

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 December 2005 %	31 December 2006 %
2.1. Interest Rates		
Base Rate	4.50	5.00
Temporary Borrowing:		
Weekly	4.60	5.05
Monthly	4.63	5.23
3 Monthly	4.63	5.30
6 Monthly	4.58	5.39
1 Year	4.55	5.56
Temporary Investment:		
Weekly	4.58	5.00
Monthly	4.60	5.20
3 Monthly	4.60	5.25
6 Monthly	4.55	5.36
1 Year	4.53	5.53
Long Term Borrowing		
PWLB 5 year	4.30	5.30
PWLB 10-15 year	4.20	5.15
PWLB 15-25 year	4.15	4.95
Money Market 5 year	4.35	5.35
Money Market 10-15 year	4.20	5.20
Money Market 15-25 year	4.10	5.00

2.2. Interest Rate Outlook

- 2.2.1. At the January meeting of the Monetary Policy Committee (MPC) of the Bank of England, the bank base rate was increased from 5.00% to 5.25%. A rise had been expected in early 2007, but analysts had believed it would arrive later than the January meeting.
- 2.2.2. The inflation figures were released soon after the MPC meeting. This explained the surprise decision to increase rates. Inflation is at its highest in 10 years. The Consumer Price Index (CPI) for December hit 3%. The Bank of England is charged with maintaining CPI at a target level of 2%. The Retail Price Index (RPI) is at its highest level since 1991 at 4.4%. Economists feel that there may be a further increase at the February meeting, taking the base rate to 5.5 per cent.

2.3. Short Term Liquidity

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

	£	Average Rate %
Temporary Investments		
Up to 1 Week	3,000,000	5.12
Up to 3 Months	5,800,000	5.15
Up to 6 Months	30,500,000	4.98
Up to 1 Year	29,500,000	5.04
Up to 3 Years	<u>2,500,000</u>	5.02
	71,300,000	
Temporary Loans		
Up to 1 Month	1,000,000	5.16
Up to 2 Months	3,000,000	5.18
Up to 3 Months	3,000,000	5.16
Up to 6 Months	<u>9,500,000</u>	5.06
	13,500,000	

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 December 2006 is £169.8m. 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 31-Dec-2006
Maturing within 1 year	up to 10%	10%
Maturing between 1 and 2 years	up to 10%	1%
Maturing between 2 and 5 years	up to 15%	8%
Maturing between 5 and 10 years	10% to 35%	0%
Maturing beyond 10 years	40% to 85%	81%

- 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 December 2006 with the amount collected in the same period in 2005/06. The collection format below is altered slightly due to the new Council Tax/Housing Benefit system, the system commenced on 6 December 2006. The change to the new system will have some short-term detrimental effect on the collection rate.

	Actual 2006/07 £	Actual 2005/06 £
Cash to Collect	109,841,739	104,780,204
Cash Collected	93,660,330	89,815,469
% Collected	85.3	85.7

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

	Actual 2006/07 £	Actual 2005/06 £
Total Collectable	60,002,660	58,862,824
Amount Outstanding	8,691,403	9,281,486
% Outstanding	14.49	15.77
Cash to Collect	56,891,692	56,163,198
Net Cash Collected	49,230,004	46,940,917
% Collected	86.53	83.58

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

	Council Tax	Business Rates
Reminders/Final Notices	55,444	2,803
Summonses	17,283	907
Liability Orders	9,474	701
Office Arrangement	1,863	-
Attachment of Earnings	553	-
Deduction from Income Support	2,731	-
Accounts to Bailiff	7,388	422
Pre-Committal Warning Letters	1,273	-
Committal Orders Issued	0	0
Debtors Committed	0	0

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

Warrants of Arrest issued by Court (Bail and No Bail)	43
Warrants of Arrest (Bail) to Warrant officer	37
Warrants of Arrest (No Bail) to Warrant officer	17
Returned successful (Bail)	29
Returned successful (No Bail)	5
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 December 2006

