Agenda Item No.

15

JOINT INDEPENDENT AUDIT COMMITTEE
2 MARCH 2022

SUBJECT	**BALANCE SHEET REPORT**
REPORT BY	**CHIEF FINANCE OFFICER OPCC AND FORCE CHIEF FINANCE OFFICER**
CONTACT OFFICER	**JULIE FLINT, CHIEF FINANCE OFFICER OPCC** **TEL: 01522 947222** **SHARON CLARK, FORCE CHIEF FINANCE OFFICER** **TEL: 01522 947468**
SUMMARY AND PURPOSE OF REPORT To receive the Balance Sheet report as at 31 January 2022.	
RECOMMENDATION	**That the Balance Sheet Report, at Appendix A be reviewed and members make any comments.**

A. SUPPORTING INFORMATION

1. It was agreed that members would review the Balance Sheet report and it has been added to the Forward Plan. A copy of the Balance Sheet Report as at 31 January 2022 is attached at Appendix A.

2. The Balance Sheet report is primarily a forecast report which provides updates to members on the forecast year-end balance sheet position and MTFP year-end position for 2022/23 and 2023/24.

B. FINANCIAL CONSIDERATIONS

There are no additional financial considerations to those included in the report itself.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

There are no specific issues arising from this report.

D. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES

(including any impact or issues relating to Children and Young People)

There are no specific issues arising from this report.

E. REVIEW ARRANGEMENTS

The committee will receive the Balance Sheet Report as per the Forward Plan.

F. RISK MANAGEMENT

Risks are detailed as appropriate within appendices to this report.

G. PUBLIC ACCESS TO INFORMATION

Information in this report along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation.

Appendix A Balance Sheet Report

Contact	**Rachel Briggs – Corporate Accountant**
Review by	**Nick Ward – Head of Finance**
Department/Area	**Finance**
Date created	**17 February 2022**
Chief Officer Approved by	
Attachments: 1 ***Appendix 1: Balance Sheet Projection***	
Purpose Of Paper: *Decision* ☐ *Consultation* ☐ *Information* ☒	

JIAC MEETING: 2 MARCH 2022

TITLE: 2021/22 BALANCE SHEET SUMMARY REPORT AS AT 31 JANUARY 2022

Overview

A summary of the Balance Sheet position is shown on page 6 and includes the forecast year-end position and forecast year-end projections for 2022/23 and 2023/24. The Balance Sheet forecast is based on the latest capital monitoring report as at December 2021 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. The summary Balance Sheet attached shows the actual balance as at 31 January 2022.

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 are as at 1 April 2021 are as per the final accounts which, to date, have not yet been signed due to the ongoing audit issues.

Long Term Assets:

Property, Plant and Equipment (PPE) is budgeted to increase by £7.5m in the year ending 31 March 2022; £1.7m of this amount is for building scheme expenditure while £0.4m is for vehicle expenditure. ICT projects are expected to increase by £2m and Command & Control expenditure by £0.8m. A further £0.8m of expenditure is for the Business Intelligence Horizons tool. Airwaves Refresh equates for £1m. Other smaller projects make up the remaining expenditure of £0.8m. The current year to date spend on the capital

programme is £4m as at the end of December. The forecasted expenditure of £7.5m is against the £13.5m budget. Expected carry forward to 2022/23 is £4.6m.

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 £13m as at the end of 2020/21. A full revaluation exercise was carried out at 1 April 2019. This valuation has been updated at 31 March each year since, by way of a desktop revaluation. All forecast expenditure is assumed to be PPE at this stage and expenditure will attract Minimum Revenue Provision (MRP) in line with the MRP policy.

The long term debtor is in respect of an overpayment of a pension commutation due to the non-disclosure of a Pension Share Order. This remaining repayment period is estimated to be 20 years at the end of March 22.

Current Assets:

Inventories and debtors in 2021/22 are expected to be similar to 2020/21. Cash is adjusted to maintain a balance of approximately £1m 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. Due to surplus cash flow the current TMSS assumes that no further borrowing will take place at this stage within year.

Current Liabilities:

The creditors figure is expected to be similar to 2020/21. Receipts in advance relate to a Home Office grant received in 2018/19. Conditions were met for £1.6m in 2019/20 and the remaining amount of £201k will be released in 2021/22 having now met conditions.

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

Other short term liabilities are in relation to G4S finance leases. The Strategic Partnership contract expires 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 2022/23 and the finance liability figure will be updated in relation to this once this is progressed. CIPFA is currently consulting on whether to defer implementation of IFRS16 until the 23/24 financial year.

Long Term Liabilities:

The long term borrowing balance reflects the full increase in the expected borrowing requirements as calculated in the TMSS. Short-term borrowing (within current liabilities) are repayments due within 1 year as at the end of March and are assumed constant for the purpose of balance sheet forecasting. For total borrowing, long term and short term balances should be combined.

As at the end of January 2022, nothing has been borrowed to date from the Public Works Loan Board (PWLB) in the current financial year. The current borrowing portfolio consists of £9m repayable by equal instalments and £20m repayable at 50 years maturity.

The PCC held cash balances of £25m as at the end of January. The capital programme is being kept under regular review due to the effects of coronavirus and shortages of materials and labour. In the short term, capital spend will be financed through internal borrowing. External borrowing is forecast in 2022/23 and 2023/24. Our borrowing strategy will be regularly reviewed and then revised, if necessary, in order to achieve optimum value and minimum risk exposure in the long-term.

