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Chief Officer Approved by	
Attachments: 1 <b>Appendix 1: Balance Sheet Projection</b>	
Purpose Of Paper:      Decision <input type="checkbox"/> Consultation <input type="checkbox"/> Information <input checked="" type="checkbox"/>	

**JIAC MEETING: 26 JANUARY 2021**

**TITLE: 2020/21 BALANCE SHEET SUMMARY REPORT AS AT 31 DECEMBER 2020**

## **Overview**

A summary of the Balance Sheet position is shown on page 4 and includes the forecast year-end position, and budgeted year-end projections for 2021/22 and 2022/23. The Balance Sheet forecast is based on the latest capital report as at December 2020 which was presented at the January PCSB meeting. For future years the Medium Term Financial Plan (MTFP) is the key source for the inputs. This includes the additional requests for the proposed MTFP.

The MTFP links to the Treasury Management Strategy Statement (TMSS) which is used to predict the capital financing requirement and the underlying borrowing requirement and movement in reserves, investments and working capital.

## **Balance Sheet**

The Balance Sheet is reconciled monthly by the Assistant Corporate Accountant and reviewed by the Corporate Accountant. This summary report is submitted to Corporate Finance for review on a periodic basis, currently this is as at August, December and March month end. The summary Balance Sheet attached shows the actual balance as at 31 December 2020.

The Balance Sheet provides a snapshot as at a specific date, so this may, for example, show that the cash position looks healthy when we are also proposing there is a need to increase external borrowing. The timing of the cash flows impact the balance at both the month end and the year end and this will be an estimate based on the profiling of the larger cash flows and the timing of income receipts and supplier/payroll payments.

The opening balances as at 1 April 2020 are as per the audited final accounts which, to date, have not yet been signed due to some specific valuation issues that are now almost resolved.

## **Long Term Assets:**

Property, Plant and Equipment (PPE) is expected to increase by £10m in the year ending 31 March 2021; £2.6m of this amount is for building scheme expenditure while £2.2m is for vehicle expenditure. ICT projects are expected to increase by £2m and Command & Control expenditure by £1.7m. Equipment

replacement makes up the remaining forecasted expenditure of £1.5m. The increase in the forecasted capital expenditure for 2021/22 and 2022/23 is largely due both to the ESMCP and Command & Control project and the slippage in previous years.

Long term assets will increase by the capital investment each year. The capital financing requirement is not affected by revaluations as a decrease or increase in value is offset by the revaluation reserve balance i.e. an increase in PPE Dr of £1m is reflected in the revaluation reserve as Cr of £1m. The amount in the revaluation reserve is £8m as at the end of 2019/20. Property assets will be subject to a desktop valuation as at 01.04.20, with a review for material changes as at 31.03.21. All forecast expenditure is assumed to be PPE at this stage and expenditure will attract MRP in line with the MRP policy.

#### **Current Assets:**

Inventories and debtors in 2020/21 are expected to be similar to 2019/20. Cash is adjusted to maintain a balance of approximately £1-2m in order to predict the borrowing requirement in the TMSS. The reality will be different due to timing of payments and receipts and delivery of the capital programme. Note that £250k in 2019/20 in assets held for sale is for the Bracebridge Heath property which was sold to Lincolnshire County Council in September this year.

#### **Current Liabilities:**

The creditors figure has been adjusted for £196k in respect of the revenue grant received in advance that was on Balance Sheet at the end of 2019/20. This will likely be returned to the Home Office due to conditions having not been met. The original grant was for £1.8m in 2018/19.

Short term provisions are in line with the TMSS and are in respect of the legal provision.

Other short term liabilities are in relation to G4S finance leases. The current contract is due to expire at the end of 2021/22 by which time the liability will have been cleared.

Work is currently being undertaken by the G4S finance team in relation to the implementation of the new leasing standard IFRS 16 in 2021/22 and the finance liability figure will be updated in relation to this once this is progressed. It should be noted that the implementation date has now been put back to 1 April 2022.

#### **Long Term Liabilities:**

The long term liabilities are the finance leases and are currently included in the PPE forecast. Note that all the G4S finance lease liability figure is now shown in short term liabilities due to the fact that there is only 12 months left on the contract as at the end of 20/21.

#### **Long Term Borrowing:**

The long term borrowing balance reflects the full increase in the expected borrowing requirements as calculated in the TMSS. There is no additional short-term borrowing projected at this stage as the term of the borrowing would need to be estimated. For total borrowing, long term and short term balances should be combined. The continued increase in borrowing is in line with the size of the capital programme.

The predicted borrowing requirement is £10m for 2020/21, £10.8m for 2021/22 and £9.3m for 2022/23. As at the end of December 2020, no borrowing has been undertaken from the Public Works Loan Board (PWLb) in the current financial year. The current borrowing portfolio consists of £7m repayable by equal instalments and £22m repayable at 50 years maturity.

In November, the Chancellor announced the results of the PWLB consultation; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. Link Asset Services continue to advise on borrowing options available. The new margins over gilt yields are as follows: -

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)

**Usable Reserves:**

The forecast year-end balance for usable reserves shows a reduction of £7.8m from the beginning of 2020/21 to the end of 2022/23 towards planned one off expenditure in the revenue budget, accounting for timing differences, and the increase in capital expenditure.

