Agenda Item No.

15

JOINT INDEPENDENT AUDIT COMMITTEE
5 DECEMBER 2022

SUBJECT	**BALANCE SHEET REPORT**
REPORT BY	**CHIEF FINANCE OFFICER OPCC AND FORCE DIRECTOR OF FINANCE & CORPORATE SERVICES**
CONTACT OFFICER	**JULIE FLINT, CHIEF FINANCE OFFICER OPCC** **TEL: 01522 947222** **SHARON CLARK, FORCE DIRECTOR OF FINANCE & CORPORATE SERVICES** **TEL: 01522 947468**
SUMMARY AND PURPOSE OF REPORT To receive the Balance Sheet report as at 30 September 2022.	
RECOMMENDATION	That the Balance Sheet Report appended to this paper 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 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 2023/24 and 2024/25.

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.

Contact	**Rachel Briggs – Technical Accountant**
Review by	**Nick Ward – Finance Manager (Technical & Exchequer)**
Department/Area	**Finance**
Date created	**07 November 2022**
Chief Officer Approved by	
Attachments: 1 ***Appendix 1: Balance Sheet Projection***	
Purpose Of Paper: *Decision* ☐ *Consultation* ☐ *Information* ☒	

JIAC MEETING: 2 DECEMBER 2022

TITLE: 2022/23 BALANCE SHEET SUMMARY REPORT AS AT 30 SEPTEMBER 2022

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 2023/24 and 2024/25. The Balance Sheet forecast is based on the latest capital monitoring report as at September 2022 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 reviewed and reconciled monthly by the Technical Accountant. The summary Balance Sheet attached shows the actual balance as at 30 September 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 2022 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 £9.4m in the year ending 31 March 2023; £1.5m of this amount is for building scheme expenditure while £2.3m is for vehicle expenditure. ICT projects are expected to increase by £2.4m and Command & Control expenditure by £2.3m. Equipment expenditure equates for £0.5m. Other smaller projects make up the remaining expenditure of £0.4m. The current year to date spend on the capital programme is £2.2m as at the end of September. The forecasted expenditure

of £9.4m is against the revised £9.7m budget which includes prior year carry forward and pending decision reports. Expected carry forward to 2023/24 is £0.3m.

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 £14.3m as at the end of 2021/22. 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 19 years at the end of March 23.

Current Assets:

The former police station at West Parade, Lincoln is the asset held for sale. It is very unlikely that the sale take place prior to the year end 2022/23; it is hoped that the sale will go ahead in 2023/24.

Inventories and debtors in 2022/23 are expected to be similar to 2021/22. The year end forecasted cash balance is in line with the internal cash flow forecast spreadsheet which tracks the cash and cash equivalents amount held by the PCC. 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 2021/22. Receipts in advance relate to a Home Office grant for £1.8m received in 2018/19. Conditions were met previously for the release of £1.795m to revenue with remaining £5k having now been repaid to the Home Office.

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

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 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 £8m repayable by equal instalments and £20m repayable at 50 years maturity.

The PCC held cash balances of £26m as at the end of September. The capital programme is being kept under regular review due to the ongoing effects of Covid-19 and shortages of materials and labour. In the short term, capital spend will be financed through internal borrowing. 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, it is likely that both short and long-dated interest rates will be elevated for some time, as the Bank of England seeks to squeeze inflation out of the economy.

The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors had with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control. Meantime, subsequent announcements by the Sunak-Hunt team (28th October) that public expenditure will be cut by £50bn and that taxes will rise, have underpinned gilt markets and reversed the losses suffered when the Truss-Kwarteng team were at the helm.

Reserves:

The forecast year-end balance for usable reserves shows a decrease of £8m (credit balance) from the beginning of 2022/23 to the end of 2024/25. 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 September 2022 is £26m with the majority of this amount being short term investments. This is largely due to receipt of the pensions grant of £22m in July.

