

GENERAL FINANCIAL MATTERS

1. EXECUTIVE SUMMARY

- 1.1. This report provides information on the money market key indicators, current interest rates, the Council cash position, the position regarding Council Tax, National Non Domestic Rate, general debt and cash income collection and the payment of Benefits.

FINANCIAL IMPLICATIONS

	31 August 2005 %	31 August 2006 %
2.1. Interest Rates		
Base Rate	4.50	4.75
Temporary Borrowing:		
Weekly	4.45	4.94
Monthly	4.50	4.94
3 Monthly	4.55	5.02
6 Monthly	4.55	5.13
1 Year	4.60	5.27
Temporary Investment:		
Weekly	4.40	4.87
Monthly	4.48	4.87
3 Monthly	4.55	4.94
6 Monthly	4.46	5.05
1 Year	4.65	5.20
Long Term Borrowing		
PWLB 5 year	4.35	4.85
PWLB 10-15 year	4.40	4.70
PWLB 15-25 year	4.35	4.60
Money Market 5 year	4.25	5.20
Money Market 10-15 year	4.40	5.25
Money Market 15-25 year	4.40	5.25

2.2. Interest Rate Outlook

- 2.2.1. At the August meeting of the Monetary Policy Committee (MPC) of the Bank of England, the bank base rate was raised by 0.25% to 4.75%. The decision was a result of the rate of inflation rising above its target of 2%. The only question in the minds of the MPC was balancing any increased economic risks against a rate rise. However, consumption growth has recovered its post Christmas dip and output growth is likely to remain robust. Accordingly it was considered that an immediate increase was justified and would be unlikely to damage the economy.
- 2.2.2 The MPC will be keeping a close watch on inflation and if the current measure fails to reduce the existing level, a further increase in interest rates is likely.

2.3. Short Term Liquidity

- 2.3.1. At 31 August 2006 short-term liquidity, representing the original term of the investment or debt, was as follows:-

	£	Average Rate %
Temporary Investments		
Money Market Funds	1,000,000	4.75
Up to 1 Week	3,000,000	4.85
Up to 1 Month	3,000,000	4.85
Up to 3 Months	8,800,000	4.72
Up to 6 Months	13,000,000	4.82
Up to 1 Year	36,500,000	4.81
Up to 3 Years	<u>2,500,000</u>	5.02
	67,800,000	
Temporary Loans		
Up to 3 Months	10,500,000	4.83
Up to 6 Months	4,000,000	5.00
Up to 1 year	<u>1,000,000</u>	4.50
	15,500,000	

2.4. Long Term Borrowing and the Prudential Code

- 2.4.1. The 2006-07 Capital Programme was agreed by Cabinet on 1 December 2005 and has subsequently been amended to take advantage of the opportunities afforded by prudential borrowing. The original estimate was that £26.5 million long term borrowing will be required to fund capital expenditure. To date there has been no such borrowing in 2006-07, funding being managed through short term resources.
- 2.4.2. After the 2005-06 accounts have been finalised it is intended that future reports will include a summary of performance against the relevant Prudential Code indicators that were agreed in the Capital Financing report to Cabinet on 14 December 2005.

2.5. Revenues Collection

2.5.1. The following statement compares the amount collected for Council Tax in the period 1 April 2006 to 31 August 2006 with the amount collected in the same period in 2005/06.

	Actual 2006/07 £	Actual 2005/06 £
Total Collectable	144,845,414	139,974,578
Amount Outstanding	65,163,027	63,625,156
% Outstanding	44.99	45.45
Cash to collect	117,369,412	113,737,372
Cash Collected	53,251,542	51,082,498
% Collected	45.37	44.91

2.5.2. The following statement compares the amount collected for **National Non-Domestic Rates** in the period 1 April 2006 to 31 August 2006 with the amount collected in the same period in 2005/06.

	Actual 2006/07 £	Actual 2005/06 £
Total collectable	61,605,758	59,982,729
Amount Outstanding	33,051,613	32,971,392
%Outstanding	53.65	54.97
Cash to Collect	58,551,544	57,182,126
Net Cash Collected	25,902,810	23,928,147
% Collected	44.24	41.85

2.5.3. The following statement provides information concerning collection of local taxes from 1 April 2006 to 31 August 2006.

