Agenda Item No.

15

JOINT INDEPENDENT AUDIT COMMITTEE
4 OCTOBER 2023

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 31 August 2023.	
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 August 2023 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 2024/25 and 2025/26.

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	**13 September 2023**
Chief Officer Approved by	
Attachments: 1 ***Appendix 1: Balance Sheet Projection***	
Purpose Of Paper: *Decision* ☐ *Consultation* ☐ *Information* ☒	

JIAC MEETING: 4 OCTOBER 2023

TITLE: 2023/24 BALANCE SHEET SUMMARY REPORT AS AT 31 AUGUST 2023

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 2024/25 and 2025/26. The Balance Sheet forecast is based on the Treasury Management Strategy Statement (TMSS) 2023/24 (adjusted for 2022/23 year end actual balances) which was presented at the February JIAC meeting. For future years, the Medium Term Financial Plan (MTFP) is the key source for the inputs.

The MTFP links to the 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 Assistant Accountant (Technical & Exchequer). The summary Balance Sheet attached shows the actual balance as at 31 August 2023.

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 2023 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 £10.8m in the year ending 31 March 2024; £2m of this amount is for building scheme expenditure while £1.8m is for vehicle expenditure. DDaT projects are expected to increase by £6m and Command & Control expenditure by £0.8m. Equipment expenditure equates for £0.25m. The current year to date spend on the capital programme is £2m as at the end of August. The Q1 Capital Outturn report at June PCSB forecasted year end expenditure in line with budget of £13.7m which includes prior year carry forward and pending decision reports.

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 £14.9m as at the end of 2022/23. 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 18 years at the end of March 24.

Current Assets:

The former police station at West Parade, Lincoln is the asset held for sale. The sale is expected to complete in 2024/25.

Inventories and debtors in 2023/24 are expected to be similar to 2022/23 and so for the purpose of this report, the year end forecast is in line with the prior year end as no large fluctuations in working capital are expected. The year end forecasted cash balance is in line with the current TMSS and the internal cash flow forecast spreadsheet which tracks the cash and cash equivalents amount held by the PCC. Due to a forecasted cash surplus, it is assumed that no further borrowing will take place within year.

Current Liabilities:

The creditors figure is forecasted in line with the prior year end figure as per inventories and debtors explained above. Receipts in advance relate to a Home Office grant where conditions have been met and this is expected to be released by the end of 2023/24.

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 one 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 August 2023, nothing has been borrowed to date from the Public Works Loan Board (PWLB) in the current financial year. The current borrowing portfolio consists of £7m repayable by equal instalments and £20m repayable at 50 years maturity.

The PCC held cash balances of £38m as at the end of August. The capital programme is being kept under regular review due to the ongoing effects of economic factors such as 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.

Currently both Bank Rate and PWLB rates are elevated. Bank Rate is expected to peak at 5.5% (21st September is the next Monetary Policy Committee {MPC] date and rates are expected to move from 5.25% to 5.5%) whilst PWLB Certainty rates are in the range of 5% - 5.75% across the yield curve out to 50 years at present, with the peak in rates being found at around the 25 years part of the curve.

In due course, Link Group (our Treasury experts) expects – as does Capital Economics – for all parts of the yield curve to fall back through 2024 and 2025 as per the forecast below.

Bank Rate	NOW	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
Link Group	5.25%	5.50%	5.50%	5.50%	5.25%	4.75%	4.25%	3.75%	3.25%	2.75%	2.75%	2.50%	2.50%
Capital Economics	5.25%	5.50%	5.50%	5.50%	5.50%	5.00%	4.50%	4.00%	3.50%	3.25%	3.00%	-	-

Reserves:

The forecast year-end balance for usable reserves shows a decrease of £10m (credit balance) from the beginning of 2023/24 to the end of 2025/26. 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 August 2023 is £38m split between short and long term investments. This is largely due to receipt of the pensions grant of £27m in July.

