

# WIRRAL COUNCIL

## FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

19 MARCH 2008

### REPORT OF THE DIRECTOR OF FINANCE

#### 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.

##### 2. FINANCIAL IMPLICATIONS

	31 January 2007 %	31 January 2008 %
<b>2.1. Interest Rates</b>		
<b>Base Rate</b>	5.25	5.25
<b>Temporary Borrowing:</b>		
Weekly	5.33	5.55
Monthly	5.41	5.58
3 Monthly	5.57	5.58
6 Monthly	5.68	5.55
1 Year	5.83	5.40
<b>Temporary Investment:</b>		
Weekly	5.33	5.55
Monthly	5.41	5.58
3 Monthly	5.57	5.58
6 Monthly	5.68	5.55
1 Year	5.83	5.40
<b>Long Term Borrowing</b>		
PWLB 5 year	5.55	4.60
PWLB 10-15 year	5.40	4.74
PWLB 15-25 year	5.12	4.63

## 2.2. Interest Rate Outlook

- 2.2.1 In February the Bank of England cut rates by a quarter of one percent to 5.25% as widely expected.
- 2.2.2 The UK housing market has entered a period of considerable weakness. Rising repossessions and ensuing nervousness has led to a consumer slowdown. The deteriorating trend in credit terms and availability of credit has impacted on household and corporate activity.
- 2.2.3 However inflation remains resilient from elevated food, fuel and transport costs. The Bank of England Inflation Report projects an initial marked and then a more persistent slowdown in growth but higher inflation will test the upper Consumer Price Index limit of 3%.
- 2.2.4 It is expected that over the coming year the Bank of England will respond to slowing growth but adopt a cautious approach and reduce rates by 0.25% possibly in May and again in August.

## 2.3. Short Term Liquidity

- 2.3.1. At 31 January 2008 short-term liquidity was as follows:

	£	Average Rate %
<b>Temporary Investments</b>		
Money Market Funds (Callable)	11,400,000	5.73
Up to 6 Months	42,200,000	5.95
Up to 9 Months	3,000,000	6.01
Up to 1 Year	4,000,000	5.85
Up to 3 Years	0	
	<u>60,600,000</u>	
<b>Temporary Loans</b>	£	%
Up to 1 Month	0	0
Up to 3 Months	<u>5,500,000</u>	6.21
	<b>5,500,000</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 indicated 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 January 2008 was £168.2m. This compares with the estimated Authorised Borrowing Limit of £252m and the estimated Operational Boundary of £249m.
- 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 for 2007-08 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 has changed during the year and the gap between actual borrowing and the various indicators has narrowed.
- 2.4.6 There are agreed fixed and variable interest rate exposures. Some of the LOBO market loans have recently been reviewed and reclassified as fixed rate. LOBO market loans can be subject to rate changes and as such can be classed as variable rate loans. Following the recent Bank of England rate cuts it is now considered unlikely that banks will exercise their option to vary the interest rates on some of the loans and so they have been reclassified as fixed rate loans. The amount of interest associated with fixed rate loans as at 31 January 2008 is 94% of estimated total annual interest. This falls outside the approved range of 50% to 80%. The remaining 6% is subject to variable rates and also falls outside the approved range of 20% to 50%. These ranges were revised as part of the new Treasury Management Strategy which was presented to Cabinet on 13 March 2008.
- 2.4.7 The table below summarises the current maturity structure of fixed rate borrowing:

Maturity Structure	Target	Actual 31 January 2008
Maturing within 1 year	Up to 15%	3%
Maturing between 1 and 2 years	Up to 5%	0%
Maturing between 2 and 5 years	Up to 15%	12%
Maturing between 5 and 10 years	5% to 35%	4%
Maturing beyond 10 years	45% to 65%	81%

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 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, £10m (6%) 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 January 2008
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 31 January 2008 with the amount collected in the same period in 2006/07.

	<b>Actual 2007/08</b>	Actual 2006/07
	£	£
Cash to Collect	<b>114,470,508</b>	109,693,027
Cash Collected	<b>107,406,076</b>	103,527,604
% Collected	<b>93.8%</b>	94.4%

2.6.2. The following statement compares the amount collected for **National Non-Domestic Rates** in the period 1 April 2007 to 31 January 2008 with the amount collected in the same period in 2006/07.

	<b>Actual 2007/08</b>	Actual 2006/07
	£	£
Total Collectable (including arrears)	<b>60,307,922</b>	59,869,723
Amount Outstanding	<b>4,255,833</b>	4,303,687
% Outstanding	<b>7.06%</b>	7.19%
Amount Collectable 2007-08	<b>57,590,914</b>	56,106,432
Net 2007-08 Cash Collected	<b>54,687,455</b>	53,460,090
% Collected	<b>94.96%</b>	95.28%

2.6.3. The following statement provides information concerning collection of local taxes from 1 April 2007 to 31 January 2008.

	<b>Council Tax</b>	<b>Business Rates</b>
Reminders/Final Notices	55,974	2,719
Summonses	17,063	1,054
Liability Orders	14,667	866
Attachment of Earnings	1,131	-
Deduction from Income Support	2,520	-
Accounts to Bailiff	8,044	463
Pre-Committal Warning Letters	2,103	-
Committal Orders Issued	0	0
Debtors Committed	0	0

Current Status of Agent Work in respect of Committals for 1 April 2007 to 31 January 2008.