	Council Tax	Business Rates
Reminders/Final Notices	37,400	2,049
Summonses	13,705	510
Liability Orders	6,939	418
Office Arrangement	2,661	-
Attachment of Earnings	459	-
Deduction from Income Support	2,620	-
Accounts to Bailiff	4,945	190
Pre-Committal Warning Letters	611	-
Committal Orders Issued	0	0
Debtors Committed	0	0

Current Status of Agent Work in respect of Committals as at 31 August 2006.

Warrants of Arrest issued by Court (Bail and No Bail)	48
Warrants of Arrest (Bail) to Warrant officer	20
Warrants of Arrest (No Bail) to Warrant officer	14
Returned successful (Bail)	14
Returned successful (No Bail)	9
Returned other reasons (Bail)	7
Returned other reasons (No Bail)	7

2.6. Fees and Charges

2.6.1. The following budgets and income received relate to other sources of cash income generated by the Council:-

	2006/07 Budget	Income to 31 August 2006
i) School Meals	£1,514,300	£344,962
ii) Sports Centres	£4,849,400	£1,184,011
iii) Golf Courses	£970,700	£517,052
iv) Burials and Cremations	£2,252,000	£843,937
v) Building Control Fees	£831,700	£298,300
vi) Land Charges	£464,600	£174,100
vii) Eric Service	£83,900	£2,295
viii) Car Park Income (Pay and Display)	£2,025,900	£721,143
ix) Car Park Income (Penalty Notices)	£1,103,200	£504,443

2.6.2. Further explanation on the above budgets and income collection performance is provided below:

- i) School Meals: This income represents only one terms income out of three, and the summer term meals income is always low due to:
 - a) children taken out of school for holidays;
 - b) older children excused lessons whilst revising for exams;
 - c) children bringing packed lunches in the better weather;
- ii) Sports Centres: Current predictions for sport centre income indicate that there is likely to be a shortfall in income of £500,000 against the budget for 2006-07. The 2006-07 budget included increased additional income of 16% and the achievement of this figure is now unlikely.
- iii) Golf Courses: Over half of the budgeted income has been received after five months of the year. This is anticipated as the spring/summer months are the peak period. Income will likely tail off once winter weather arrives.
- iv) Burials and Cremations: This budget is forecast to be on target at year end. Based upon past experience income tends to increase in the winter months.

- v) Building Control Fees: Planning and Building Regulation Applications have been lower than anticipated for the first quarter of the Financial year but based on past trends, it is likely that the income target will be achieved by the year end.
- vi) Land Charges: Land Charges income is marginally down at the present time, due to market trends, but appears to be on course to achieve the income target by year end.
- vii) Eric Service: This original budget was calculated on the basis of the ERIC Service operating a free trial from April 2006 to August 2006 and charging a fee from September 2006 to March 2007. At the Cabinet Meeting on 8 May 2006 it was decided to extend the free trial throughout the full year. This budget will be amended in the future in line with the Cabinet decision.
- viii) Car Park Income (Pay and Display Tickets): Income is below target at the moment. The winter season and additional parking demand over the Christmas shopping period may mitigate against this.
- ix) Car Park Income (Penalty Notices): Income is approximately £44,000 up on a pro-rata basis after 5 months. 19,146 penalty notices were issued between 1 April and 31 August 2006.

2.7. Sundry Debtors

	Actual 2006/07	Actual 2005/06
Amount Billed in last 12 months as at 31.08.06	£47,964,451	£43,505,375
Total outstanding as at 31.08.06	£15,962,405	£8,322,878
Arrears at 31.08.06	£12,249,103	£6,499,130
Number of invoices in arrears at 31.08.06	7,538	6,809
Number of reminders to date 01.04.06 to 31.08.06	0	6,950
Number issued to Head of Legal and Member Services to date	0	532

2.7.1. The implementation of the new Accounts Receivable system has proved to be a difficult experience with a substantial burden on limited resources within a small central team. As a consequence, resources normally involved in collection have been principally engaged in the implementation, however, following substantial testing of the recovery processing, the first reminders are being sent in September.