**Actual Balances:**

The actual cash and cash equivalents balance as at the end of December 2020 is £15m with the majority of this amount being short term investments. This is largely due to receipt of the pensions grant of £24m in July in addition to borrowing in 2018/19 of £18m at a time when interest rates were historically low.

The current cash flow forecast spreadsheet kept by Exchequer shows £14m cash surplus as at 31 December 2020 and this will continue to be updated as further information becomes available. In reality, due to slippage of the capital programme and timing of cash flows it is unlikely that the total amount of £10 m of borrowing will be required prior to year end.

Reserves actual balances will reduce at year end due to the planned use of reserves and the statutory year-end adjustments that are made for the financial statements.

**Balance Sheet Summary**

Balance Sheet Summary as at 31 December 2020						
		Opening Balance 1 April 2020	Actual Balance Current Period 31 December 2020	Forecast Balance 31 March 2021	Forecast Balance 31 March 2022	Forecast Balance 31 March 2023
Type	Category	£000	£000	£000	£000	£000
Long-Term Assets	PPE	42,918	43,430	52,884	60,345	68,784
	Intangible Assets	2,121	1,552	2,121	2,121	2,121
		45,039	44,982	55,005	62,466	70,905
Current Assets	Assets Held for Sale < 1 Yr	250	-	-	-	-
	Inventories	454	483	454	454	454
	Short term debtors (Control)	1,467	250	1,467	1,467	1,467
	Short term debtors	12,385	6,880	12,385	12,385	12,385
	Cash and cash equivalents	6,152	14,954	1,558	1,015	1,047
		20,708	22,567	15,863	15,321	15,353
		(12,606)	(9,839)	(12,802)	(12,802)	(12,802)
Current Liabilities	Short term creditors	(1,313)	(1,022)	(493)	(493)	(493)
	Short term provisions	(3,026)	(3,026)	(5,353)	-	-
	Other short term liabilities	(1,073)	(1,073)	(1,073)	(1,073)	(1,073)
	Short term borrowing	(196)	(196)	-	-	-
	Revenue grant receipts in advance					
		(18,214)	(15,157)	(19,721)	(14,368)	(14,368)
		2,493	7,410	(3,858)	953	985
Net Current Assets						
TOTAL ASSETS LESS CURRENT LIABILITIES		47,533	52,392	51,147	63,419	71,890
Long-Term Liabilities	Long term provisions	(107)	(107)	(107)	(107)	(107)
	Other long term liabilities	(3,026)	(3,026)	-	-	-
	Long term borrowing	(28,869)	(28,217)	(37,997)	(47,883)	(52,279)
	Pension Liabilities	(1,422,177)	(1,415,980)	(1,422,177)	(1,422,177)	(1,422,177)
		(1,454,180)	(1,447,330)	(1,460,281)	(1,470,168)	(1,474,563)
		(1,406,647)	(1,394,938)	(1,409,134)	(1,406,749)	(1,402,674)
Usable Reserves		(15,782)	(22,371)	(9,223)	(7,970)	(7,942)
Unusable Reserves		1,422,430	1,417,309	1,418,357	1,414,719	1,410,616
RESERVES		1,406,647	1,394,938	1,409,134	1,406,749	1,402,674

## Balance Sheet Projection

Appendix 1 shows the Balance Sheet Projection, which assumes that the external borrowing of £10m in 2020/21 has taken place. As a result of this, the external investments line shows £1.5m for the 2021/22 forecast which equates to the cash and cash equivalent figure on the Balance Sheet summary above.

## Appendix 1: Balance Sheet Projection

PCC Group for Lincolnshire  
Balance Sheet Projections

Dec-20

2019/20 £000		2020/21 £000	2021/22 £000	2022/23 £000
<b>CAPITAL FINANCING REQUIREMENT</b>				
43,585	Capital Financing Requirement	49,229	53,051	57,387
(6,053)	Finance Lease Liabilities	(5,353)	-	-
37,532	Underlying Borrowing Requirement	43,875	53,051	57,387
(28,628)	External Borrowing c/fwd	(29,942)	(39,070)	(48,956)
686	Loan Maturities	872	864	854
(2,000)	New Loans	(10,000)	(10,750)	-
(29,942)	External Borrowing	(39,070)	(48,956)	(48,102)
7,590	Internal Borrowing	4,805	4,095	9,284
20%	Internal Borrowing as a % of Underlying Borrowing Requirement	11%	8%	16%
<b>RESERVES, BALANCES, INVESTMENTS &amp; WORKING CAPITAL</b>				
3,331	General Fund Balance	3,331	3,331	3,331
581	Collection Fund Adjustment Account	581	581	581
12,440	Earmarked Reserves / Other Balances	5,892	4,639	4,611
1,421	Provisions (Excl Accum Absence)	600	600	600
11	Capital Grants Unapplied	-	-	-
17,784	Amount Available for Investment	10,404	9,151	9,123
6,152	External Investments	1,558	1,015	1,047
11,632	Surplus Monies / Internal Investments	8,846	8,136	8,075
(4,041)	Working Capital (Deficit) / surplus	(4,041)	(4,041)	1,209
<b>INTERNAL BORROWING / OVER BORROWING</b>				
7,590		4,805	4,095	9,284