
Report To:	Policy & Resources Committee	Date:	13 September 2022
Report By:	Interim Director, Finance & Corporate Governance	Report No:	FIN/53/22/AP/LA
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Subject:	Finance Services Update		

1.0 PURPOSE AND SUMMARY

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to provide an update to the Committee on progress on a number of matters within the Finance Service and to seek a decision regarding the permanent transfer of part of the Accountancy team to the HSCP.

1.3 The annual update to Committee regarding the Council's Debt Recovery performance is contained in section 3 and highlights the future challenges around collecting key income streams due to the current economic situation. The Revenues and Benefits team continue to be involved in providing a number of specific areas of support to the more vulnerable members of the community and progress is outlined.

1.4 The migration to the Cloud/Office 365 is at a critical stage with migration expected to be completed during October. Work will thereafter focus on the replacement of the Council's telephony systems.

1.5 Committee are asked to consider the permanent transfer of the Finance team which support the HSCP from Finance to Social Care. More details are included in paragraphs 3.21-3.23.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee note the strong performance by the Debt Recovery Team and Debt Recovery Partner over the last 12 months and note the progress in respect of other initiatives delivered by the Revenues & Benefits team.

2.2 It is recommended that the latest position in respect of the migration to the Cloud/Office 365 is noted.

2.3 It is recommended that the Committee approves the transfer of the employees which support the HSCP from Finance to Social Care and approve the permanent virement shown in paragraph 5.2.

Alan Puckrin
Interim Director, Finance & Corporate Governance

3.0 BACKGROUND AND CONTEXT

3.1 Debt Recovery Annual Performance

There is a requirement within the Financial Regulations for the Committee to consider on an annual basis the performance of the Council in terms of Debt Recovery including the Council's Debt Recovery Partners.

- 3.2 The impact of the Covid-19 Pandemic on debt recovery activity continued during much of 2021/22. This impacted on the timing of some follow up action as well as the finances of many in our community. In year collection however remained high at 95.5%, an increase of 1.15% from 2020/21 with the Scottish average in year collection being 95.7%. Collection of all Council Tax billed since 1993 at 31st March 2022 was 96.9%, an improvement of 0.1% since the same point in 2021. The Council has now exceeded the budgeted collection rate for all years up to and including 2018/19.
- 3.3 Payment of Council Tax by direct debit remained high at 81% of in year receipts. Direct debit continues to be promoted as the preferred payment method. Council Tax Online, launched in January 2020 allows council tax payers to manage their account remotely. 2,100 Council Tax payers have online accounts and of these 1,395 have opted for an e-bill.
- 3.4 Debt passed to the Council's Debt Recovery Partner improved with the level of Council Tax debt recovered up by 41% and Non Domestic Rates by 25%. It is acknowledged that improved performance is against a year when actions were subject to Coronavirus restrictions. **Appendix 1** shows the level of debt collected against respective years; it compares total collection with 2020/21 and includes 2019/20 data for information.
- 3.5 The increased cost of living will severely affect the financial position of the majority Council Tax payers and businesses. Cost of Living Awards administered in early 2022/23 have eased the pressure however without further support from both the UK and Scottish Governments to mitigate exceptionally high utility costs and other essentials such as food, "in-year" Council Tax collection and people's ability to meet prior year debts will be affected. Services are in place to support those who ask by way of spreading payment over 12 months instead of 10; help to claim Council Tax Reduction; and referral on to money and debt advice services. A sensitive approach continues to be followed by the Council's Sheriff Officer.
- 3.6 Reliefs continued to be provided by the Scottish Government in 2022/23 for Non Domestic Rates payers. 50% rates relief was available for a period of 3 months from April until June 2022 to those operating in the retail, hospitality and leisure sectors who apply and meet the criteria. The latest position is that the relief in 2022/23 amounts to £244,000, this compares to Government support of £3.56m in 2021/22 and £7.7m in 2020/21.
- 3.7 The gross debt as at 31 March 2022 is £33.1 million as shown in **Appendix 2**. There is a bad debt provision of £20.4 million, leaving a net debt of £12.7 million.

3.8 Revenues & Benefits Activity

Cost of Living Awards - The Revenues and Benefits team is nearing the completion of the delivery of two Cost of Living Awards launched during spring 2022. The Scottish Government's £150 award has been credited to the Council Tax accounts of 30,056 council tax payers, reducing the amount due by more than £4.5m. The Inverclyde Council £350 Cost of Living Award has helped 9,860 low income householders, costing £3.451m. The grant was paid directly to the bank accounts of 8,450 low income householders and the remaining 1,410, who did not apply received a credit to their Council Tax account. Requests for the £350 payment to be refunded received up to and including 31st July 2022 have been processed.

