

**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**

	28 February 2006 %	28 February 2007 %
<b>2.1. Interest Rates</b>		
<b>Base Rate</b>	4.50	5.25
<b>Temporary Borrowing:</b>		
Weekly	4.55	5.34
Monthly	4.58	5.41
3 Monthly	4.59	5.52
6 Monthly	4.61	5.60
1 Year	4.69	5.70
<b>Temporary Investment:</b>		
Weekly	4.49	5.31
Monthly	4.53	5.38
3 Monthly	4.55	5.49
6 Monthly	4.57	5.57
1 Year	4.65	5.66
<b>Long Term Borrowing</b>		
PWLB 5 year	4.30	5.25
PWLB 10-15 year	4.20	4.90
PWLB 15-25 year	4.15	4.70
Money Market 5 year	4.35	5.57
Money Market 10-15 year	4.20	5.00
Money Market 15-25 year	4.10	4.60

## 2.2. Interest Rate Outlook

2.2.1. At the 8 February 2007 meeting of the Bank of England Monetary Policy Committee (MPC), base rate was left unchanged at 5.25%. The MPC minutes released on 21 February 2007 show the vote to be 7-2 in favour of the steady decision. This gave the markets no clues as to when the next expected rise in rates would occur.

2.2.2. The 8 March 2007 meeting also resulted in a no-change decision on base rates.

## 2.3. Short Term Liquidity

2.3.1. At 28 February 2007 short-term liquidity, representing the original term of the investment or debt, was as follows:-

	£	Average Rate %
<b>Temporary Investments</b>		
Up to 1 Month	3,000,000	5.38
Up to 2 Months	1,000,000	5.47
Up to 3 Months	3,000,000	5.26
Up to 4 Months	4,000,000	5.22
Up to 5 Months	2,000,000	5.13
Up to 6 Months	9,000,000	5.24
Up to 1 Year	34,500,000	5.17
Up to 3 Years	<u>2,500,000</u>	5.02
	<b>61,000,000</b>	

2.3.2. Of the £34.5m investments deposited for 1 year term, £18.5m will be expiring within the next 6 months. The other £16m deposited is accruing interest at an average rate of 5.41%.

<b>Temporary Loans</b>		
Up to 1 Week	2,000,000	5.34
Up to 2 Weeks	6,500,000	5.35
Up to 1 Month	7,000,000	5.33
Up to 4 Months	1,000,000	5.18
Up to 3 Months	<u>3,500,000</u>	5.15
	<b>20,000,000</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 28 February 2007 is £180.2m. 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 expectation 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 28 February 2007 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 28 February 2007
Maturing within 1 year	up to 10%	11%
Maturing between 1 and 2 years	up to 10%	1%
Maturing between 2 and 5 years	up to 15%	11%
Maturing between 5 and 10 years	10% to 35%	0%
Maturing beyond 10 years	40% to 85%	77%

- 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 28 February 2007 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, which commenced on 6 December 2006. The change of system will have some short-term detrimental effect on the collection rate.

	<b>Actual 2006/07 £</b>	Actual 2005/06 £
Cash to Collect	<b>109,621,583</b>	104,514,380
Cash Collected	<b>104,926,627</b>	100,910,096
% Collected	<b>95.7%</b>	96.6%

The reduced level of collection is a result of the implementation of the new system. The difference is being collected albeit later than normal and the target collection will be met early in the new financial year.

- 2.5.2. The following statement compares the amount collected for **National Non-Domestic Rates** in the period 1 April 2006 to 28 February 2007 with the amount collected in the same period in 2005/06.

	<b>Actual 2006/07 £</b>	Actual 2005/06 £
Total Collectable	<b>59,486,448</b>	57,728,549
Amount Outstanding	<b>2,664,955</b>	1,356,347
% Outstanding	<b>4.48</b>	2.35
Cash to Collect	<b>55,717,266</b>	53,792,740
Net Cash Collected	<b>54,086,393</b>	52,454,876
% Collected	<b>97.07</b>	97.51

The 2005/06 position included credits of £800,000 which were refunded in March 2006.

- 2.5.3. The following statement provides information concerning collection of local taxes from 1 April 2006 to 28 February 2007.

	<b>Council Tax</b>	<b>Business Rates</b>
Reminders/Final Notices	55,444	3,032
Summonses	17,283	1,068
Liability Orders	9,474	779
Office Arrangement	1,863	-
Attachment of Earnings	553	-
Deduction from Income Support	2,731	-
Accounts to Bailiff	7,388	474
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 28 February 2007.

