of the borough. During 2019/20, the Council underwent significant changes in its Senior Management structure as part of the sharing of services with Chorley Borough Council. The changes are not fully in place at the time of publication of these accounts.

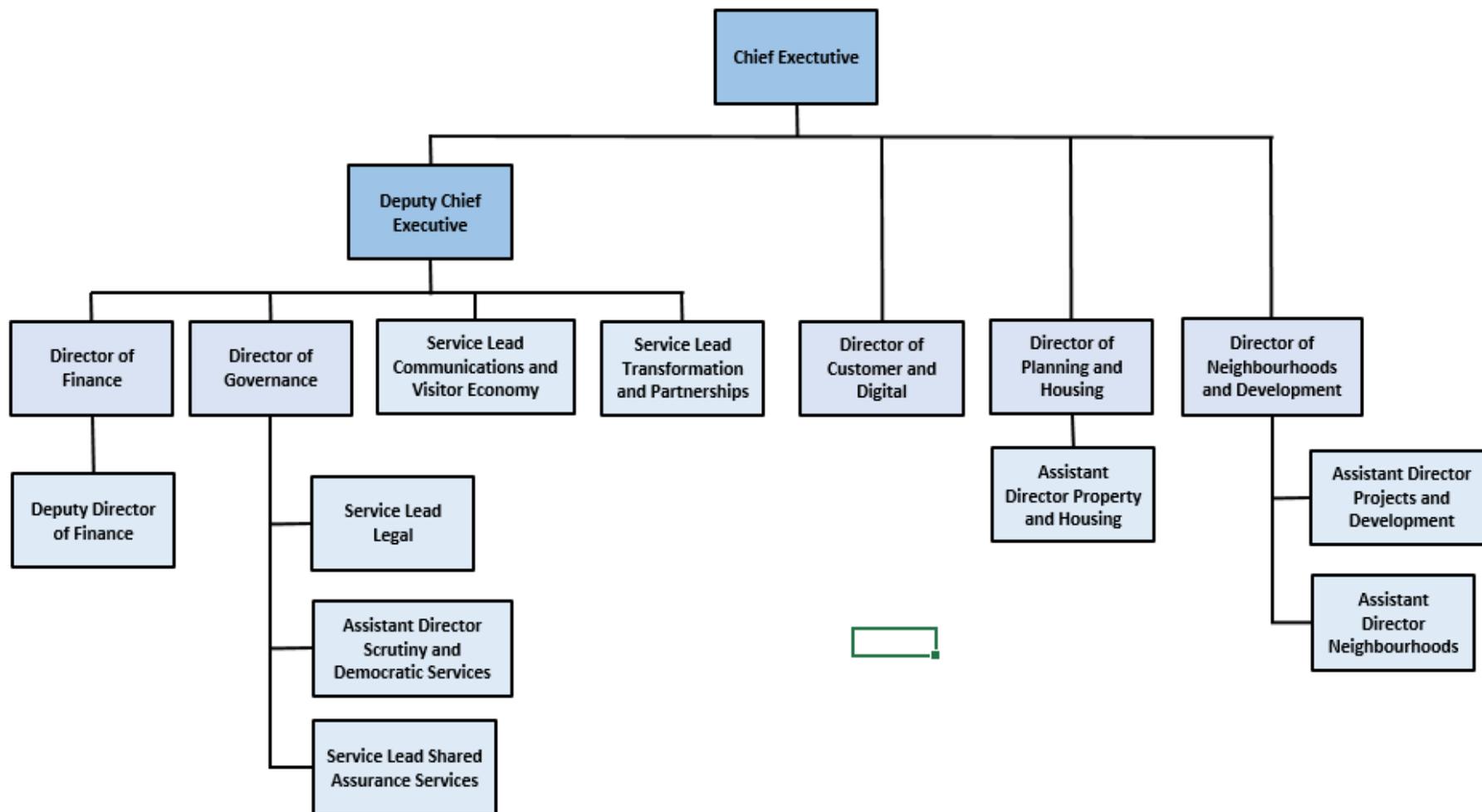
The Council has 50 district councillors elected to cover all the electoral wards across the borough. District councillors represent their communities and bring their views into the Council's decision making process. Council meetings are publicised on the Council's website alongside agendas, reports and minutes. The meetings are open to members of the public to attend bringing decision-making closer to the public.

The political structure of the Council in the 2019/20 year was as follows, with the Labour and Liberal Democrat Parties forming a majority coalition administration:

Party	No.
Conservative	23
Labour	21
Liberal Democrat	5
Vacant	1
TOTAL	50

Management Structure

The Senior Management Structure was reviewed during 2019/20 to enhance service sharing with Chorley Borough Council. A recruitment process was underway to recruit to the new structure during 2019/20 but was not yet fully concluded by the end of the year. The Council currently has interim arrangements in place to deliver the Corporate Plan priorities, which were refreshed in 2019/20. This in turn has informed the allocation of resources within the Medium Term Financial Strategy. The current structure is shown on the next page.



Our staff are the most important resource we have to help us achieve our goals. The Council employs 282 staff in full time and part time contracts. A breakdown of our workforce by age and gender is set out in the table below:

No. of Employees by Age and Gender.

	Male	Female
Under 20	3	1
20-29	27	11
30-39	26	24
40-49	33	40
50-54	17	21
55-59	21	26
60+	16	16
TOTAL	143	139

Corporate Plan and Performance in 2019/20

The Annual Corporate Plan Performance report for 2019/20 will be presented to full Council at the end of September 2020. The report will provide an overview of how the Council performed against the identified deliverables for 2019/20, within the 2019 to 2023 Corporate Plan, which was reviewed and refreshed part way through the year, following an election and new administration. The refresh of the Corporate Plan was completed and approved by Council in September 2019. Reporting is based on the refreshed Corporate Plan and Objectives.