- 3.9 Scottish Welfare Fund - The Council's allocation of £756,000 in 2022/23 was the same as 2021/22 but is supplemented by £100,000 provided on a one off basis by the Council to maintain a 40% uplift in Crisis Grants above the Scottish Government's minimum payment levels. Expenditure to July 2022 is £290,000 comprising crisis grants of £85,000 and £205,000 community care grants which is 101% of budget to date. It is officers' view that the Council's £350 Cost of Living Award and the first of two DWP payments of a similar amount paid to a wider group over this period are likely to have masked demand meaning close attention will be required going forward to remain within budget.
- 3.10 Self Isolation Support Grant (SISG) - The number of grant applications has dropped significantly since May 2022 when Covid-19 community testing was removed, isolation rules changed and the grant reduced from £500 to £225. 161 applications were received in the 3 months from May until July 2022 compared with 2,015 applications in 4 months from January until April 2022.
- 3.11 Social Security Scotland (SSS) introduced the Adult Disability Payment in Inverclyde on 29 August 2022 replacing Disability Living Allowance (DLA) and Personal Independence Payment (PIP). Existing DLA and PIP claims will transfer from DWP to the new benefits by summer 2024 without the need for a new application to be made. Local services have attended Scottish Government training to be ready to support service users. HSCP and the Education service play a key role by providing information to support claims and a Scottish Government portal launched giving access to benefit records to assess Council Tax Reduction, Housing Benefit, Scottish Welfare Fund, Discretionary Housing Payment, Blue Badge applications and Adult Social Care.
- 3.12 DWP published data shows that the number of adults on Universal Credit continues to be around 9,100 and the number of households at around 7,100. The UK Government pilots to actively migrate legacy benefit claimants to Universal Credit by the end of 2024 continue. Anyone who thinks they will be better off can move straight away although assistance is strongly advised before doing this. DWP's wider roll-out plans have not as yet been published.
- 3.13 The Covid-19 Tenant Grant Fund launched during November 2021. The fund is to assist tenants who have incurred rent arrears as a direct result of the Covid-19 pandemic who are at risk of homelessness. By August 2022, £85,900 of Inverclyde's £93,000 funding had been paid in respect of 93 tenants. All but 2 grants have been paid to social housing sector landlords. Grants ranged from £126 to £2,975.
- 3.14 **ICT & Migration to Office 365**
- Implementation of Microsoft 365 for Schools has been completed by ICT – all of the main features including MS Teams, One Drive, Email are available for roll-out within the schools as required. Corporate Microsoft 365 implementation continues to progress well. ICT Services have fully migrated onto the Cloud based platform and are currently testing and completing a “lessons learned” process prior to the first roll-out for a service. On completion of the first service ICT will conduct another review prior to the wider deployment phase.
- 3.15 ICT Aim to begin wider deployment to a pilot service in the week beginning 12 September and completion of the main roll-out aiming for the end of September/early October 2022. An updated deployment plan, communications plan and a series of user guides are currently being produced.
- 3.16 Committee meetings will continue to use Webex room equipment in the Council Chambers and Boardroom 1 until suitable replacement equipment is sourced as part of proposed enhancements.

- 3.17 ICT have been engaging with Communications suppliers “market testing” available options to replace our existing telephony system. An options appraisal exercise will be completed before the end of this year for a tender exercise to begin early next year. A target implementation date for the end of the 2023/24 financial year. In addition to a replacement for the existing telephony systems the tender will incorporate other channels such as chat, bots and social media integration.
- 3.18 Channel Shift - There is a continued increase in the number of contacts and payments being completed by eform although telephone payments remain the largest channel for taking payments within the Council. A review of current channels and engagement with suppliers for new opportunities is being included with the project to migrate to Cloud Based Telephony Services
- 3.19 The Servicedesk continues to deliver a high-quality service however, there remains a challenge to ensure that this is maintained in light of on-going resource pressures arising from the increasing use of ICT arising from Covid-19. In the year to end July 2022 the IT Servicedesk received 25,694 Incidents and 7578 Service requests, of which 85.3% and 78% respectively were resolved within the agreed timescales.

3.20 **Accountancy**

The audit of the 2021/22 Annual Accounts is on going with a Council Meeting arranged for 27 October for Members to consider the Annual Report & Accounts via a presentation from Audit Scotland. The Council's new External Auditors have been appointed by the Accounts Commission. KPMG will be the Council's new Auditors for the 2022/23- 2026/27 period.

- 3.21 At the March 2021 IJB and Health & Social Care Committee it was agreed that a new Head of Finance, Planning & Resources be appointed. The appointee would also be the IJB Chief Financial Officer. The establishment of a Finance Manager to support budgeting and financial planning across Social Care and Health was also approved. At the same time it was agreed that to support both post holders the existing Social Care Finance team would transfer on a temporary basis from Finance Services to report to the new Head of Finance, Planning & Resources with a review to be carried out in the summer of 2022. As part of the arrangement to Council also provided increased annual funding of £550,000 to meet the costs of the employees temporarily transferred.
- 3.22 The HSCP finance team were transferred from Finance to the HSCP in July, 2021. The team has carried out normal reporting in line with Council timeframes, reported into the relevant Council and IJB meetings and assisted the IJB & Council CFO discharge their statutory duties in terms of financial governance and reporting. In addition the HSCP Finance team has produced audited 2021/22 IJB accounts, produced the IJB 2022/23 budget and produced a set of unaudited IJB 2022/23 accounts.
- 3.23 The HSCP finance team has worked closely with the Council finance team in all relevant areas and has embraced a joined up and partnership approach. These new arrangements have also meant that all the Health and Social Care elements of the finance function have been together in the one location. This has allowed for better and closer working relationships to form. Being located in Hector McNeil house has also allowed the HSCP finance team closer access to the service functions in which they work. This has been of benefit to the wider HSCP function.