Balance Sheet Summary

Balance Sheet Summary
as at
31 August 2023

		Opening Balance 1 April 2023	Actual Balance Current Period 31 August 2023	Forecast Balance 31 March 2024	Forecast Balance 31 March 2025	Forecast Balance 31 March 2026
Type	**Category**	**£000**	**£000**	**£000**	**£000**	**£000**
Long-Term Assets	PPE	49,467	49,767	60,305	65,856	74,501
	Intangible Assets	4,356	4,155	4,356	4,356	4,356
	Long-Term Debtors	23	23	22	21	20
		53,846	**53,944**	**64,683**	**70,233**	**78,877**
Current Assets	Assets Held for Sale < 1 Yr	1,506	1,506	1,506	-	-
	Inventories	526	548	526	526	526
	Short term debtors (Control)	1,393	914	1,393	1,393	1,393
	Short term debtors	21,150	8,890	21,150	21,150	21,150
	Cash and cash equivalents	9,782	38,333	4,502	5,964	5,455
		34,357	**50,191**	**29,077**	**29,033**	**28,524**
Current Liabilities	Short term creditors	(15,333)	(15,390)	(15,333)	(15,333)	(15,333)
	Short term provisions	(828)	(738)	(828)	(828)	(828)
	Short term borrowing	(1,057)	(1,057)	(1,057)	(1,057)	(1,057)
	Revenue grant receipts in advance	(124)	(5)	-	-	-
		(17,343)	**(17,191)**	**(17,219)**	**(17,219)**	**(17,219)**
Net Current Assets		**17,014**	**33,001**	**11,858**	**11,814**	**11,305**
TOTAL ASSETS LESS CURRENT LIABILITIES		**70,860**	**86,945**	**76,541**	**82,047**	**90,182**
Long-Term Liabilities	Long term provisions	(62)	(62)	(62)	(62)	(62)
	Long term borrowing	(26,416)	(26,151)	(25,513)	(35,661)	(41,368)
	Pension Liabilities	(1,078,204)	(1,078,204)	(1,078,204)	(1,078,204)	(1,078,204)
		(1,104,681)	**(1,104,417)**	**(1,103,778)**	**(1,113,926)**	**(1,119,633)**
NET ASSETS		**(1,033,821)**	**(1,017,472)**	**(1,027,237)**	**(1,031,880)**	**(1,029,451)**
Usable Reserves		**(34,411)**	**(49,272)**	**(37,142)**	**(27,686)**	**(24,685)**
Unusable Reserves		**1,068,232**	**1,066,744**	**1,064,379**	**1,059,566**	**1,054,136**
RESERVES		**1,033,821**	**1,017,472**	**1,027,237**	**1,031,880**	**1,029,451**

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 £4.5m for the 2023/24 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 **Aug-23**

Balance Sheet Projections

2022/23 £000		2023/24 £000	2024/25 £000	2025/26 £000
CAPITAL FINANCING REQUIREMENT				
43,170	Capital Financing Requirement	50,156	49,387	52,603
43,170	Underlying Borrowing Requirement	50,156	49,387	52,603
(28,385)	External Borrowing c/fwd	(27,473)	(26,570)	(36,718)
912	Loan Maturities	903	852	793
-	New Loans	-	(11,000)	(6,500)
(27,473)	External Borrowing	(26,570)	(36,718)	(42,425)
15,697	Internal Borrowing	23,586	12,669	10,178
36%	*Internal Borrowing as a % of Underlying Borrowing Requirement*	47%	26%	19%
RESERVES, BALANCES, INVESTMENTS & WORKING CAPITAL				
5,976	General Fund Balance	5,976	5,976	5,976
393	Collection Fund Adjustment Account	393	393	393
28,154	Earmarked Reserves / Other Balances	31,167	21,711	18,711
890	Provisions (Excl Accum Absence)	890	890	890
35,694	Amount Available for Investment	38,426	28,970	25,970
9,782	External Investments	4,502	5,964	5,455
25,911	Surplus Monies / Internal Investments	33,924	23,006	20,515
(10,214)	Working Capital (Deficit) / surplus	(10,338)	(10,337)	(10,337)
INTERNAL BORROWING / OVER BORROWING				
15,697		23,586	12,669	10,178