Warrants of Arrest issued by Court (Bail and No Bail)	48
Warrants of Arrest (Bail) to Warrant officer	40
Warrants of Arrest (No Bail) to Warrant officer	19
Returned successful (Bail)	32
Returned successful (No Bail)	11
Returned other reasons (Bail)	1
Returned other reasons (No Bail)	2

#### 2.5.4. Insolvency cases to 28 February 2007

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
<u>New cases from 1 April 2006 to 28 February 2007</u>	

Bankruptcy	32
Charging orders	17
Winding up orders	<u>2</u>
	<u>209</u>

#### Status of Insolvency cases at 28 February 2007

Winding up	1
Winding-up paid	1
Charging orders granted	11
Supporting other petitions	3
Cases paid	57
Bankruptcy orders	60
Cases closed	24
Ongoing cases	<u>52</u>
	<u>209</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 Budget</b>	<b>Income to 28-Feb-06</b>	<b>2006/07 Revised Budget</b>	<b>Income to 28-Feb-07</b>
i. School Meals	£1,695,900	£1,278,435	£1,312,300	£1,166,439
ii. Sports Centres	£3,646,200	£2,691,288	£3,818,900	£2,983,172
iii. Golf Courses	£927,800	£890,882	£830,700	£785,206
iv. Burials and Cremations	£1,502,800	£1,138,847	£2,252,000	£1,836,486
v. Building Control Fees	£819,200	£746,460	£831,700	£686,000
vi. Land Charges	£442,300	£338,910	£464,600	£317,700
vii. Car Park (Pay and Display)	£1,882,900	£1,653,112	£2,130,900	£1,694,000
viii. Car Park (Penalty notices)	£1,071,100	£1,142,024	£1,103,200	£1,053,100

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

- (i) School Meals: The early part of the spring term has shown an improvement against budget compared to that previously reported. 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.
- (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.
- (iv) Burials and Cremations: This budget is forecast to be on target. 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 during this financial year and it is likely that the income target will be underachieved by £80,000. It is anticipated that this shortfall will be accommodated elsewhere within the Technical Services budget.
- (vi) Land Charges: Land Charges income should achieve the income target.
- (vii) Car Park Income (Pay and Display Tickets): Income is below target. 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 £41,000 overachieved on a pro-rata basis after 11 months, however this is offset by additional enforcement costs. 41,673 penalty notices were issued between 1 April 2006 and 28 February 2007.

## 2.7. Sundry Debtors

	<b>Actual 2006/07</b>	Actual 2005/06
Amount Billed in last 12 months as at 28.02.07	<b>£48,536,883</b>	£48,390,210
Total outstanding as at 28.02.07	<b>£18,579,292</b>	£12,886,305
Arrears at 28.02.07	<b>£11,747,319</b>	£11,085,894
Number of invoices in arrears at 28.02.07	<b>10,552</b>	7,460
Number of reminders to date 01.04.06 to 28.02.07	<b>2,730</b>	15,612

- 2.7.1. Resources normally involved in collection have been engaged in the implementation of the new Accounts Receivable system. However, recovery processing has 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 28 February 2007. 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>25,692</b>
Total rent allowance expenditure	<b>£73,098,331</b>
Number of <b>Council Tax Benefit</b> recipients	<b>34,943</b>
Total Council Tax Benefit expenditure	<b>£23,961,796</b>
Total expenditure on benefit to date	<b>£97,060,127</b>

- 2.8.2. The following statement provides information concerning the breakdown according to client type as at 28 February 2007.

	<b>Private Tenants</b>	<b>Owner Occupiers</b>
Working age and in receipt of J.S.A.	13,136	1,914
Elderly and in receipt of J.S.A.	6,784	5,342
Working age and not receiving J.S.A.	3,730	815
Elderly and not in receipt of J.S.A.	<u>2,042</u>	<u>3,108</u>
<b>Total</b>	<b>25,692</b>	<b>11,179</b>

There are **36,871** Benefit Recipients in Wirral as at 28 February 2007

## 2.9. Housing Benefit Fraud

### Fraud and Enquiry 1 April 2006 to 28 February 2007

#### Number

New Cases referred to Fraud team in period	1343
Cases where fraud found and action taken	91
Cases investigated, no fraud found and recovery of overpayment may be sought	934
Cases under current investigation	270
Surveillance Operations Undertaken	0
Cases where fraud found and action taken;	
Administration penalty	41
Caution issued and accepted	23
Successful prosecution	15
Summons issued for prosecution purposes	15

## 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, to date I have paid £325,738.