

## 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 October 2005 %	31 October 2006 %
<b>2.1. Interest Rates</b>		
<b>Base Rate</b>	4.50	4.75
<b>Temporary Borrowing:</b>		
Weekly	4.44	4.88
Monthly	4.49	5.03
3 Monthly	4.53	5.17
6 Monthly	4.54	5.26
1 Year	4.60	5.41
<b>Temporary Investment:</b>		
Weekly	4.40	4.85
Monthly	4.48	5.00
3 Monthly	4.52	5.14
6 Monthly	4.53	5.23
1 Year	4.60	5.38
<b>Long Term Borrowing</b>		
PWLB 5 year	4.35	5.00
PWLB 10-15 year	4.40	4.75
PWLB 15-25 year	4.35	4.60
Money Market 5 year	4.25	5.26
Money Market 10-15 year	4.40	5.35
Money Market 15-25 year	4.40	5.35

## 2.2. Interest Rate Outlook

- 2.2.1. At the November meeting of the Monetary Policy Committee of the Bank of England, the bank base rate was increased from 4.75% to 5.00%. Interest rates are now at their highest level since August 2001. The Bank cited firm economic growth, a positive global outlook and the continued rise in asset prices among the reasons for the move.
- 2.2.2. There is a strong possibility that rates may rise again in February. This depends on the way that the New Year pay negotiations are settled. The Bank has made clear it is wary of burgeoning wage inflation and should it perceive settlements to be overly robust it may add to the pressure to tighten policy again.

## 2.3. Short Term Liquidity

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

	£	Average Rate %
<b>Temporary Investments</b>		
Up to 1 Week	3,500,000	4.83
Up to 3 Months	3,800,000	5.03
Up to 6 Months	32,000,000	4.91
Up to 1 Year	27,000,000	4.93
Up to 3 Years	<u>2,500,000</u>	5.02
	<b>68,800,000</b>	
<b>Temporary Loans</b>		
<i>Up to 1 Week</i>	<i>1,000,000</i>	<i>4.85</i>
<i>Up to 1 Month</i>	<i>1,500,000</i>	<i>4.81</i>
<i>Up to 3 Months</i>	<i>600,000</i>	<i>4.90</i>
Up to 6 Months	<u>5,000,000</u>	4.99
	<b>8,100,000</b>	

## 2.4. Borrowing and the Prudential Code

- 2.4.1. Cabinet on 14 December 2005 agreed prudential code indicators for 2006-07. The balance of borrowing held as at 31 October 2006 is £161.3m. This compares with the Authorised Borrowing Limit of £211m and the Operational Boundary of £206m.
- 2.4.2. The Authorised Borrowing Limit is the amount determined as a level of borrowing which, while not desired, could be afforded but may not be sustainable. It is not treated as an upper limit for borrowing for capital purposes alone since it also encompasses temporary borrowing. An unanticipated revision to this limit is considered to be an exceptional event and would require a review of all the other affordability indicators.

- 2.4.3. The Operational Boundary is the amount determined as the expectations of the maximum external debt according to probable events projected by the estimates and makes no allowance for any headroom. It is designed to alert the Authority to any imminent breach of the Authorised Limit.
- 2.4.4. Cabinet on 14 December 2005 agreed fixed and variable interest rate exposures. The amount of loans subject to fixed rates as at 31 October 2006 is 65% of loans held. This falls within the approved range of 40% to 80%. The remaining 35% subject to variable rates falls within the approved range of 20% to 60%.
- 2.4.5. The table below summarises the current maturity structure of all borrowing:-

Maturity Structure	2006-07 Target Limits	2006-07 Actuals at 30-Oct-2006
Maturing within 1 year	up to 10%	5%
Maturing between 1 and 2 years	up to 10%	0%
Maturing between 2 and 5 years	up to 15%	7%
Maturing between 5 and 10 years	10% to 35%	3%
Maturing beyond 10 years	40% to 85%	85%

- 2.4.6. The approved target limits are designed to minimise the risk of large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.
- 2.4.7. There has been no new long term borrowing so far this financial year. Any that is required to fund the capital programme before the year end will be arranged to fit a 5-10 year maturity profile which will ensure the target limits are met by 31 March 2007.

## 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 October 2006 with the amount collected in the same period in 2005/06.

	Actual 2006/07 £	Actual 2005/06 £
Total Collectable	143,711,937	139,690,266
Amount Outstanding	43,898,554	43,459,034
% Outstanding	30.55	31.11
Cash to collect	116,736,192	113,282,021
Cash Collected	74,219,644	71,217,368
% Collected	63.58	62.87

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

	<b>Actual 2006/07 £</b>	Actual 2005/06 £
Total collectable	<b>60,276,427</b>	58,639,101
Amount Outstanding	<b>19,213,508</b>	18,308,871
%Outstanding	<b>31.88</b>	31.22
Cash to Collect	<b>57,177,969</b>	55,937,043
Net Cash Collected	<b>39,002,181</b>	37,286,789
% Collected	<b>68.21</b>	66.66

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

	<b>Council Tax</b>	<b>Business Rates</b>
Reminders/Final Notices	49,484	2,652
Summonses	18,036	720
Liability Orders	9,474	589
Office Arrangement	2,253	-
Attachment of Earnings	545	-
Deduction from Income Support	2,747	-
Accounts to Bailiff	6,479	343
Pre-Committal Warning Letters	979	-
Committal Orders Issued	0	0
Debtors Committed	0	0

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

Warrants of Arrest issued by Court (Bail and No Bail)	40
Warrants of Arrest (Bail) to Warrant officer	29
Warrants of Arrest (No Bail) to Warrant officer	11
Returned successful (Bail)	27
Returned successful (No Bail)	2
Returned other reasons (Bail)	1
Returned other reasons (No Bail)	1

#### 2.5.4. Insolvency cases to 31 March 2006

The following information concerns Council Tax recovery work which involves cases where Insolvency action or charging orders against properties are used.