With regard to PWLB rates in general terms and the effect on any future borrowing by the PCC, on 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps 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.

Reserves:

The forecast year-end balance for usable reserves shows a decrease of £8m (credit balance) from the beginning of 2021/22 to the end of 2023/24. This is offset by an increase in the unusable reserves (debit balance), largely in the capital adjustment account accounting for the MRP charges and statutory year end adjustments that are required for the financial statements. The decrease in the usable reserves figure (the 'core funds') supports the internal borrowing position.

Actual Balances:

The actual cash and cash equivalents balance as at the end of January 2022 is £25m with the majority of this amount being short term investments. This is largely due to receipt of the pensions grant of £26m in July.

Balance Sheet Summary

Balance Sheet Summary
as at
31 January 2022

Type	Category	Opening Balance 1 April 2021	Actual Balance Current Period 31 January 2022	Forecast Balance 31 March 2022	Forecast Balance 31 March 2023	Forecast Balance 31 March 2024
		£000	£000	£000	£000	£000
Long-Term Assets	PPE	49,511	50,417	57,030	65,244	72,121
	Intangible Assets	1,537	1,036	1,537	1,537	1,537
	Long-Term Debtors	25	24	24	23	22
		51,072	**51,477**	**58,590**	**66,803**	**73,679**
	Inventories	389	433	389	389	389
	Short term debtors (Control)	1,165	430	1,165	1,165	1,165
	Short term debtors	13,457	4,403	13,457	13,457	13,457
	Cash and cash equivalents	8,907	24,970	1,394	1,134	1,052
		23,918	**30,235**	**16,405**	**16,145**	**16,063**
Current Liabilities	Short term creditors	(14,482)	(11,249)	(14,482)	(14,482)	(14,482)
	Short term provisions	(1,313)	(1,123)	(1,313)	(1,313)	(1,313)
	Other short term liabilities	(3,391)	(3,391)	-	-	-
	Short term borrowing	(1,104)	(1,104)	(1,104)	(1,104)	(1,104)
	Revenue grant receipts in advance	(201)	(201)	-	-	-
		(20,491)	**(17,068)**	**(16,899)**	**(16,899)**	**(16,899)**
Net Current Assets		**3,427**	**13,167**	**(494)**	**(754)**	**(836)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**54,499**	**64,645**	**58,097**	**66,049**	**72,844**
Long-Term Liabilities	Long term provisions	(76)	(75)	(76)	(76)	(76)
	Long term borrowing	(28,201)	(27,525)	(27,288)	(40,385)	(43,503)
	Pension Liabilities	(1,744,340)	(1,744,340)	(1,744,340)	(1,744,340)	(1,744,340)
		(1,772,617)	**(1,771,939)**	**(1,771,704)**	**(1,784,801)**	**(1,787,919)**
NET ASSETS		**(1,718,117)**	**(1,707,295)**	**(1,713,607)**	**(1,718,751)**	**(1,715,075)**
Usable Reserves		**(20,234)**	**(32,231)**	**(21,597)**	**(12,975)**	**(12,167)**
Unusable Reserves		**1,738,352**	**1,739,525**	**1,735,203**	**1,731,725**	**1,727,242**
RESERVES		**1,718,117**	**1,707,295**	**1,713,607**	**1,718,751**	**1,715,075**

Balance Sheet Projection

Appendix B shows the Balance Sheet Projection, which assumes that no external borrowing will take place in 2021/22. The external investments line shows £1m for the forecast which equates to the cash and cash equivalent figure on the Balance Sheet summary above. The surplus cash flow adjustment in 2021/22 has been made to the earmarked reserves and other balances line which will be invested in the short term to support the internal borrowing. External borrowing of £14m is forecast to take place in 2022/23 and £4m in 2023/24.

Appendix B: Balance Sheet Projection

PCC Group for Lincolnshire **Jan-22**

Balance Sheet Projections

2020/21 £000		2021/22 £000	2022/23 £000	2023/24 £000
CAPITAL FINANCING REQUIREMENT				
42,020	Capital Financing Requirement	46,391	51,127	53,520
(3,391)	Finance Lease Liabilities	-	-	-
38,629	Underlying Borrowing Requirement	46,391	51,127	53,520
(29,741)	External Borrowing c/fwd	(29,305)	(28,392)	(41,489)
681	Loan Maturities	913	903	882
(245)	New Loans	-	(14,000)	(4,000)
(29,305)	External Borrowing	(28,392)	(41,489)	(44,607)
9,325	Internal Borrowing	17,999	9,638	8,914
24%	*Internal Borrowing as a % of Underlying Borrowing Requirement*	39%	19%	17%
RESERVES, BALANCES, INVESTMENTS & WORKING CAPITAL				
5,976	General Fund Balance	5,976	5,976	5,976
127	Collection Fund Adjustment Account	127	127	127
14,258	Earmarked Reserves / Other Balances	15,617	6,995	6,188
1,389	Provisions (Excl Accum Absence)	1,389	1,389	1,389
21,751	Amount Available for Investment	23,110	14,488	13,681
8,907	External Investments	1,394	1,134	1,052
12,844	Surplus Monies / Internal Investments	21,716	13,354	12,629
(3,520)	Working Capital (Deficit) / surplus	(3,717)	(3,716)	(3,715)
INTERNAL BORROWING / OVER BORROWING				
9,325		17,999	9,638	8,914