

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

	30 Sept 2006 %	30 Sept 2007 %
2.1. Interest Rates		
Base Rate	4.75	5.75
Temporary Borrowing:		
Weekly	4.92	6.20
Monthly	4.99	6.10
3 Monthly	5.09	6.20
6 Monthly	5.19	6.25
1 Year	5.34	6.05
Temporary Investment:		
Weekly	4.86	5.90
Monthly	4.88	6.05
3 Monthly	5.04	6.15
6 Monthly	5.14	6.15
1 Year	5.29	6.00
Long Term Borrowing		
PWLB 5 year	4.95	5.25
PWLB 10-15 year	4.80	5.25
PWLB 15-25 year	4.65	5.20
Money Market 5 year	5.23	5.75
Money Market 10-15 year	5.30	5.50
Money Market 15-25 year	5.30	5.25

2.2. Interest Rate Outlook

- 2.2.1. The following information is from the Bank of England Monetary Policy Committee Minutes for October, 2007.
- 2.2.2 Some financial markets remained fragile, and were still not functioning normally. There had been some improvement in US credit markets, where the recent turmoil had originated. The volume of transactions remained at low levels. Across all markets, investors appeared to be beginning to discriminate between different instruments according to their underlying credit quality. Market conditions had been helped by the release of some more information about where losses resided, as institutions announced their financial results for the third quarter.
- 2.2.3 There had been some improvement in money market conditions. Very short secured sterling rates had generally been close to Bank Rate since the beginning of the monthly maintenance period on 6 September, 2007 with the Bank of England acting to stabilise the secured overnight interest rate.
- 2.2.4 At the time of the August *Inflation Report*, the markets had been pricing in another rise in Bank Rate by the beginning of next year. But by the time of the October meeting, they appeared to be pricing in a 25 basis points cut by the end of 2007, although conditions in money markets meant that these market-based measures were highly uncertain. None of the economists polled in a Reuters' survey expected a rate change at this meeting, but a clear majority anticipated a rate cut at some point in the next six months.

2.3. Short Term Liquidity

- 2.3.1. At 30 September 2007 short-term liquidity was as follows: -

	£	Average Rate %
Temporary Investments		
Money Market Funds (Callable)	14,300,000	6.03
Up to 6 Months	44,500,000	5.70
Up to 9 Months	18,500,000	5.91
Up to 1 Year	9,000,000	6.20
Up to 3 Years	0	
	86,300,000	
Temporary Loans	£	%
Up to 1 Month	4,000,000	5.98
Up to 3 Months	0	
Up to 1 Year	5,500,000	6.21
	9,500,000	

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 Prudential 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 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 30 September 2007 is £174.7m. 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 30 September 2007 is 66% of estimated total annual interest. This falls within the approved range of 50% to 80%. The remaining 34% 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 30 Sept 2007
Maturing within 1 year	Up to 15%	5%
Maturing between 1 and 2 years	Up to 5%	0%
Maturing between 2 and 5 years	Up to 15%	17%
Maturing between 5 and 10 years	5% to 35%	5%
Maturing beyond 10 years	45% to 65%	73%

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 (34%) 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 30 Sept 2007
Maturing within 1 year	5%
Maturing between 1 and 2 years	0%
Maturing between 2 and 5 years	11%
Maturing between 5 and 10 years	4%
Maturing beyond 10 years	80%

2.6. Revenues Collection

2.6.1. The following statement compares the amount collected for Council Tax in the period 1 April 2007 to 30 September 2007 with the amount collected in the same period in 2006/07. The change of IT system has had a short-term detrimental effect on the collection rate.

	Actual 2007/08	Actual 2006/07
	£	£
Cash to Collect	114,872,629	109,672,772
Cash Collected	64,806,530	62,786,370
% Collected	56.42%	57.27%

2.6.2. The following statement compares the amount collected for **National Non-Domestic Rates** in the period 1 April 2007 to 30 September 2007 with the amount collected in the same period in 2006/07.

