

JOINT INDEPENDENT AUDIT COMMITTEE
11 NOVEMBER 2021

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 30 September 2021.		
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 30 September 2021 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	29 October 2021
Chief Officer Approved by	
Attachments: 1 Appendix 1: Balance Sheet Projection	
Purpose Of Paper: Decision <input type="checkbox"/> Consultation <input type="checkbox"/> Information <input checked="" type="checkbox"/>	

JIAC MEETING: 11 NOVEMBER 2021

TITLE: 2021/22 BALANCE SHEET SUMMARY REPORT AS AT 30 SEPTEMBER 2021

Overview

A summary of the Balance Sheet position is shown on page 4 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 September 2021 which was presented at the October 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 30 September 2021.

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 £12m in the year ending 31 March 2022; £1.7m of this amount is for building scheme expenditure while £1.5m is for vehicle expenditure. ICT projects are expected to increase by £3m and Command & Control expenditure by £3.5m. A further £1.2m of expenditure is for the Business Intelligence Horizons tool. Other smaller projects make up the remaining expenditure of £1.1m. The current year to date expenditure on the capital programme is £2m at the half year point. The forecasted expenditure is £9.5m against the £12m budget.

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 Debit of £1m is reflected in the revaluation reserve as Credit 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 01 April each year since, by way of a desktop revaluation, followed by a review for material change at 31 March. 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.

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 September 2021, 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 £31m as at the end of September. 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 expenditure will be financed through internal borrowing. Our borrowing strategy will, therefore, also 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 an increase of £11m from the beginning of 2021/22 to the end of 2023/24. This is offset by a reduction in the unusable reserves, largely in the capital adjustment account accounting for the MRP charges and statutory year end adjustments that are required for the financial statements. The increase 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 September 2021 is £31m 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 30 September 2021							
		Opening Balance 1 April 2021	Actual Balance Current Period 30 September 2021	Forecast Balance 31 March 2022		Forecast Balance 31 March 2023	Forecast Balance 31 March 2024
Type	Category	£000	£000	£000		£000	£000
Long-Term Assets	PPE	49,511	49,916	61,684		67,016	73,893
	Intangible Assets	1,537	1,211	1,537		1,537	1,537
	Long-Term Debtors	25	25	24		23	22
		51,072	51,152	63,244		68,575	75,451
	Inventories	389	476	389		389	389
	Short term debtors (Control)	1,165	433	1,165		1,165	1,165
	Short term debtors	13,457	3,964	13,457		13,457	13,457
	Cash and cash equivalents	8,907	30,860	1,139		997	1,071
		23,918	35,733	16,150		16,008	16,082
Current Liabilities	Short term creditors	(14,482)	(12,536)	(14,683)		(14,683)	(14,683)
	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)	(18,354)	(17,100)		(17,100)	(17,100)
Net Current Assets		3,427	17,379	(950)		(1,093)	(1,019)
TOTAL ASSETS LESS CURRENT LIABILITIES		54,499	68,531	62,295		67,483	74,433
Long-Term Liabilities	Long term provisions	(76)	(76)	(76)		(76)	(76)
	Long term borrowing	(28,201)	(27,741)	(27,288)		(26,385)	(25,503)
	Pension Liabilities	(1,744,340)	(1,744,340)	(1,744,340)		(1,744,340)	(1,744,340)
		(1,772,617)	(1,772,156)	(1,771,704)		(1,770,801)	(1,769,919)
NET ASSETS		(1,718,117)	(1,703,626)	(1,709,409)		(1,703,318)	(1,695,486)
Usable Reserves		(20,234)	(36,655)	(26,145)		(28,022)	(31,216)
Unusable Reserves		1,738,352	1,740,280	1,735,554		1,731,340	1,726,702
RESERVES		1,718,117	1,703,626	1,709,410		1,703,317	1,695,486

Balance Sheet Projection

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

Appendix B: Balance Sheet Projection

PCC Group for Lincolnshire
Balance Sheet Projections

Sep-21

2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
CAPITAL FINANCING REQUIREMENT			
42,020 Capital Financing Requirement	51,396	52,513	54,752
(3,391) Finance Lease Liabilities	-	-	-
38,629 Underlying Borrowing Requirement	51,396	52,513	54,752
(29,741) External Borrowing c/fwd	(29,305)	(28,392)	(27,489)
681 Loan Maturities	913	903	882
(245) New Loans	-	-	-
(29,305) External Borrowing	(28,392)	(27,489)	(26,607)
9,325 Internal Borrowing	23,004	25,025	28,146
24% Internal Borrowing as a % of Underlying Borrowing Requirement	45%	48%	51%
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	20,166	22,044	25,237
1,389 Provisions (Excl Accum Absence)	1,389	1,389	1,389
21,751 Amount Available for Investment	27,659	29,537	32,730
8,907 External Investments	1,139	997	1,071
12,844 Surplus Monies / Internal Investments	26,520	28,540	31,659
(3,520) Working Capital (Deficit) / surplus	(3,516)	(3,516)	(3,514)
INTERNAL BORROWING / OVER BORROWING			
9,325	23,004	25,025	28,146