In summary, the Council has made good progress during the year, although it is important to understand that many of these Corporate Plan projects run across multiple years, therefore a significant amount of the work completed to date has been at a strategic planning and consultation level. Although this process can be time intensive, South Ribble Borough Council is committed to ensuring that the projects delivered meet the needs of South Ribble's communities. With the Corporate Plan, some projects are delivered directly by the Council itself, while others are led by other organisations, with the Council playing a supporting or influencing role.

The Corporate Plan is delivered with the purpose to achieve the Council's vision and ambition.

This vision is summarised as:

'A healthy and happy community, flourishing together in a safer and fairer borough'.

And the ambition is to be:

'A Council that is recognised for being innovative, forward thinking and financially sustainable, whilst putting people at the heart of everything we do'

To achieve this, the Council will use the following approach:

- We listen, we act and you have trust in us;
- We use technology to improve what we do and how we deliver services;
- We use your money in the right way to provide excellent services and invest in communities;
- The Council and residents share responsibility for South Ribble to be a great place;
- We do what we can to lessen the financial burden on residents;
- We have great relationships with our partners so we can do more together.

The approach will lead to the following outcomes:

Health, Wellbeing and Safety

Residents are happy, healthy and safe, active and independent.

Excellence, Investment & Financial Sustainability

Excellent services and a strong financial position that enables us to invest in the right way.

Our People & Communities

Strong and active communities where people are engaged and have a voice.

Place, Homes & Environment

Our green spaces are valued and development is well managed.

The areas of activity and the identified projects associated with each of these are identified below, together with examples of performance against them in 2019/20. A detailed performance report for the year will be presented to full Council in September 2020.

Performance was reported to the Scrutiny Budget and Performance Panel, Cabinet and Council on the progress at the end of 2019/20 against the Corporate Plan 2019-23. This reflects the changes to the Corporate Plan as approved September 2019 and outlines the performance broken down by four sections (Outcomes):

- Excellence, Investment and Financial Sustainability;
- Health, Wellbeing and Safety;
- Place, Homes and Environment;
- Our People and Communities

Within each section is a summary of all activities and their performance status at the end of the year.

Performance Key

Symbol	Determination
 Succeeding	If we are doing well then it is Succeeding . Where a project or task has been achieved ahead of the due date set or a measure has achieved beyond its target.
 On-track	It is On-track where a project or task will be delivered on the due date set or a measure is within its agreed targets
 Off-track	It is Off-track where a project or task has not met its required due dates, or a measure has not met its targets
	Completed: project has been completed, meeting milestones and actions.

The Key Performance Indicators (KPI) for Period 2 display progress against the outcomes of the Corporate Plan on Health, Excellence, Communities and Environment.

Trend	Determination	Note
	This shows that the reported figure has increased since it was last reported.	<i>The trend key shows how a measure is performing against its previous reported figure. The colour of the item details whether the direction is negative, positive. These are the same colours as used on the performance key for succeeding and off track.</i>
	This shows that the reported figure has decreased since it was last reported	
	This shows that a measure has stayed the same and not moved	



Excellence, Investment & Financial Sustainability

Excellent services and a strong financial position that enables us to invest in the right way

1

People tell us that we are value for money and satisfied with the way we do things

2

We have more people using our online services

3

More people using online self service channels

4

We buy from local businesses as suppliers and contractors where we can

5

Investment in communities by delivering our Capital Programme

Our Key Performance Indicators:

Key Indicator	Performance	Baseline / Target	Period 1 2019/20	Period 2 2019/20	Status
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% of self-service channels access vs phone/face to face	18% (2019/20)	Not reported in this period	22%	
Increase in income from commercially operated assets: Business and Conference centre	10% Increase (Annual)	42%	20%	
Increase in meeting hours in the Business and Conference Suite	10% Increase (Annual)	40%	26%	

Service Level Indicators	Baseline / Target	Period 1 2019/20	Period 2 2019/20	Status
% of telephone calls answered within 90 seconds	40%	77.6%	61%	
% of calls abandoned before being answered in a quarter	15%	5.6%	11%	
% of Business Rates collected (Annual)	98%	-	98.5%	
% of Council Tax collected (Annual)	97.5%	-	97.5%	
Average days to process a new Housing Benefit claim	19 days	-	16.6 days	

Key Projects

What we will do	2019-20	
	Period 1 Oct-Dec	Period 2 Jan – Mar
EIFS01 – Customer Experience		
EIFS02 – Shared Services		
EIFS03 – Conference and Business Centre		
EIFS04 – Leisure Management Options		
EIFS05 – Implement first year of the Councils Digital Strategy		
EIFS06 -Review of the Council's Surplus Sites		



Health, Wellbeing and Safety

Residents are happy, healthy and safe, active and independent

1

More people telling us they feel safe at home and out and about

2

Fewer people homeless

3

More businesses and high streets are dementia friendly

4

More people engaged in physical activity

5

Improvements and extensions of multi use pathways across our Green Links

1.