Balance Sheet Summary

Balance Sheet Summary
as at
30 September 2022

		Opening Balance 1 April 2022	Actual Balance Current Period 30 September 2022	Forecast Balance 31 March 2023	Forecast Balance 31 March 2024	Forecast Balance 31 March 2025
Type	**Category**	**£000**	**£000**	**£000**	**£000**	**£000**
Long-Term Assets	PPE	51,718	51,857	61,137	64,092	66,792
	Intangible Assets	978	841	978	978	978
	Long-Term Debtors	24	24	23	22	21
		52,720	**52,721**	**62,138**	**65,092**	**67,791**
Current Assets	Assets Held for Sale < 1 Yr	1,506	1,506	1,506	-	-
	Inventories	398	541	398	398	398
	Short term debtors (Control)	717	747	717	717	717
	Short term debtors	14,142	10,001	14,142	14,142	14,142
	Cash and cash equivalents	14,216	26,283	6,679	7,748	4,794
		30,978	**39,078**	**23,441**	**23,004**	**20,050**
Current Liabilities	Short term creditors	(14,489)	(13,694)	(14,489)	(14,489)	(14,489)
	Short term provisions	(747)	(719)	(747)	(747)	(747)
	Short term borrowing	(1,087)	(1,087)	(1,087)	(1,087)	(1,087)
	Revenue grant receipts in advance	(5)	(5)	-	-	-
		(16,327)	**(15,505)**	**(16,322)**	**(16,322)**	**(16,322)**
Net Current Assets		**14,650**	**23,573**	**7,118**	**6,682**	**3,728**
TOTAL ASSETS LESS CURRENT LIABILITIES		**67,370**	**76,294**	**69,257**	**71,774**	**71,519**
Long-Term Liabilities	Long term provisions	(75)	(75)	(75)	(75)	(75)
	Long term borrowing	(27,298)	(26,845)	(26,395)	(25,512)	(24,661)
	Pension Liabilities	(1,630,575)	(1,630,575)	(1,630,575)	(1,630,575)	(1,630,575)
		(1,657,947)	**(1,657,495)**	**(1,657,044)**	**(1,656,162)**	**(1,655,310)**
NET ASSETS		**(1,590,578)**	**(1,581,201)**	**(1,587,788)**	**(1,584,388)**	**(1,583,791)**
Usable Reserves		**(29,260)**	**(40,739)**	**(28,761)**	**(24,580)**	**(21,158)**
Unusable Reserves		**1,619,838**	**1,621,940**	**1,616,549**	**1,608,968**	**1,604,949**
RESERVES		**1,590,578**	**1,581,201**	**1,587,788**	**1,584,388**	**1,583,791**

Balance Sheet Projection (see below)

Appendix 1 shows the Balance Sheet Projection, which assumes that no external borrowing will take place before the 2024/25 year end. The external investments line shows £6.7m for the 2022/23 forecast which equates to the cash and cash equivalent figure on the Balance Sheet summary above. The earmarked reserves and other balances line supports the internal borrowing position.

Appendix 1: Balance Sheet Projection

PCC Group for Lincolnshire **Sep-22**
Balance Sheet Projections

2021/22 £000		2022/23 £000	2023/24 £000	2024/25 £000
CAPITAL FINANCING REQUIREMENT				
40,940	Capital Financing Requirement	47,070	40,939	39,620
40,940	Underlying Borrowing Requirement	47,070	40,939	39,620
(29,305)	External Borrowing c/fwd	(28,385)	(27,481)	(26,599)
920	Loan Maturities	903	882	852
-	New Loans	-	-	-
(28,385)	External Borrowing	(27,481)	(26,599)	(25,748)
12,555	Internal Borrowing	19,589	14,339	13,872
31%	*Internal Borrowing as a % of Underlying Borrowing Requirement*	42%	35%	35%
RESERVES, BALANCES, INVESTMENTS & WORKING CAPITAL				
5,976	General Fund Balance	5,976	5,976	5,976
615	Collection Fund Adjustment Account	615	615	615
23,096	Earmarked Reserves / Other Balances	22,782	18,307	15,181
822	Provisions (Excl Accum Absence)	822	822	822
30,697	Amount Available for Investment	30,196	26,016	22,595
14,216	External Investments	6,679	7,748	4,794
16,482	Surplus Monies / Internal Investments	23,517	18,268	17,800
(3,926)	Working Capital (Deficit) / surplus	(3,928)	(3,928)	(3,928)
INTERNAL BORROWING / OVER BORROWING				
12,555		19,589	14,339	13,872