

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 July 2006 %	31 July 2007 %
2.1. Interest Rates		
Base Rate	4.75	5.75
Temporary Borrowing:		
Weekly	4.94	6.00
Monthly	4.94	6.30
3 Monthly	5.02	6.40
6 Monthly	5.13	6.35
1 Year	5.27	6.35
Temporary Investment:		
Weekly	4.87	6.00
Monthly	4.87	6.10
3 Monthly	4.94	6.15
6 Monthly	5.05	6.20
1 Year	5.20	5.20
Long Term Borrowing		
PWLB 5 year	4.85	5.35
PWLB 10-15 year	4.70	5.20
PWLB 15-25 year	4.60	4.95
Money Market 5 year	5.20	6.05
Money Market 10-15 year	5.25	6.00
Money Market 15-25 year	5.25	5.90

2.2. Interest Rate Outlook

- 2.2.1. In July the annual consumer price inflation (CPI) rate fell to 1.9% from 2.4% in June. It was the largest monthly fall for five years in annual CPI inflation and the first time the measure was below the Bank of England 2% target since March 2006.
- 2.2.2. The drop was caused by a sharp monthly decline in food prices, alongside the largest ever monthly fall in furniture prices. Combined, these two elements took 0.35% off the annual inflation rate and forced the headline and core measures lower.
- 2.2.3. Many economists have argued that some of the falls are likely to be temporary and that food price inflation will rebound in the months ahead given the combination of supply shocks (floods and droughts, depending on location) and buoyant global demand.
- 2.2.4. The Bank of England is likely to view the figures with caution as its interest rate strategy aims to control the level of demand over the next two years with its assessment of the level of goods and services that the economy can produce. Nothing in that analysis can be said to have changed by any of the July figures.
- 2.2.5. A consensus among financial market economists is that the figures would give the Bank to pause for thought as they might suggest demand pressures were lower than feared and that they would help to reduce inflation expectations. The Bank is now expected to wait and see how inflation and the economy develops before changing its rate from its current level of 5.75%.

2.3. Short Term Liquidity

- 2.3.1. At 31 July 2007 short-term liquidity, representing the original term of the investment or debt, was as follows: -

	£	Average Rate %
Temporary Investments		
Money Market Funds (Callable)	1,000,000	5.57
Up to 6 Months	7,000,000	5.80
Up to 9 Months	16,000,000	5.85
Up to 1 Year	46,000,000	5.80
Up to 3 Years	<u>2,500,000</u>	5.02
	72,500,000	

- 2.3.2. The additional £25m invested on a 1-year term since April 2007 is accruing average interest at 6.1%.
- 2.3.3. The £2.5m invested on a 3-year term commenced in June 2005 when the comparative 1-year rate was 4.71%.

Temporary Loans	£	%
Up to 1 Month	2,500,000	6.15
Up to 3 Months	4,000,000	5.98
Up to 1 Year	<u>6,500,000</u>	6.14
	13,000,000	

2.4. Borrowing and monitoring of the Prudential Code Indicators

- 2.4.1 The Capital Financing Requirement (CFR) measures the underlying need to borrow to finance capital expenditure. The Code stipulates that external borrowing should not exceed the CFR for the previous year plus the estimated additional CFR requirement for the current and next two financial years. In preparing the 2007-08 budget the CFR for 2007-08 was estimated to be £256.7m (with a maximum limit, referred to above, of £276.6m). The 2006-07 final accounts indicate that the figure could be revised to £247.2m, with a corresponding maximum of £267.1m.
- 2.4.2 The total short and long term borrowing outstanding at 31 August 2007 is £178.2m. This compares with the estimated Authorised Borrowing Limit of £252m and the estimated Operational Boundary of £249m. Again, in line with the final accounts these can be revised downward by some £9m.
- 2.4.3 The Authorised Borrowing Limit is the amount determined as the 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.
- 2.4.4 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.
- 2.4.5 The estimates assumed long term borrowing of £42m. To date any short fall in day to day cash management has been managed through short term resources without recourse to long term borrowing. This will obviously change during the year and the gap between actual borrowing and the various indicators will narrow.
- 2.4.6 There are agreed fixed and variable interest rate exposures. The amount of interest associated with fixed rate loans as at 31 August 2007 is 63% of estimated total annual interest. This falls within the approved range of 50% to 80%. The remaining 37% is subject to variable rates and again falls within the approved range of 20% to 50%.