2. Our Key Performance Indicators

Key Performance Indicator	Baseline / Target	Period 1 2019/20	Period 2 2019/20	Status
South Ribble is recognised as a Dementia Friendly Community	Retention of Status	Retained	-	
Number who are prevented from becoming homeless (this is taken from the number of people presenting as homeless or threatened with homelessness, but where it has been prevented)	Baseline	85	96	
Total number of young people's physical activity courses delivered	Baseline	404	295	
Improvements delivered to local infrastructure: Multi Use Pathways (Annual)	7 KM	6.5km	7km	
Improvements delivered to local infrastructure: Major Green Links Access Points (Annual)	6	6	6	
Improvements delivered to local infrastructure: Improvements along pathways (Annual)	17KM	16km	17km	
An increase in the number of approved members of the South Ribble Dementia Charter Community (Annual)	15	13	15	
% of children on free school dinners taking up pilot Holiday Hunger offer	No target is set as it is simply to monitor uptake	18.05% (The percentage of vouchers issued and then redeemed)	14.7% (The percentage of vouchers issued and then redeemed)	-

Key Projects

What we will do	2019-20	
	Period 1 Oct-Dec	Period 2 Jan - Mar
HWS01 - South Ribble Dementia Action Alliance		
HWS02 - Open Space Sports and Recreation		
HWS03 - Green Links		
HWS04 -Improving our Existing Leisure Centres		
HWS05 - Activities and Events for People of All Ages		
HWS06 - Interact with the Council Digitally		
HWS07 - Community Safety to tackle Crime and Disorder		
HWS08 - South Ribble Partnership		
HWS09 - MH2K		
HWS10 - Reduce the Number of Homeless		
HWS11 - Mind the Gap		
HWS12 - First Class Advice Services		



Our People & Communities

Strong and active communities where people are engaged and have a voice.

1

We have more people getting involved in their communities and with us as a Council as they have the right space and place to make their voice heard.

2

A Time Credits scheme is developed and piloted to encourage people to volunteer or engage who haven't done so before.

3

People pay less to the Council in fees and charges such as the green waste charges and council tax support.

Our Key Performance Indicators

Key Performance Indicator	Baseline / Target	Period 1 2019/20	Period 2 2019/20	Status
Percentage of South Ribble Borough Council employees starting apprenticeships in any financial year	2.3% of the Workforce (Annual)	4%	3.5%	

Key Projects

What we will do	2019-20	
	Period 1 Oct-Dec	Period 2 Jan - Mar
OPC01 - Review Community Involvement approach		
OPC02 - My Neighbourhood Plans.		
OPC03 - Revised Council Tax Support Scheme for 2020-21		
OPC04 - Community Bank/Credit Union		Not Started (July 2020)
OPC05 - Member Induction Programme and Member Development Programme		
OPC06 - Develop a Youth Council		
OPC07 - Gain Accreditation as a Living wage Employer		
OPC08 - Council's Approach to Volunteering and Active Citizens		
OPC09 - Apprentice Factory Phase 2		



Place, Homes & Environment

Our green spaces are valued, and development is well managed.

1

We have more green spaces protected as Fields in Trust

2

Masterplans for Leyland, Penwortham and Lostock Hall all completed

3

We deliver affordable homes

4

We deliver the actions of our air quality plan

5

We have planted 110,000 trees

3. Our Key Performance Indicators

Key Performance Indicator	Baseline / Target	Period 1 2019/20	Period 2 2019/20	Status
No. of green spaces protected as 'Fields in Trust' (Annual)	3	Not reported in this Period	0	
12 wildflower meadows 2019-20. (Annual)	12	Not reported in this Period	0	
No. of Trees Planted (Annual)	30,000	32,055	45,323	
Masterplans for Penwortham, Leyland and Lostock Hall are completed (Annual)	1 completed	Not reported in this Period	0	
Number of Affordable Homes delivered (Bi-Annual)	30%	Not reported in this Period	20% (81)	

Key Projects

What we will do	2019-20	
	Period 1 Oct-Dec	Period 2 Jan - Mar
PHE01 - Develop a strategy and action plan to halt overall loss of England's biodiversity		
PHE02 - Plant 110,000 trees in South Ribble		
PHE03 - Carbon Neutral by 2030		
PHE04 - Single Use plastics		
PHE05 - Borough's Air Quality Action Plan		
PHE06 - Bring Worden Hall back in to use		
PHE07 - Invest and develop our parks and play areas		
PHE08 - Develop a Programme for festivals and events, with at least 1 music festival		
PHE09 - Ensure our parks and existing cherished local open spaces can be protected		
PHE10 - Manage the rate of delivery of new homes and commercial floor space		
PHE11 - Scope and prepare masterplans for Leyland, Bamber Bridge and Penwortham town centres		
PHE12 - Implement Phase 2 of the Employment and Skills Plan (Cuerden)		
PHE13 - Prepare strategy for supporting new and small businesses		
PHE14 - Review the projects listed in the City Deal Business and Delivery Plan 2017- 20		
PHE15 - Review the Local Plan		
PHE16 - River Ribble Green Link		
PHE17 - Prepare and implement a Central Lancashire Economic Strategy		
PHE18 - Provide quality homes that people can afford to live in		
PHE19 - Private Sector Stock Condition Survey		

Financial Performance

In 2019/20, the Council set a balanced annual budget of £14.484m which included efficiency savings of £0.150m and a budgeted contribution to capital reserve of £0.716m.

The outturn report for 2019/20, considered by Cabinet on 5th August 2020, showed a forecast net surplus of £0.431m and an outturn position of a net surplus of £1.400m, a difference of £0.939m compared to the budget. This was mainly due to income from business rates and additional section 31 grant funding being received in respect of in-year business rates reliefs.

