

## FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

17 JANUARY 2008

## 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 November 2006	30 November 2007
	%	%
<b>2.1. Interest Rates</b>		
<b>Base Rate</b>	5.00	5.50
<b>Temporary Borrowing:</b>		
Weekly	5.00	5.80
Monthly	5.06	5.90
3 Monthly	5.15	6.47
6 Monthly	5.25	6.35
1 Year	5.34	6.00
<b>Temporary Investment:</b>		
Weekly	5.00	5.88
Monthly	5.06	6.00
3 Monthly	5.15	6.55
6 Monthly	5.25	6.52
1 Year	5.34	6.15
<b>Long Term Borrowing</b>		
PWLB 5 year	4.95	4.66
PWLB 10 year	4.65	4.74
PWLB 15 year	4.30	4.60
Money Market 5 year	5.26	5.85
Money Market 10 year	5.35	5.75
Money Market 15 year	5.35	5.65

## 2.2. Interest Rate Outlook

- 2.2.1 The Bank of England Monetary Policy Committee (MPC) reduced the Bank Rate to 5.50% on 6 December 2007. It justified this decision broadly on the basis that the threat to growth from the credit crunch outweighed the inflationary pressures that continue to build in global economies.
- 2.2.2 The UK Nationwide Consumer Confidence Survey was released on 5 December 2007 and had dropped sharply. At the same time the HBOS house price survey for November was released and indicated that monthly house prices had fallen by 1.1%. Taken together, consumer confidence is falling. The rate cut by the MPC is action to try to correct this.
- 2.2.3 Despite the intervention in the money markets the Bank continues to look out over a gloomy money markets landscape. Cutting the Bank Rate and intervention has not, so far, done anything to restore liquidity in the money markets. Far from it, 3 months LIBOR (the inter bank lending rate) is now priced at almost 1% above the new Bank Rate of 5.5%. This shows that banks are still not prepared to lend to each other and in that climate will they pass on the reduction in the Bank Rate to borrowers and lenders? Maybe, but if banks are short of cash they will not want to cut rates to investors and see cash outflows. Equally, will they pass on the reduction in Bank Rate to borrowers when their borrowing costs are 1% above that rate? Again, the answer is a cautious maybe.
- 2.2.4 More needs to be done including some acceptance by Governments and Central Banks that the impact of the crisis requires joined up action. The Bank will do more in the New Year and could cut the Bank Rate again but even this may not be enough.

## 2.3. Short Term Liquidity

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

	£	Average Rate %
<b>Temporary Investments</b>		
Money Market Funds (Callable)	14,500,000	5.98
Up to 6 Months	42,000,000	5.94
Up to 9 Months	15,500,000	6.02
Up to 1 Year	3,000,000	6.20
Up to 3 Years	0	
	<u>75,000,000</u>	
<b>Temporary Loans</b>	£	%
Up to 1 Month	0	
Up to 3 Months	0	
Up to 1 Year	<u>5,500,000</u>	6.21
	<b>9,500,000</b>	

## 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 November 2007 is £168.2m. 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 30 November 2007 is 73% of estimated total annual interest. This falls within the approved range of 50% to 80%. The remaining 27% 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 Nov 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%	15%
Maturing between 5 and 10 years	5% to 35%	5%
Maturing beyond 10 years	45% to 65%	75%

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, £45m (27%) 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 Nov 2007
Maturing within 1 year	3%
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	82%

## 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 November 2007 with the amount collected in the same period in 2006/07. The change of IT system had a detrimental effect on the collection rate which is expected to now smooth out in the last quarter.

	<b>Actual 2007/08</b>	Actual 2006/07
	£	£
Cash to Collect	<b>114,684,077</b>	109,482,772
Cash Collected	<b>86,162,387</b>	83,425,872
% Collected	<b>75.2%</b>	76.2%

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

	<b>Actual 2007/08</b>	Actual 2006/07
	£	£
Total Collectable (including arrears)	<b>60,690,845</b>	60,145,931
Amount Outstanding	<b>13,131,090</b>	14,553,373
% Outstanding	<b>21.64%</b>	24.20%
Amount Collectable 2007-08	<b>57,745,975</b>	56,315,706
Net 2007-08 Cash Collected	<b>45,974,106</b>	43,537,526
% Collected	<b>79.61%</b>	77.31%

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

	<b>Council Tax</b>	<b>Business Rates</b>
Reminders/Final Notices	46,675	2,072
Summonses	13,512	992
Liability Orders	10,940	779
Attachment of Earnings	985	-
Deduction from Income Support	2,062	-
Accounts to Bailiff	11,623	354
Pre-Committal Warning Letters	1,633	-
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 November 2007.

