
Report To:	Policy & Resources Committee	Date:	19 September 2023
Report By:	Chief Financial Officer	Report No:	FIN/54/23/AP/TB
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Subject:	Finance Update		

1.0 PURPOSE AND SUMMARY

1.1 For Decision For Information/Noting

1.2 The purpose of the report is to provide Committee with an update on various matters relating to the Finance Service including:

- Debt Recovery 2022/23 Performance
- Welfare Benefits
- Scottish Government Consultations
- Treasury Activity
- Audit of the Annual Accounts
- Finance System – Future
- Accountancy- Service Survey

Updates in respect of each aspect are included in the body of the report.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee notes the various updates provided relating to activity within the Finance Service.

2.2 It is recommended that the Committee agrees that no single response from the Council should be submitted to the “Fairer Council tax” consultation and agree that individual political groupings may respond if they so wish.

Alan Puckrin
Chief Financial Officer

3.0 BACKGROUND AND CONTEXT

- 3.1 The Policy & Resources Committee receive a cyclical update covering a wide variety of matters being progressed by the Finance Service. The report covers matters not covered in specific reports elsewhere on the agenda.
- 3.2 **Debt Recovery – 2022/23 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
- 3.3 Cost of living awards totalling almost £5million credited directly to Council Tax accounts during 2022/23 assisted more than 30,000 households and this contributed to in collection reaching the highest ever in year collection at 95.9%, an increase of 0.4% from 2021/22, against the Scottish average of 96.2%. Collection of all Council Tax billed since 1993 at 31st March 2023 was 97%, an improvement of 0.1% since the same point in 2022. Collection levels now exceed the budgeted collection rate for all years up to and including 2018/19.
- 3.4 Payment of Council Tax by direct debit in 2022/23 was the highest level to date at 83.1% of in year receipts, an improvement of 2.1% on 2021/22. 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. 2,296 Council Tax payers have online accounts and of these 1,474 have opted for an e-bill. A proposal to make managing online Council Tax accounts easier to manage has been submitted to the Digital Modernisation Board and is under consideration.
- 3.5 Council Tax debt recovered by the Council's Debt Recovery Partner declined by 12% while Non-Domestic Rates (NDR) debt recovery improved by 98%. Changes in NDR legislation allowed debt recovery action to commence earlier thus allowing more debt to be passed to the Debt Recovery Partner for collection in 2022/23. In-year Non-Domestic Rates collection was 92.27%, 0.73% less than 2021/22.
- 3.6 Debt recovery became more challenging in the context of rising energy bills, food costs and increasing interest rates on mortgages and loans. The increase of the protected minimum balance in bank accounts from £566.51 to £1,000 has also had an effect. Appendix 1 shows the level of debt collected against respective years; it compares total collection with 2021/22 and includes 2020/21 data for information
- 3.7 Early indications are that "in-year" Council Tax collection at August 2023 is marginally lower than pre-pandemic levels with the increased cost of living continuing to affect the financial position of the many Council Tax payers. 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 to money and debt advice services. A sensitive approach continues to be followed by the Council's Sheriff Officer.
- 3.8 Some reliefs linked to the pandemic 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 applied and met the criteria. The relief in 2022/23 amounted to £173,550, this compared to Government support of £3.56m in 2021/22 and £7.7m in 2020/21. There are no similar relief schemes in 2023/24.
- 3.9 Per the unaudited annual accounts for 2022/23, the Council's gross debt as at 31 March 2023 is £23.6 million as shown in Appendix 2. There is a bad debt provision of £21.0 million, leaving a net debt of £2.65 million.

3.10 **Universal Credit/Housing Benefit**

People in Inverclyde who claim Tax Credits and no other benefits have started to receive notices from the DWP about the process to migrate to Universal Credit (UC). The group of claimants are most likely to be homeowners. Demand on support services is expected to be low although Financial Inclusion Partnership advice services are preparing for enquiries. The latest Government statistics show 73% of Inverclyde's migration is complete with 8,380 households (9,600 people) on UC with a further 3,070 households on legacy benefits. Inverclyde is 10th of the 59 Scottish Westminster constituencies towards reaching completion.