2.4.7 The table below summarises the current maturity structure of fixed rate borrowing: -

Maturity Structure	Target	Actual 31 July 2007
Maturing within 1 year	Up to 15%	11%
Maturing between 1 and 2 years	Up to 5%	0%
Maturing between 2 and 5 years	Up to 15%	11%
Maturing between 5 and 10 years	5% to 35%	10%
Maturing beyond 10 years	45% to 65%	68%

2.4.8 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. At present the maturity structure is heavily weighted beyond the ten-year range and is actually higher than the original target. However, this percentage will reduce as the year progresses and long-term borrowing is undertaken within the lower ranges.

2.5 Overall Borrowing

2.5.1 The maturity structure analysis dictated by the Code of Practice only focuses on fixed rate debt. However, £58m (32%) of debt is subject to variable rates of interest. The following table provides Members with a maturity profile for the totality of debt.

Maturity Structure	Actual 31 July 2007
Maturing within 1 year	9%
Maturing between 1 and 2 years	0%
Maturing between 2 and 5 years	7%
Maturing between 5 and 10 years	7%
Maturing beyond 10 years	77%

2.5. Revenues Collection

2.5.1. The following statement compares the amount collected for Council Tax in the period 1 April 2007 to 31 July 2007 with the amount collected in the same period in 2006/07. The collection format below is altered slightly due to the new Council Tax/Housing Benefit IT system, which commenced on 6 December 2006. The change of system has had a short-term detrimental effect on the collection rate.

	Actual 2007/08	Actual 2006/07
	£	£
Cash to Collect	114,914,771	109,732,542
Cash Collected	43,460,297	42,111,436
% Collected	37.8%	38.4%

The reduced level of collection is a result of the new system. Collection has increased and is back on track.

2.5.2. The following statement compares the amount collected for **National Non-Domestic Rates** in the period 1 April 2007 to 31 July 2007 with the amount collected in the same period in 2006/07.

	Actual 2007/08	Actual 2006/07
	£	£
Total Collectable (incl arrears)	61,223,781	68,095,460
Amount Outstanding	36,131,751	45,024,537
% Outstanding	59.02%	66.12%
Amount Collectable 2007-08	57,907,305	56,866,731
Net 2007-08 Cash Collected	23,334,198	20,981,671
% Collected	40.30%	36.90%

2.5.3. The following statement provides information concerning collection of local taxes from 1 April 2007 to 31 July 2007.

	Council Tax	Business Rates
Reminders/Final Notices	58,224	1,340
Summonses	9,375	659
Liability Orders	5,258	339
Attachment of Earnings	503	-
Deduction from Income Support	1,050	-
Accounts to Bailiff	5,244	127
Pre-Committal Warning Letters	873	-
Committal Orders Issued	0	0
Debtors Committed	0	0

Current Status of Agent Work in respect of Committals as at 31 July 2007.

Warrants of Arrest issued by Court (Bail and No Bail)	83
Warrants of Arrest (Bail) to Warrant officer	49
Warrants of Arrest (No Bail) to Warrant officer	15
Returned successful (Bail)	28
Returned successful (No Bail)	5
Returned other reasons (Bail)	3
Returned other reasons (No Bail)	0

2.5.4. Insolvency cases to 31 July 2007

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

Bankruptcy cases	170
Charging orders	37
Winding up orders	4

New cases from 1 April 2007 to 31 July 2007

Bankruptcy	27
Charging orders	8
Winding up orders	<u>0</u>
	<u>246</u>

Status of Insolvency cases at 31 July 2007

Winding up	2
Winding-up paid	1
Charging orders granted	17
Supporting other petitions	3
Cases paid	64
Bankruptcy orders	63
Cases closed	41
Ongoing cases	<u>52</u>
	<u>243</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:-