Warrants of Arrest issued by Court (Bail and No Bail)	125
Warrants of Arrest (Bail) to Warrant officer	98
Warrants of Arrest (No Bail) to Warrant officer	35
Returned successful (Bail)	50
Returned successful (No Bail)	14
Returned other reasons (Bail)	5
Returned other reasons (No Bail)	0

2.6.4. Insolvency cases to 30 November 2007

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

Bankruptcy cases	172
Charging orders	39
Winding up orders	2

New cases from 1 April 2007 to 30 November 2007

Bankruptcy	49
Charging orders	17
Winding up orders	<u>0</u>
	<u>279</u>

Status of Insolvency cases at 1 April 2007

Winding-up paid	1
Charging orders granted	27
Supporting other petitions	4
Cases paid	72
Bankruptcy orders	76
Cases closed	56
Ongoing cases	<u>43</u>
	<u>279</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:-

	<b>2006/07 Budget</b>	<b>Income to 30-Nov-06</b>	<b>2007/08 Budget</b>	<b>Income to 30-Nov 07</b>
i. School Meals	£1,514,300	£689,399	£1,339,000	£744,113
ii. Sports Centres	£3,818,900	£2,129,813	£3,457,100	£2,100,952
iii. Golf Courses	£830,700	£735,098	£859,800	£641,545
iv. Burials and Cremations	£2,252,000	£1,256,708	£2,344,600	£1,263,922
v. Building Control Fees	£831,700	£510,600	£876,700	£497,100
vi. Land Charges	£464,600	£286,300	£464,600	£247,500
vii. Car Park (Pay and Display)	£2,130,900	£1,172,500	£2,591,500	£1,416,400
viii. Car Park (Penalty notices)	£1,092,200	£778,500	£1,116,300	£690,000

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

- (i) School Meals: Income effectively represents one and a half terms out of three and was ahead of expectations, being 55% of the budget as against 45% for the same period last year.
- (ii) Sports Centres. It is expected that the income target will be achieved.
- (iii) Golf Courses. There is likely to be an adverse variance at the year end of £60,000 arising from the summer season when the golf courses were severely affected by the wet conditions. Flooding on some of the greens resulted in temporary closures and a reduction to income levels.
- (iv) Burials and Cremations: It is expected that the income target will be achieved
- (v) Building Control Fees: £87,400 adverse variance to date. Such income is dependent on external market conditions including the housing market and competitors. The current market conditions are showing a 3.5% decrease relevant to the same period last year. Concentrated marketing of the service will produce more income in the forthcoming months and the outcome of several major tenders will be significant.
- (vi) Land Charges: £62,200 adverse variance to date. Again, such income is dependent on external market conditions including the housing market and competitors. Charges for local searches are to be repackaged in an attempt to reclaim business lost due to the introduction of Home Information packs.

- (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. The Parking Services budget showed an unfavourable variance of £250,000 in 2006/07 and current projections are that a similar deficit is likely in 2007/08.
- (viii) Car Park Income (Penalty Notices): There is an adverse variance of £54,000 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 30.11.07	£58,508,101	£50,234,592
Total outstanding as at 30.11.07	£21,189,137	£15,680,802
Arrears at 30.11.07	£13,323,013	£10,908,980
Number of invoices in arrears at 30.11.07	11,291	8,268
Number of reminders to date 01.04.07 to 30.11.07	26,111	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 November 2007. The Council Tax expenditure includes postings at the start of the year for main billing.

	2007/08
Number of <b>Private Tenant</b> recipients	25,703
Total rent allowance expenditure	£63,545,587
Number of <b>Council Tax Benefit</b> recipients	34,793
Total Council Tax Benefit expenditure	£25,258,417
Total expenditure on benefit to date	£88,804,004

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

	Private Tenants	Owner Occupiers
Working age and in receipt of J.S.A.	12,977	1,761
Elderly and in receipt of J.S.A.	6,912	5,438
Working age and not receiving J.S.A.	3,815	848
Elderly and not in receipt of J.S.A.	<u>1,999</u>	<u>3,116</u>
<b>Total</b>	<b>25,703</b>	<b>11,163</b>

There are **36,866** Benefit Recipients in Wirral as at 30 November 2007.

## 2.10. Housing Benefit Fraud

<b>Fraud and Enquiry 1 April 2007 to 30 Nov 2007</b>	<b>Number</b>
New Cases referred to Fraud team in period	217
Cases where fraud found and action taken	120
Cases investigated, no fraud found and recovery of overpayment may be sought	122
Cases under current investigation	130
Surveillance Operations Undertaken	0
Cases where fraud found and action taken;	
Administration penalty	38
Caution issued and accepted	61
Successful prosecution	21
Summons issued for prosecution purposes	7

## 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 £264,013