	Actual 2007/08	Actual 2006/07
	£	£
Total Collectable (including arrears)	61,144,613	60,616,793
Amount Outstanding	26,190,609	27,062,057
% Outstanding	42.83%	44.64%
Amount Collectable 2007-08	57,973,840	56,636,917
Net 2007-08 Cash Collected	33,273,191	31,576,784
% Collected	57.39%	55.75%

2.6.3. The following statement provides information concerning collection of local taxes from 1 April 2007 to 30 September 2007.

	Council Tax	Business Rates
Reminders/Final Notices	38,025	1,859
Summonses	10,446	750
Liability Orders	7,387	614
Attachment of Earnings	797	-
Deduction from Income Support	1,553	-
Accounts to Bailiff	10,329	224
Pre-Committal Warning Letters	1,254	-
Committal Orders Issued	0	0
Debtors Committed	0	0

Current Status of Agent Work in respect of Committals as at 1 April 2007 to 30 September 2007.

Warrants of Arrest issued by Court (Bail and No Bail)	97
Warrants of Arrest (Bail) to Warrant officer	81
Warrants of Arrest (No Bail) to Warrant officer	25
Returned successful (Bail)	50
Returned successful (No Bail)	13
Returned other reasons (Bail)	3
Returned other reasons (No Bail)	0

2.6.4. Insolvency cases to 30 September 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 30 September 2007

Bankruptcy	32
Charging orders	8
Winding up orders	<u>0</u>
	<u>251</u>

Status of Insolvency cases at 1 April 2007

Winding up	2
Winding-up paid	1
Charging orders granted	25
Supporting other petitions	3
Cases paid	64
Bankruptcy orders	71
Cases closed	48
Ongoing cases	<u>48</u>
	<u>262</u>

2.7. Fees and Charges

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

	2006/07 Budget	Income to 30-Sep-06	2007/08 Budget	Income to 30-Sep 07
i. School Meals	£1,514,300	£460,800	£1,339,000	£476,400
ii. Sports Centres	£3,818,900	£1,493,000	£3,457,100	£1,544,000
iii. Golf Courses	£830,700	£543,000	£859,800	£500,000
iv. Burials and Cremations	£2,252,000	£784,000	£2,319,600	£974,000
v. Building Control Fees	£831,700	£383,500	£876,700	£334,700
vi. Land Charges	£464,600	£219,200	£464,600	£181,800
vii. Car Park (Pay and Display)	£2,130,900	£714,700	£2,591,500	£943,600
viii. Car Park (Penalty notices)	£1,103,200	£577,900	£1,116,300	£518,800

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

- (i) School Meals: Income for the summer term was 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.

2.8. Sundry Debtors

	Actual 2007/08	Actual 2006/07
Amount Billed in last 12 months as at 30.09.07	£55,735,353	£46,215,844
Total outstanding as at 30.09.07	£17,901,092	£13,143,609
Arrears at 30.09.07	£12,809,643	£10,031,334
Number of invoices in arrears at 30.09.07	9,045	7,538
Number of reminders to date 01.04.07 to 30.09.07	19,162	0

2.9. Housing Benefits

2.9.1. 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 30 September 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	£43,056,388
Number of Council Tax Benefit recipients	34,860
Total Council Tax Benefit expenditure	£25,280,566
Total expenditure on benefit to date	£68,336,954

2.9.2. The following statement provides information concerning the breakdown according to client type as at 30 September 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 30 September 2007.

2.10. Housing Benefit Fraud

Fraud and Enquiry 1 April 2007 to 30 September 2007

Number

New Cases referred to Fraud team in period	255
Cases where fraud found and action taken	37
Cases investigated, no fraud found and recovery of overpayment may be sought	60
Cases under current investigation	188
Surveillance Operations Undertaken	0
Cases where fraud found and action taken;	
Administration penalty	13
Caution issued and accepted	22
Successful prosecution	2
Summons issued for prosecution purposes	0

2.11. Discretionary Housing Payments

2.11.1 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.

2.11.2 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 £182,232.