2.7.2 There continues to be an increased volume in invoicing to Primary Care Trusts by the Director of Adult Social Services, which has also had an adverse effect on collection. These invoices do not tend to be paid within the 30 day settlement period and consequently show up in the above arrears figure. Of the above arrears figure £5.39 million relates to invoices billed to the Trusts.

2.8. Housing Benefits

2.8.1. The following statement details the number of claimants in respect of benefit and the expenditure for Private Tenants and those in receipt of Council Tax Benefit up to 31 August 2006. The Council Tax expenditure includes postings at the start of the year for main billing.

	2006/07
Number of Private Tenant recipients	25,460
Total rent allowance expenditure	£33,020,113
Number of Council Tax Benefit recipients	34,651
Total Council Tax Benefit expenditure	£25,873,633
Total expenditure on benefit to date	£58,893,746

2.8.2. The following statement provides information concerning the breakdown according to client type as at 31 August 2006.

	Private Tenants	Owner Occupiers
Working age and in receipt of J.S.A.	12,995	2,056
Elderly and in receipt of J.S.A.	6,787	5,321
Working age and not receiving J.S.A.	3,587	803
Elderly and not in receipt of J.S.A.	<u>2,091</u>	<u>3,050</u>
Total	25,460	11,230

There are **36,690** Benefit Recipients in Wirral as at 31 August 2006

2.9. Housing Benefit Fraud

2.9.1 As part of the Benefits Fraud Inspectorate review Members are given details of action to combat fraud. Presented below is a statistical update on this work.

Fraud and Enquiry 1 April 2006 to 31 August 2006

Number

New Cases referred to Fraud team in period	515
Cases where fraud found and action taken	48
Cases investigated, no fraud found and recovery of overpayment may be sought	164
Cases investigated, no fraud found, referred to visitors	218
Referred to Dept for Work and Pensions or Inland Revenue as involves other benefits or tax matters.	160
Cases under current investigation	230
Surveillance Operations Undertaken	0
Cases where fraud found and action taken; Administration penalty	16
Caution Issued and accepted	7
Successful prosecution	5
Summons issued for prosecution purposes	8

2.10. Discretionary Housing Payments

2.10.1 Discretionary Housing Payments (DHP) may be awarded to provide short term financial assistance to Housing and Council Tax benefit claimants who are experiencing difficulty meeting a shortfall in their rent or Council Tax because maximum benefit is not being paid.

2.10.2 DHP is not a payment of Housing/Council Tax benefit and is funded separately from the main scheme. The Government contribution for 2006/07 is £169,628 with a limit of £424,070, which the Authority must not exceed.

2.10.3 To date I have paid £150,949 and committed a further £91,139 to current cases for 2006/07.

2.11. Outstanding Housing Benefit Debt (Overpayments)

2.11.1 Every effort is made to recover overpaid Housing Benefit as soon as it is identified. If the claimant retains entitlement to benefit then any overpayment is recovered from their ongoing entitlement.

2.11.2 However, if there is no current entitlement, the debt is invoiced. If payment is not received the invoice is followed by a reminder and final demand. If at this point there is still no payment, the debt is referred to the collection agents (either North West Commercial Services or Jacobs) for collection.

2.11.3. The current debt outstanding, by year, is as follows:-

From	To	Amount outstanding
Up to	- 31.03.2001	£164,751
01.04.2001	- 31.03.2002	£396,497
01.04.2002	- 31.03.2003	£644,858
01.04.2003	- 31.03.2004	£619,095
01.04.2004	- 31.03.2005	£803,951
01.04.2005	- 31.03.2006	£1,282,418
01.04.2006	- 30.04.2006	<u>£833,438</u>
Total Outstanding		£4,745,011

2.11.4 Recovery work continues on collection of the above sums.

2.11.5 A pro active exercise is currently being undertaken to write off older debts in preparation for the migration to the new integrated revenues and benefits system.

IAN COLEMAN
DIRECTOR OF FINANCE

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