4.0 **PROPOSALS**

- 4.1 The Committee are asked to note the strong performance by the Debt Recovery team and Debt Recovery Partner over what has been a challenging year and also note the challenges the current economic situation will bring in collecting Council Tax, Non-Domestic Rates and other debts.
- 4.2 The Committee are asked to note the timelines for the migration to the Cloud and Office 365 but that for the time being Webex will continue to be used within the Council Chamber and Board Room 1.
- 4.3 It is the view of the Corporate Management Team and the Health & Social Care Senior Management Team that the transfer of the Social Care Finance team should be made permanent and the employees should be transferred from Finance Services to the HSCP. There are no net financial implications for the Council arising from this proposal. It should be noted that this proposal will also require the approval of the IJB.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO	N/A
Financial	x		
Legal/Risk		x	
Human Resources	x		
Strategic (LOIP/Corporate Plan)	x		
Equalities & Fairer Scotland Duty			x
Children & Young People's Rights & Wellbeing			x
Environmental & Sustainability			x
Data Protection			x

5.2 Finance

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement To	Other Comments
Finance	Employee Costs	2022/23	(£550,000)	Social Care – Employee Costs	Makes permanent a one off virement agreed in 2021/22

5.3 Legal/Risk

There are no legal/risk related issues from the proposals/recommendations in the report.

5.4 Human Resources

The transfer of the employees from Finance to Social Work has been discussed with the Trades Unions and no concerns raised.

5.5 Strategic

The continued modernisation of the Council's ICT infrastructure will assist services in their requirement to work more efficiently and to provide more on line services to customers.

6.0 CONSULTATION

6.1 The proposal in respect of the transfer of employees from Finance to Social Care has been supported by both the CMT and HSCP SMT.

7.0 BACKGROUND PAPERS

7.1 None.

Analysis of Debt Recovery Partner Performance 2021/22

Council Tax

Financial Year	Payments Received £000's
Pre 2000	13
2000/01	10
2001/02	8
2002/03	7
2003/04	8
2004/05	8
2005/06	10
2006/07	9
2007/08	16
2008/09	18
2009/10	22
2010/11	22
2011/12	26
2012/13	28
2013/14	43
2014/15	34
2015/16	44
2016/17	51
2017/18	71
2018/19	96
2019/20	211
2020/21	669
2021/22	1042
Total	2466

Non Domestic Rates

Financial Year	Payments Received £000's
Pre 2000	0
2000/01	0
2001/02	0
2002/03	0
2003/04	0
2004/05	0
2005/06	0
2006/07	0
2007/08	0
2008/09	0
2009/10	0
2010/11	0
2011/12	0
2012/13	0
2013/14	0
2014/15	0
2015/16	1
2016/17	6
2017/18	0
2018/19	4
2019/20	39
2020/21	122
2021/22	96
Total	268

Comparison 2019/20, 2020/21 & 2021/22

	2019/20 £000's	2020/21 £000's	2021/22 £000's	Difference: 2020/21 – 2021/22 £000's %	
Council Tax	2517	1752	2466	714	41%
Non Domestic Rates	241	215	268	53	25%
Total	2758	1967	2734	767	39%

Appendix 2

	Position 31/03/2022 £'000	Position 31/03/2021 £'000	Movement £'000
<u>Council Tax</u>			
Gross Debt	17,854	17,676	178
Less: Bad Debt Provision	16,509	16,002	507
Net Debt	1,345	1,674	(329)
<u>Sundry Debt</u>			
Gross Debt	11,549	1,012	10,537
Less: Bad Debt Provision	569	523	46
Net Debt	10,980	489	10,491
<u>Industrial & Commercial Rent</u>			
Gross Debt	192	46	146
Less: Bad Debt Provision	130	73	57
Net Debt	62	(27)	89
<u>Statutory Additions</u>			
Gross Debt	3,209	3,156	53
Less: Bad Debt Provision	3,209	3,156	53
Net Debt	0	0	0
<u>Long Term Debtors</u>			
Gross Debt	311	377	(66)
Less: Bad Debt Provision	0	0	0
Net Debt	311	377	(66)
<u>Overall Totals</u>			
Gross Debt	33,115	22,267	10,848
Less: Bad Debt Provision	20,417	19,754	663
Net Debt	12,698	2,513	10,185

Notes

1. Sundry Debt majority of movement £10.370m HSCP - NHS COVID Monies