Bankruptcy cases	138
Charging orders	20
Winding up orders	2

### New cases from 1 April 2006 to 31 October 2006

Bankruptcy	15
Charging orders	3
Winding up orders	<u>0</u>
	<u>178</u>

### Status of Insolvency cases at 31 October 2006

Winding up	1
Winding-up paid	1
Charging orders granted	10
Supporting other petitions	3
Cases paid	63
Bankruptcy orders	48
Cases closed	20
Ongoing cases	<u>32</u>
	<u>178</u>

## 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:-

	<b>2005/06</b>	<b>Income to</b>	<b>2006/07</b>	<b>Income to</b>
	<b>Budget</b>	<b>31-Oct-05</b>	<b>Budget</b>	<b>31-Oct-06</b>
i. School Meals	£1,695,900	£651,645	£1,514,300	£516,317
ii. Sports Centres	£3,646,200	£1,751,620	£4,849,400	£1,649,939
iii. Golf Courses	£927,800	£713,163	£970,700	£646,768
iv. Burials and Cremations	£1,502,800	£715,919	£2,252,000	£915,332
v. Building Control Fees	£719,200	£500,400	£831,700	£450,400
vi. Land Charges	£392,300	£220,000	£464,600	£257,400
vii. Car Park(Pay and Display)	£1,959,900	£990,168	£2,025,900	£1,014,790
viii. Car P ark(Penalty notices)	£1,071,100	£658,947	£1,103,200	£715,707

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 sports 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 unlikely.

- iii) Golf Courses: Current predictions for golf income in 2006-07 show that there will be a £140,000 shortfall. 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 in winter.
- 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 half 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) Car Park Income (Pay and Display Tickets): Income is below target at the moment. The delayed introduction of the Birkenhead Disc Zone as previously reported to Cabinet accounts for £85,000 of this. The winter season and additional parking demand over the Christmas shopping period may mitigate some of the current shortfall.
- viii) Car Park Income (Penalty Notices): Income is approximately £77,000 up on a pro-rata basis after 7 months, however this is offset by additional enforcement costs. 27,263 penalty notices were issued between 1 April and 31 October 2006.

## 2.7. Sundry Debtors

	<b>Actual 2006/07</b>	Actual 2005/06
Amount Billed in last 12 months as at 31.10.06	<b>£49,234,393</b>	£45,386,268
Total outstanding as at 31.10.06	<b>£15,962,405</b>	£10,801,188
Arrears at 31.10.06	<b>£11,105,399</b>	£7,628,859
Number of invoices in arrears at 31.10.06	<b>8,046</b>	5,420
Number of reminders to date 01.04.06 to 31.10.06	<b>0</b>	9,702
Number issued to Head of Legal and Member Services to date	<b>0</b>	742

- 2.7.1. The implementation of the new Accounts Receivable system continues to be a substantial burden on limited resources within a small central team. As a consequence, resources normally involved in collection have been engaged in the implementation. However, following substantial testing of the recovery processing, the first reminders have been sent in November.

## 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 October 2006. The Council Tax expenditure includes postings at the start of the year for main billing.

	<b>2006/07</b>
Number of <b>Private Tenant</b> recipients	<b>25,460</b>
Total rent allowance expenditure	<b>£52,800,582</b>
Number of <b>Council Tax Benefit</b> recipients	<b>34,651</b>
Total Council Tax Benefit expenditure	<b>£25,044,819</b>
Total expenditure on benefit to date	<b>£77,845,401</b>

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

	<b>Private Tenants</b>	<b>Owner Occupiers</b>
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>
<b>Total</b>	<b>25,460</b>	<b>11,230</b>

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

#### **Number**

New Cases referred to Fraud team in period	713
Cases where fraud found and action taken	67
Cases investigated, no fraud found and recovery of overpayment may be sought	210
Cases investigated, no fraud found, referred to visitors	219
Referred to Dept for Work and Pensions or Inland Revenue as involves other benefits or tax matters.	226
Cases under current investigation	233
Surveillance Operations Undertaken	0
Cases where fraud found and action taken; Administration penalty	28
Caution Issued and accepted	11
Successful prosecution	6
Summons issued for prosecution purposes	9

## **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 £229,957 and committed a further £77,848 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	£122,489
01.04.2001	- 31.03.2002	£320,545
01.04.2002	- 31.03.2003	£619,403
01.04.2003	- 31.03.2004	£520,018
01.04.2004	- 31.03.2005	£757,356
01.04.2005	- 31.03.2006	£1,177,133
01.04.2006	- 30.04.2006	<u>£1,283,397</u>
Total Outstanding		£4,800,341

2.11.4 The amount outstanding has reduced by £394,626 since May 2006. Recovery work continues on collection of the above sums

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