Warrants of Arrest issued by Court (Bail and No Bail)	131
Warrants of Arrest (Bail) to Warrant officer	124
Warrants of Arrest (No Bail) to Warrant officer	39
Returned successful (Bail)	75
Returned successful (No Bail)	18
Returned other reasons (Bail)	25
Returned other reasons (No Bail)	0

2.6.4. Insolvency cases to 31 January 2008

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	2

New cases from 1 April 2007 to 31 January 2008

Bankruptcy	63
Charging orders	22
Winding up orders	1
	<u>295</u>

Status of Insolvency cases at 31 January 2008

Winding up	2
Winding-up paid	1
Charging orders granted	27
Supporting other petitions	3
Cases paid	73
Bankruptcy orders	78
Cases closed	58
Ongoing cases	53
	<u>295</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 31-Jan-07</b>	<b>2007/08 Budget</b>	<b>Income to 31-Jan-08</b>
i. School Meals	£1,514,300	£929,445	£1,339,000	£1,016,424
ii. Sports Centres	£3,818,900	£2,526,777	£3,457,100	£2,574,569
iii. Golf Courses	£830,700	£765,510	£859,800	£688,345
iv. Burials and Cremations	£2,252,000	£1,474,746	£2,344,600	£1,711,057
v. Building Control Fees	£831,700	£593,100	£876,700	£614,900
vi. Land Charges	£464,600	£340,400	£464,600	£284,200
vii. Car Park (Pay and Display)	£2,130,900	£1,361,000	£2,591,500	£1,873,100
viii. Car Park (Penalty Notices)	£1,103,200	£961,300	£1,116,300	£862,700

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

- (i) Schools Meals: Income effectively represents two terms plus the start of the Spring Term and is 76% of the budget.
- (ii) Sports Centres: The Oval Sports Centre refurbishment works have fallen behind schedule. It is anticipated that the Centre will re-open in the first week of April 2008. The delay in opening the Centre will result in a shortfall against income targets of approximately £88,500.
- (iii) Golf Courses: There is likely to be an adverse variance at the year end of £100,000 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: £100,000 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. Currently forecasts assume a £50,000 Adverse Variance at year end that will be met from other favourable variances within Technical Services.

- (vi) Land Charges: £46,800 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. Currently forecasts assume a £86,000 Adverse variance at year end that will be met from other favourable variances within Technical Services.
- (vii) Car Parks Income (Pay and Display Tickets): Car Park income is related to the general trading performance of 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 £67,500 to date due to less penalty notices being issued as a result of higher levels of compliance in town centre locations. Current forecasts assume a £86,000 adverse variation at year end.

## 2.8. Sundry Debtors

	<b>Actual 2007/08</b>	Actual 2006/07
Amount Billed in last 12 months as at 31.01.08	<b>£63,373,820</b>	£46,954,718
Total outstanding as at 31.01.08	<b>£24,256,908</b>	£19,526,124
Arrears at 31.01.08	<b>£18,903,366</b>	£12,856,404
Number of invoices in arrears at 31.01.08	<b>11,419</b>	11,114
Number of reminders to date 01.04.07 to 31.01.08	<b>32,262</b>	2,730

## 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 31 January 2008 . The Council Tax expenditure includes postings at the start of the year for main billing.

	<b>2007/08</b>
Number of <b>Private Tenant</b> recipients	<b>25,987</b>
Total rent allowance expenditure	<b>£77,576,453</b>
Number of <b>Council Tax Benefit</b> recipients	<b>34,921</b>
Total Council Tax Benefit expenditure	<b>£25,276,456</b>
Total expenditure on benefit to date	<b>£102,852,909</b>

2.9.2. The following statement provides information concerning the breakdown according to client type as at 31 January 2008.

	<b>Private Tenants</b>	<b>Owner Occupiers</b>
Working age and in receipt of J.S.A.	13,185	1,774
Elderly and in receipt of J.S.A.	6,941	5,470
Working age and not receiving J.S.A.	3,902	838
Elderly and not in receipt of J.S.A.	<u>1,959</u>	<u>3,028</u>
<b>Total</b>	<b>25,987</b>	<b>11,110</b>

There are **37,097** Benefit Recipients in Wirral as at 31 January 2008.

## 2.10. **Housing Benefit Fraud**

### **Fraud and Enquiry 1 April 2007 to 31 January 2008**

#### **Number**

New Cases referred to Fraud team in period	1,417
Cases where fraud found and action taken	162
Cases investigated, no fraud found and recovery of overpayment may be sought	484
Cases under current investigation	106
Surveillance Operations Undertaken	0
Cases where fraud found and action taken;	
Administration penalty	50
Caution issued and accepted	89
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 £337,604.

## 3. **STAFFING IMPLICATIONS**

3.1. There are none arising from this report.

## 4. **EQUAL OPPORTUNITIES IMPLICATIONS**

4.1. There are none arising directly from this report.

## 5. **HUMAN RIGHTS IMPLICATIONS**

5.1. There are none arising directly from this report.



**6. LOCAL AGENDA 21 IMPLICATIONS**

6.1. There are none arising directly from this report.

**7. COMMUNITY SAFETY IMPLICATIONS**

7.1. There are none arising directly from this report.

**8. PLANNING IMPLICATIONS**

8.1. There are none arising directly from this report.

**9. LOCAL MEMBER SUPPORT IMPLICATIONS**

9.1. There are none arising directly from this report.

**10. BACKGROUND PAPERS**

10.1. None were used in the preparation of this report.

**11. RECOMMENDATION**

11.1. That the report be noted.

IAN COLEMAN  
DIRECTOR OF FINANCE

FNCE/53/08