The outturn position is summarised in the table below:

	Current Budget £'000	Outturn £'000	Outturn Variance £'000	Forecast at Quarter 3 £'000
Chief Executive	943	880	(62)	905
Neighbourhoods & Development	6,482	6,430	(52)	6,432
Planning and Property	526	392	(135)	272
Finance and Assurance	1,370	1,630	259	1,455
Legal, HR & Democratic Services	1,701	1,632	(69)	1,703
Customer and Digital	2,126	2,054	(72)	2,094
Pension Deficit Contributions	414	519	105	521
Net Cost of Services	13,563	13,538	(26)	13,382
Interest payable / (receivable)	(214)	(286)	(72)	(217)
Parish Precepts	397	389	(8)	397
Provision for repayment of debt	835	761	(74)	831
Funding Requirement	14,581	14,401	(180)	14,393
<u>Funding:</u>				
New Homes Bonus – City Deal	(879)	(879)	-	(879)
New Homes Bonus – SRBC	(135)	(135)	-	(135)
Retained Business Rates	(3,950)	(4,169)	(219)	(3,939)
Section 31 grants (mainly business rates)	(1,750)	(2,289)	(540)	(2,041)
Council Tax	(8,329)	(8,329)	0	(8,329)
Total Funding	(15,042)	(15,801)	(759)	(15,322)
(Surplus) / Deficit	(461)	(1,400)	(938)	(930)
Ring-Fenced income	-	270	270	162
Underspends to be used in 20/21	-	166	166	-
Net (Surplus) / Deficit	(461)	(964)	(502)	(768)

Since the report was prepared, there has been a small number of additional transactions. As a result of these, the surplus for the year has been revised to £1.294m, a reduction of

£0.104m compared to the outturn report, but still an increase of £0.836m compared to the revised budget £0.367m more than the Quarter 3 forecast. A table reconciling the final surplus figure with that which appeared in the outturn report is shown below.

	£k
Surplus as per Outturn Report	(1,400)
Finalisation of NNDR3	(62)
Income from CIL & S106 administration charge	(264)
Payments to Business Rates Pool (County Wide Fund)	5
Adjustment to Lease Interest	(24)
Budgeted contributions to capital	451
Surplus as per EFA	(1,294)

The outturn position will be considered as part of the update of the Council's Medium Term Financial Strategy (MTFS) to ensure that ongoing additional income or reduced expenditure is fully reflected in the strategy.

In recent years austerity measures have been implemented by Central Government to reduce overall public sector spending. This has resulted in changes in the way the Council is funded and has seen the withdrawal of central government grant (revenue support grant) and the introduction of business rates locally. The Council is part of the Lancashire Business Rate Pooling arrangement which allows increases in business rates to be retained locally but transfers the financial risk of maintaining and growing the tax base to local councils. These arrangements benefit South Ribble and therefore contribute positively to the Council's overall financial position. In September 2018 South Ribble participated in the Lancashire application for the Business Rates 75% pilot scheme. The Lancashire bid was successful and therefore, for 2019/20 only and South Ribble benefitted from retaining a higher proportion of any growth in business rates income. This increase in funding was included in the 2019/20 budget forecast.

Another core funding stream is New Homes Bonus (NHB) which relates to growth in housing supply in the borough. The NHB scheme was changed in 2017/18 when the benefit receivable was reduced from 6 to 4 years and a growth threshold was also introduced. South Ribble has committed to pay its receipts into City Deal and therefore, because of these changes, less funding was available for City Deal and the Council's element was expected to cease after 2019/20. However, NHB is receivable in 2020/21 as the funding reforms were delayed by government. The outlook for NHB remains uncertain as the government addresses the COVID 19 pandemic.

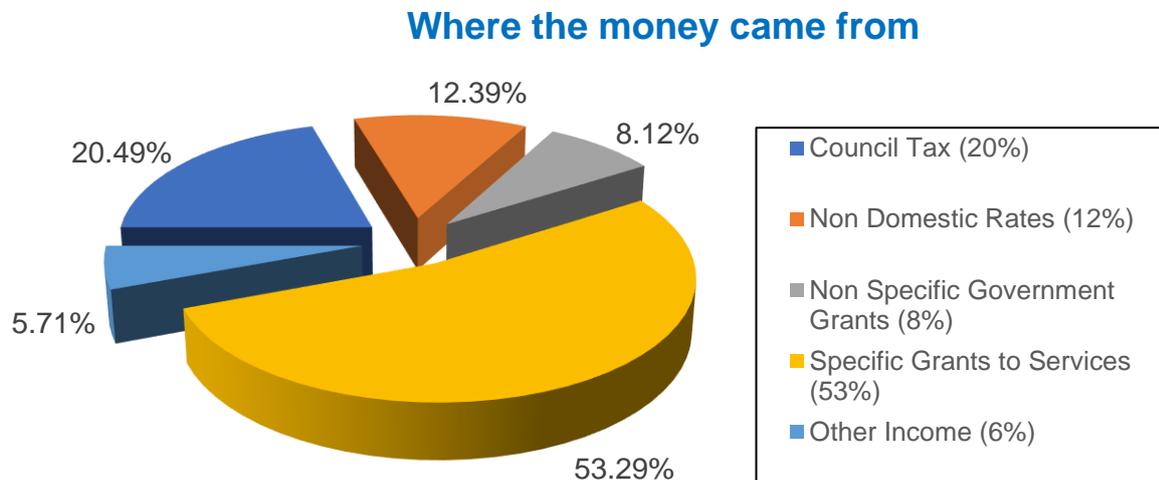
There is risk and uncertainty in relation to future years funding, not only because it is directly linked to growth in the borough, but also pending the outcome of Central Government's Fair Funding review and any potential reset to the business rates retention system. The implementation of these was delayed for 2020/21 due to government concentrating on BREXIT. The Fair Funding Review and change to 75% business rates retention was further delayed due to the corona virus pandemic. However, uncertainty remains regarding the implementation of the business rates baseline reset, which may have a major impact on the council's future income from business rates.