	2006/07 Budget	Income to 31-Jul-06	2007/08 Budget	Income to 31-Jul-07
i. School Meals	£1,514,300	£367,300	£1,339,000	£350,147
ii. Sports Centres	£3,818,900	£945,900	£3,457,100	£1,013,600
iii. Golf Courses	£830,700	£384,200	£859,800	£383,600
iv. Burials and Cremations	£2,252,000	£393,800	£2,319,600	£595,500
v. Building Control Fees	£831,700	£224,100	£876,700	£218,500
vi. Land Charges	£464,600	£143,100	£464,600	£115,800
vii. Car Park (Pay and Display)	£2,130,900	£531,900	£2,591,500	£577,800
viii. Car Park (Penalty notices)	£1,103,200	£385,300	£1,116,300	£352,700

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

- (i) School Meals: Income for the summer term is slightly ahead of expectations, representing 26% of the budget as against 24% for the same period last year.
- (ii) Sports Centres. It is expected that the income target will be achieved.
- (iii) Golf Courses. It is expected that the income target will be achieved
- (iv) Burials and Cremations: It is expected that the income target will be achieved
- (v) Building Control Fees: £73,000 adverse variance to date. Such income is dependent on external market conditions including the housing market and competitors. More income is expected to be generated during the forthcoming months and it is anticipated that income will be in line with the budget at the year end.
- (vi) Land Charges: £39,000 adverse variance to date. Again, such income is dependent on external market conditions including the housing market and competitors. Income is expected to be in line with the budget at the year end.
- (vii) Car Park Income (Pay and Display Tickets): Car park income is related to the general trading performance of the town centres which is affected by many factors including competition from out of town retail centres. An adverse variance is expected at the year-end.
- (viii) Car Park Income (Penalty Notices) : There is an adverse variance of £19,400 to date but income is expected to be in line with the budget at the year-end.

2.7. Sundry Debtors

	Actual 2007/08	Actual 2006/07
Amount Billed in last 12 months as at 31.07.07	£57,812,834	£46,703,820
Total outstanding as at 31.07.07	£18,611,235	£13,303,312
Arrears at 31.07.07	£12,188,301	£10,024,100
Number of invoices in arrears at 31.07.07	9,708	7,818
Number of reminders to date 01.04.07 to 31.07.07	9,927	0

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 July 2007. The Council Tax expenditure includes postings at the start of the year for main billing.

	2007/08
Number of Private Tenant recipients	25,788
Total rent allowance expenditure	£29,110,699
Number of Council Tax Benefit recipients	34,860
Total Council Tax Benefit expenditure	£25,253,593
Total expenditure on benefit to date	£54,364,292

2.8.2. The following statement provides information concerning the breakdown according to client type as at 31 July 2007.

	Private Tenants	Owner Occupiers
Working age and in receipt of J.S.A.	13,132	1,823
Elderly and in receipt of J.S.A.	6,900	5,437
Working age and not receiving J.S.A.	3,738	942
Elderly and not in receipt of J.S.A.	<u>2,018</u>	<u>3,151</u>
Total	25,788	11,353

There are **37,141** Benefit Recipients in Wirral as at 31 July 2007.

2.9. Housing Benefit Fraud

Fraud and Enquiry 1 April 2007 to 31 July 2007

Number

New Cases referred to Fraud team in period	542
Cases where fraud found and action taken	58
Cases investigated, no fraud found and recovery of overpayment may be sought	155
Cases under current investigation	215
Surveillance Operations Undertaken	0
Cases where fraud found and action taken;	
Administration penalty	16
Caution issued and accepted	27
Successful prosecution	14
Summons issued for prosecution purposes	3

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 2007/08 is £210,436 with a limit of £526,090 which the Authority must not exceed. To date I have paid £97,801.