Bankruptcy	24
Charging orders	5
Winding up orders	<u>0</u>
	<u>189</u>

Status of Insolvency cases at 31 December 2006

Winding up	1
Winding-up paid	1
Charging orders granted	11
Supporting other petitions	3
Cases paid	53
Bankruptcy orders	62
Cases closed	24
Ongoing cases	<u>34</u>
	<u>189</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:-

	2005/06	Income to	2006/07	Income to
	Budget	31-Dec-05	Revised	31-Dec-06
			Budget	
i. School Meals	£1,695,900	£891,921	£1,312,300	£768,496
ii. Sports Centres	£3,646,200	£2,219,199	£3,818,900	£2,384,594
iii. Golf Courses	£927,800	£782,115	£830,700	£747,604
iv. Burials and Cremations	£1,502,800	£715,919	£2,252,000	£1,274,147
v. Building Control Fees	£819,200	£629,899	£831,700	£536,953
vi. Land Charges	£442,300	£284,335	£464,600	£310,047
vii. Car Park (Pay and Display)	£1,882,900	£1,352,546	£2,130,900	£1,378,238
viii. Car Park (Penalty notices)	£1,071,100	£934,384	£1,103,200	£886,302

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

- i) School Meals: This income represents only two terms income out of three, and reports to Cabinet have identified an expected shortfall in meals income for the year of £250,000.
- ii) Sport Centres: A predicted shortfall in sport centre income was reported to Cabinet on 14 December 2006 and approval was granted to revise the income target by £480,000. This revised income target is expected to be achieved at year-end.
- iii) Golf Courses: Approval was given at Cabinet on 14 December 2006 to fund the expected £140,000 deficit in golf course income. The revised income target is expected to be achieved at year-end.

- 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.
- viii) Car Park Income (Penalty Notices): Income is approximately £58,900 up on a pro-rata basis after 9 months, however this is offset by additional enforcement costs. 34,831 penalty notices were issued between 1 April and 31 December 2006.

2.7. Sundry Debtors

	Actual 2006/07	Actual 2005/06
Amount Billed in last 12 months as at 31.12.06	£46,228,533	£48,697,172
Total outstanding as at 31.12.06	£16,829,931	£13,364,392
Arrears at 31.12.06	£11,258,310	£8,179,814
Number of invoices in arrears at 31.12.06	11,114	7,585
Number of reminders to date 01.04.06 to 31.12.06	150	13,772
Number issued to		
Head of Legal and Member Services to date	0	933

- 2.7.1. Resources normally involved in collection have been engaged in the implementation of the new Accounts Receivable system, however, recovery processing has now commenced and will continue to speed up over the coming months. New initiatives such as the provision of a direct debit facility are also due to be brought in during 2007 to increase the options for payment and to improve collection.

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

	2006/07
Number of Private Tenant recipients	25,518
Total rent allowance expenditure	£60,241,693
Number of Council Tax Benefit recipients	34,899
Total Council Tax Benefit expenditure	£24,930,706
Total expenditure on benefit to date	£85,172,399

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

	Private Tenants	Owner Occupiers
Working age and in receipt of J.S.A.	13,002	1,961
Elderly and in receipt of J.S.A.	6,827	5,350
Working age and not receiving J.S.A.	3,614	1,009
Elderly and not in receipt of J.S.A.	<u>2,075</u>	<u>3,147</u>
Total	25,518	11,467

There are **36,985** Benefit Recipients in Wirral as at 31 December 2006

2.9. Housing Benefit Fraud

Fraud and Enquiry 1 April 2006 to 31 December 2006

Number

New Cases referred to Fraud team in period	835
Cases where fraud found and action taken	91
Cases investigated, no fraud found and recovery of overpayment may be sought	812
Cases under current investigation	248
Surveillance Operations Undertaken	0
Cases where fraud found and action taken;	
Administration penalty	35
Caution Issued and accepted	16
Successful prosecution	11
Summons issued for prosecution purposes	13

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 £276,118 and committed a further £66,356 to current cases for 2006/07.

2.11. Outstanding Housing Benefit Debt (Overpayments)

2.11.1 Due to the changeover to the new Benefits system, these figures are not currently available. They will be reported on once the full scope of the reporting functionality in relation to debt and debt recovery is available.