In light of this, and the fact that Council Tax is the major source of funding for local services, it is essential that councils monitor their collection rates and raise as much income as possible. Any under recovery of income can have a significant impact on the ability of a

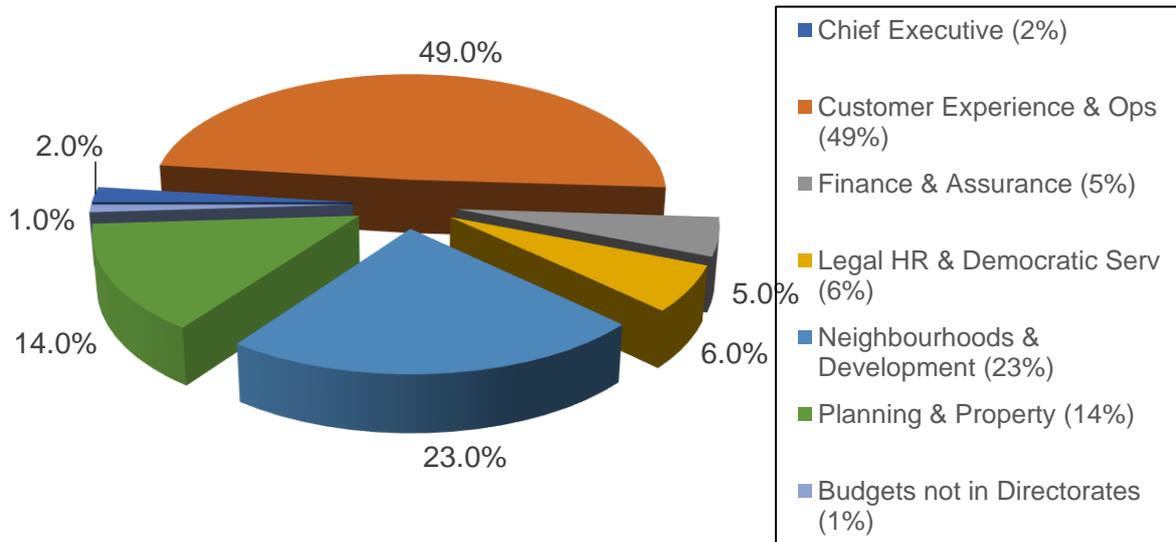
council to fund its service delivery. South Ribble continues to perform well in this area with collection rates of 97.48% for council tax and 98.50% for business rates in 2019/20.

Total reserves for the Council were £20.813m by the end of 2019/20 of which £4.239m is held in a general reserve. The remaining reserves are earmarked for specific programmes of work or costs that are known to the Council. The plans within the Council's latest Medium Term Financial Strategy will see reserves reduce to an estimated £13.625m by the end of the 2023/2024 financial year. Monitoring of reserves will continue to ensure they remain appropriate and reflect the level of risk that exists around unplanned/unforeseen expenditure or loss of income. A detailed breakdown of the individual reserves held is shown in Note 11 of the Statement of Accounts.

The following charts show where the Council's money came from and how it was spent on services:



Where the money was spent



Capital Programme

In February 2019 the Council approved a 4-year capital strategy of £41.4m. This programme will deliver a number of key projects to the benefit of the residents of South Ribble:

- Health, Leisure and Wellbeing Programme including upgrades to key green infrastructure sites, updating existing leisure assets and facilities, a new leisure facility and a sports pitch hub with artificial grass pitches. £23.8m
- Master planning and regeneration of key strategic sites, more affordable housing, support to vulnerable people through disabled facilities grant and upgrading the condition of the Council's buildings. £8.1m
- Improved and updated ICT systems and technology including mobile technology, replacement of Council service vehicles and an update to the Civic Centre to create a more commercially focussed facility. £4.9m
- Funds released for an investment property programme to generate income for the Council. £4.6m

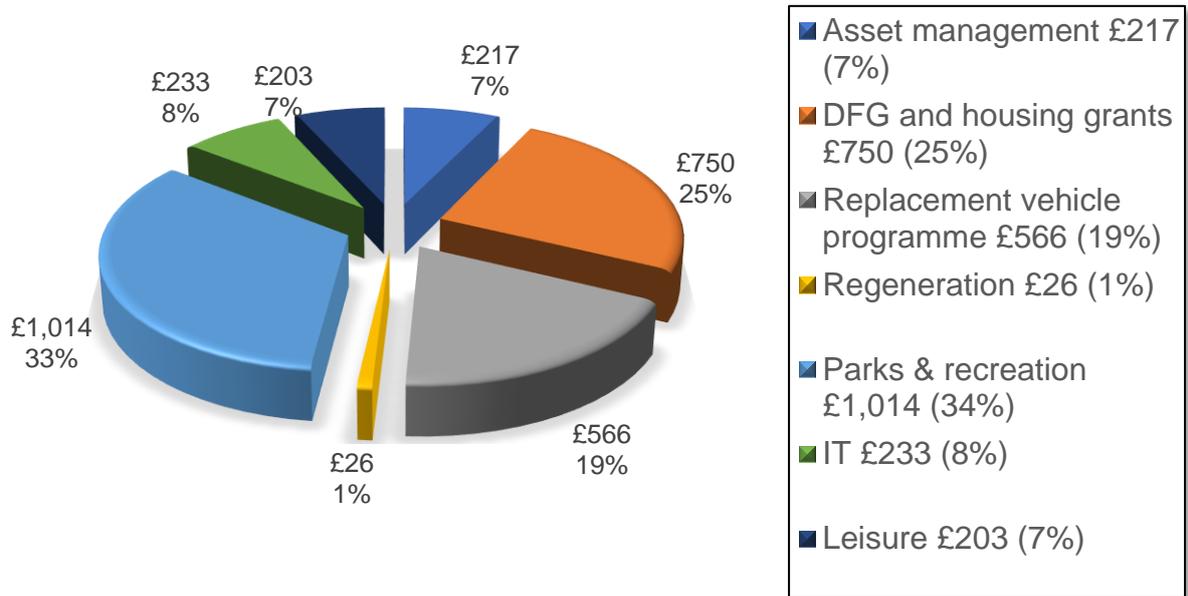
The original capital programme budget for 2019/20 was £12.908m. With approved slippage from 2018/19 and other subsequent changes, the final budget was £4.129m.

The position on the 2019/20 capital budget is set out in the following table.

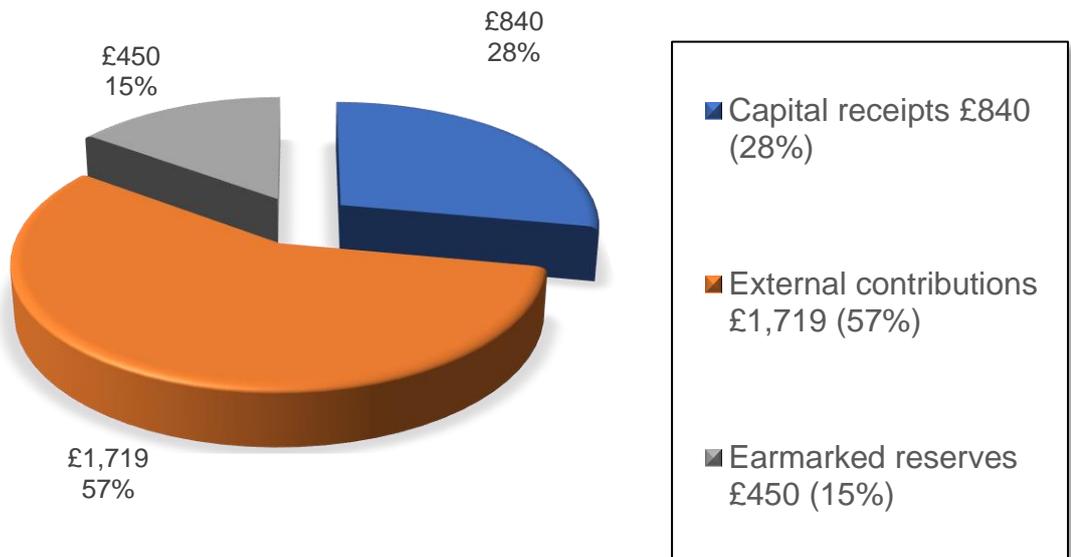
Description	Budget £000	Revised Budget (A) £000	Expend- iture (B) £000	Variance (B) – (A) £000	Re-phased into 2020-21 £000	Over / (Under) Spend £000
Health, Leisure and Well Being						
Green Links	745	563	417	(146)	(92)	(54)
Existing Built Assets	496	835	591	(244)	(170)	(74)
Sport and Leisure	2,547	512	203	(309)	(79)	(230)
Place						
Affordable Housing	300	35	45	10	10	0
Land Acquisition – Croston Road	-	77	0	(77)	(77)	0
Disabled Facilities Grants	723	750	696	(54)	(54)	0
Master Planning and Regeneration	575	18	18	0	-	-
Private Sector Home Improvement Grants	240	8	9	1	0	1
Station Road, Bamber Bridge	573	-	-	0	-	-
St Mary's Penwortham – Churchyard Wall Repair	105	20	0	(20)	(20)	0
Compulsory Purchase	-	19	36	17	0	17
Bowling Green Acquisition	-	12	12	0	0	0
Excellence and Financial Sustainability						
IT Programme – Digital Strategy	200	366	242	(124)	(115)	(9)
Vehicles and plant replacement	1,450	604	566	(38)	(38)	0
Corporate buildings/Asset Management Planning	404	310	174	(136)	37	(173)
Asset Investment Fund	4,550	-	-	0	-	-
TOTAL	12,908	4,129	3,009	(1,120)	(598)	(522)

The Council spent £3.009m against the revised budget of £4.129m, which equates to 72.9% and gives an overall variance of £1.120m. Of this, £0.598m has been carried forward into 2020/21 to enable projects to be completed. The remaining £0.522m is a net underspend. A summary position of capital expenditure is set out below.

Capital Expenditure £'000



Capital Financing £'000



The significant areas of spend (over £20,000) and major schemes completed in the 2019/20 capital programme are as follows:

Scheme Name	Spend £'000
Green Infrastructure:	
Central Parks Network	112
Green Link – Penwortham to Bamber Bridge	40
Green Link – Shruggs Wood	49
Carwood Road Cross-Borough Link Road	150
Leyland Loop	59
Worden Park:	123
Other Parks and Open Spaces	
Hurst Grange Coach House Phase 1	38
Open Spaces 2016/17 to 2019/20	30
Playground – Worden Park	151
Playground – Leadale Green	142
Playground edging Worden and Farington Parks	73
A tree for every resident	24
Sports and Leisure:	
New Leisure Facility	198
Affordable Housing	45
Disabled Facilities Grants	696
Private Sector home improvement grants	63
Compulsory Purchase	36
ICT systems and technology:	
Capita Software Upgrade	23
Civic Centre Audio Visual Equipment	80
InPhase Upgrade	32
Telephony and Switchboard	78
Vehicles and plant replacement	566
Corporate Buildings:	
Depot	48
Civic Centre Solar Panels	30
Civic Centre Toilets	66

The Corporate Risk Register

The Corporate Risk Register is in place to identify and manage the risks that could impact on the delivery of the Council's objectives. Monitoring of the Corporate Risk Register has not been undertaken during 2019/20 and the register is confirmed as out of date in the Annual Governance Statement. It is acknowledged that the framework and management of risk requires review and update to ensure risks are being managed effectively and to ensure risk management is embedded.

Coronavirus Pandemic

In March 2020, the whole of the UK was affected by the pandemic and central government issued various instruction and guidance to combat this. Like all Councils, South Ribble took action to protect itself and staff and the community.

As most restrictions were implemented in late March 2020, the financial effects for 2019/20 are minimal. However, for 2020/21 and future years the financial projections reported to Council in February 2020 will require review and adjustment. However, at the present time this cannot be undertaken with any confidence or accuracy. Officers will review the projections closely as part of the 2021/22 budget and MTFS preparation and make adjustments as appropriate.

It should be acknowledged that central government made significant funding allocations to local government in 2020 which are an assistance to the Council's financial position following the pandemic and in the recovery. However, it is unclear whether this welcome funding will offset the increased spending and reduced income during 2020/21.

The following paragraphs provide a high level overview of the effects of the situation on this statement of accounts.

Provision of Services

Because of the business continuity plans the Council has, front line service provision was largely unaffected by the lockdown instruction. Leisure facilities and some community facilities were temporarily closed and arrangements implemented for re-opening when allowed. All other services were maintained as a result of business continuity arrangements and where possible staff redeployment to high priority areas. Although reception areas were closed, public services were maintained by digital service provision and use of other communication means. The Council has fully implemented government schemes including offering business rates relief, providing council tax hardship support and providing grants to support business, protecting the economic stability of its area.

Workforce

In line with government instruction, the Council issued a 'stay at home' instruction to its staff from 23rd March 2020. All staff are still strongly encouraged to work from home where it is practical to do so and are only permitted to attend offices where unavoidable. This directive has maintained service provision at a satisfactory level and has greatly reduced the risk that Council staff become infected. As staff were protected, the Council was able to deploy its staff where suitably trained to other areas. Also, the pandemic did not have a material impact on sickness levels in the Council.

Supply Chains

The Council is aware of its responsibility for the economic wellbeing of its area and has taken all practical steps to protect supply chains. A policy was already in place for prompt payment of supplier invoices and all staff have been requested to pay undisputed invoices more promptly than before the pandemic. Where possible, arrangements have been made with suppliers offering financial support and maintaining their cashflow. This has been further progressed by the Council assisting with the government grant support for business, actively encouraging businesses to take advantage of the grants and support available.

Reserves, Financial Performance and Financial Position

At 31st March 2020, the Council's usable revenue reserves were £20.813m. Of these, £16.574m were earmarked for specific purposes, leaving £4.239m in general reserve. It is considered this level of reserves is sufficient for the Council at present. It is acknowledged that although government have provided funding this may not be sufficient to offset future increased expenditure and lost income. The Council will closely monitor its financial position and future budget planning to ensure it remains financially sustainable. In addition, the Council had £10.269m of capital grants in hand. The Council will reassess its capital programme and funding throughout the year as by their nature capital projects are vulnerable to delay and cost overrun. It is possible these delays could be exacerbated by the pandemic. The pandemic did not directly affect non-current asset valuations in the balance sheet, although the council's valuer did, as the pandemic developed, issue a supplementary letter confirming that the valuations should be viewed as being subject to 'material valuation uncertainty' and that, consequently, less certainty, and a higher degree of caution, should be attached to them than would normally be the case.

The Council will also review its planned efficiencies and savings included in its MTFS to ensure these can be delivered within the anticipated timeframe. These will be assessed as part of the refresh of the 2021/22 Corporate Strategy and MTFS preparation.

Cash Flow Management

The Council closely manages its cash flows ensuring management costs are kept to a minimum while gaining the maximum return on surplus balances. The loss of income from rentals and fees and charges will be temporarily offset by the cash payments received from government for business grants. Cash balances will be managed in accordance with the approved treasury strategy. In the last few days of March 2020, the Council entered into £10m of temporary borrowing, in order to manage the cash flow implications of payments of support grants to businesses. All of this borrowing was repaid before the end of April 2020, following receipt of associated government funding.

Major Risks

The major risks to the Council are covered in the Corporate Risk Register. The pandemic has increased the risk of:

- Increased spending on services;
- Loss of service income;
- Delay in capital projects;
- Increase in sickness levels in staff.

The monitoring and arrangements in place minimise these risks but cannot eliminate them.

Plans for Recovery

The Covid-19 crisis will continue to have a significant operational and financial impact on the council, its partners and the communities it serves. It's now important that the council has a clear plan for how it will recover its services and return to business as usual as quickly as possible. A key focus will be on getting core services back up and running efficiently. However, there are some aspects of the response effort that will need to remain in place for an extended period of time, such as the community hub and enhanced support for local businesses.

Our plans will need to assess and align the resources required to get the council back on track, while taking account of new responsibilities and priorities as a result of the impact of Covid-19 on residents and communities. In response to this the Corporate Plan will be reviewed so that activities and programs are aligned to supporting communities and businesses through the period of recovery, as well as ensuring activities are appropriate to be delivered in an environment of social restrictions and distancing.

Outlook for the Future

All local authorities are facing challenges as a result of changes to the funding from Government through the Fair Funding Review which was due in the Autumn of 2019. This was postponed to 2020 due to BREXIT and postponed further as a result of the COVID 19 pandemic. In January 2020, the Council updated its MTFs so that it reflected the Council's new corporate priorities and baselined changes in funding and expenditure. Council Tax and Business Rate reviews reflecting the changing nature of the strategic investment associated with the City Deal. Gaps between the budget required and likely funding available were approved by Full Council based on prudent economic growth and Council Tax increases to achieve a balanced four year Medium Term Financial Strategy without the need for significant savings. The MTFs is however kept under constant review in order to take account of changes in demand or funding that may impact on the financial position going forward. This is especially important as the Council assists in the national recovery from Coronavirus.

Efficiencies identified and reported in previous years will continue to be developed and options for the delivery of more efficiency savings and investment returns are being created. The Council also has robust arrangements in place to ensure that plans for efficiencies are realistic and deliverable over agreed timescales. Updates are provided to Cabinet at regular intervals throughout the year. However, these all require review following the COVID 19 pandemic. This will be vital during 2020/21 and will have a major impact on the 2021/22 budget preparation and subsequent MTFs. The new corporate plan has been developed to set strategic projects to be delivered and a planned use of reserves on investment priorities has been agreed that will see them reduce to £13.6m by March 2024. The corporate plan sets the framework for the Council in enhancing its service offering and supporting the improvement plan based on consultation with residents and business through the community strategy.

The Council is in a high growth area for housing and business. As such it needs to manage this growth to ensure that the Council services and the wider infrastructure are reshaped accordingly. To deliver this the Council has embarked on an ambitious investment strategy utilising its own reserves, external funds and borrowing, where the appropriate business case exists to repay debt, to facilitate this transformational programme for its residents. This focus will be both on front line service delivery and back office support such that the Council has the resilience for growth from within existing resources. The Council also plans to deliver an ambitious housing programme, working alongside the City Deal, to facilitate housing options for all tenures and ages within the wider borough. Growth delivered without infrastructure can have negative environmental impacts such as Air Quality. Therefore at the same time the Council is investing in its Green Links programme to promote the wider Health Leisure and

Wellbeing priorities associated with its Parks and Open Spaces and sports facilities as well as working with the County Council on highway infrastructure to offset these wider impacts.

As part of a longer term strategy a detailed asset review is being undertaken to identify those assets that are protected open spaces, retained for commercial purposes and those that can be released for housing or wider economic regeneration. Economic growth results in future employment and the Council will be analysing its core demographic data to ensure that opportunities are maximised to its residents.

Overall the Council has a robust financial position over its Medium Term period utilising reserves on an invest to save or invest to earn basis to deliver its Corporate objectives informed by the Corporate Strategy. However, as already stated the progress of these could be affected by the financial impact of the COVID 19 pandemic. The effects of this will be reviewed as appropriate.

Treasury Management

The treasury operations of the Council are conducted in accordance with its annual Treasury Strategy. This strategy document identifies the investment and borrowing policies of the Council over a three-year period, specifying, amongst other things, the criteria for investment counterparties, the maximum duration and amount of investments, and the need for borrowings.

The key facts for 2019/20 were:

- Investments were short-term, the maximum period permitted by the Council's Treasury Strategy being one year.
- The average cash balance invested was £43.018m at an average rate of 0.894% and generated £0.385m of interest during the year.
- No new Prudential Borrowing was entered into to finance capital expenditure, either from external loans or from internal cash balances. However, £10m of short-term borrowing was entered into in the last few days of March 2020, to address cash flow issues arising from preparations for Covid 19 business support grant payments. The last of this borrowing was repaid before the end of April 2020.
- In 2019/20 there have been no repayments in respect of the Heritable investment claim. The balance of the claim remaining to be recovered is still £0.040m. In total, £1.974m of the original £2.000m investment has been recovered. Recovery to date is around 98% of the claim value, which has exceeded expectations.

Pension Fund Liability

The pension fund deficit has reduced during the year, by £3.021m, from £32.863m to £29.842m, being the net pension liabilities. This reflects the value of pension liabilities which the Council is required to pay in the future when they fall due, offset by the value of assets invested in the pension fund. In addition, the Council's pension fund has to be revalued every three years to set future contributions into the fund. The latest valuation was in 2019 which reported a funding level of just over 100%, the result of the Lancashire County Pension Fund being one of the most successful Local Authority funds in the country. The Council has a deficit recovery plan in place with the Administering Authority to maintain a 100% funding level by making additional Deficit Recovery Contributions over a 16 year period.

This deficit figure is very much an estimate, being the actuary's assessment of the present value of the liabilities to be met by the fund over a long period less its current assets and anticipated future receipts. Note **Error! Reference source not found.** presents detailed information about the Defined Benefit Pension Scheme.

Main Accounting Changes

The new or amended international financial reporting standards or international accounting standards introduced by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 include:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle. The amendments that may apply to local authorities include:
 - IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard.
 - IAS 28 Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

These changes have no impact on the Authority's financial statements.

Going Concern

South Ribble Borough Council's MTFS outlines the strategies it will pursue to meet current and future funding shortfalls. The approval of a balanced budget for 2020/21 has already been given and there is no reason to believe that the risks to the approval of the Council's budget in future years will not be entirely mitigated through the transformation programme. It is accordingly considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Further Information

If you would like to receive any further information about these accounts, please do not hesitate to contact South Ribble Borough Council on 01772 625625, by email at info@southribble.gov.uk or by post at the Civic Centre, West Paddock, Leyland, Lancashire, PR25 1DH.