3.11 The next large-scale transfer to UC commences in 2024-25 however people who claim long term disability related benefits, who form the bulk of the remaining legacy benefit caseload in Inverclyde will not be in scope for UC until 2028, unless they chose to claim. The Housing Benefit (HB) working age caseload of 1,976 claims will be largely unaffected over this period because almost all are either on long term disability related benefits or live in Supported Exempt Accommodation which will remain with councils in the longer term.

3.12 Department for Work and Pensions (DWP) statistics show Inverclyde's Housing Benefit service performed above average during 2022-23 with the number of days to process a new claim taking 16 days against a national average of 21 days and change of circumstances taking 2 days compared with 4 days. Inverclyde was placed 8th for new claims processing and 1st equal for processing changes in Scotland.

3.13 **Scottish Welfare Fund**

Inverclyde Council was one of six case study areas that contributed to an independent review of the Scottish Welfare Fund, commissioned by the Scottish Government. The purpose of the review was to ensure the fund can meet need effectively and sustainably in the future. The final report in March 2023 generated an action plan of 22 proposed changes, agreed and published by the Scottish Government in June 2023. The government will work with stakeholders to implement the plan between autumn 2023 and the end of spring 2024.

3.14 Actions include a review of the eligibility criteria, evidence requirements, the calculation of award rates, the sharing of best practice to ensure consistency across decision making and improvements to access to the fund. New data collection processes including regular estimations of each council's remaining budgets will be introduced however there is no commitment for additional funding. COSLA and Local Government representatives have expressed concerns about costs considering the current pressure on the fund and the increased pressure expected with full implementation of the action plan.

Inverclyde Council routinely supplements the core allocation to meet local needs including providing an uplift of 20% against the minimum level for crisis grants. Spend as a proportion of core allocation budget including one off supplementary core government funding to July 2023 is 110%, 2022-23 was 109% and 2021-22 was 113%. National expenditure as a proportion of budget was 132% in 2022-23 and 114% in 2021-22. COSLA is recommending either additional funding (both administration and programme budgets) or adjustments to the action plan to reduce the scope/ eligibility for the fund should be pursued with the Scottish Government.

3.15 The most recent information showed that Inverclyde Council is a high performer with 99% of Scottish Welfare Fund applications being processed within the target timescale, being 2nd and 4th of the 32 Councils for Crisis Grants and Community Care Grants respectively.

3.16 **Scottish Government Consultations**

In July the SLF considered the Council's response was made to the Scottish Government consultation to changes non-domestic rates and council tax on second and empty homes. Whilst not supported unanimously by the SLF, the Council's response recommended that councils being given the flexibility to increase Council Tax charges for 2nd Homes by an additional 100% in line with the long term empty Council Tax levy. The Council's response also recommended increasing the number of days that properties were let to qualify as self-catering properties and to remove small business bonus scheme eligibility for self-catering properties to ensure these properties contribute to the cost of local service provision. The Scottish Government is considering the responses received. Any legislative amendments are expected to take effect from April 2024.

3.17 A response to a joint Scottish Government/Cosla consultation relating to proposals to increase the Council tax multipliers for Band E- H houses was prepared by officers and considered by the Members Budget Working Group (MBWG). In this instance there were strong differing views amongst elected members and therefore the MBWG recommended that Political Groupings should respond individually if they wish to contribute to the consultation which closes on 20 September.

3.18 **Audit of the Annual Accounts**

The Council's External Auditors are progressing with the audit of the 2022/23 Annual Accounts. A team from KPMG were in the Council offices during August and the Matters Arising meeting where the substantive issues are discussed is due to take place mid-September. Officers are working towards the Annual Accounts being presented to the Council on 28th September which meets the statutory deadline of 30th September.

3.19 **Treasury Activity**

On 31 March the Council had £99 million of Market Loans a number of which are Lender Option/Borrower Option loans (LOBOs) which means that at predetermined intervals the lender can choose to amend the terms of the loan and thereafter the borrower (the Council) can decide to reject the changes and redeem the loan. In late August a lender advised that it was increasing the interest rate on its £10 million loan from 4.88% to 6.35% a week later. This could cost the Council an extra £147,000/year in interest for the remainder of the term (over 42 years). The Chief Financial Officer decided to redeem the loan from 24 August and officers will manage the short term cashflow implications until interest rates reduce with the intention of borrowing £10 million at an interest rate close to, if not under the 4.88% rate of the initial loan.

This will be formally reported in the Mid-Year Treasury report at the next meeting of the Committee.

3.20 **Finance Management System**

The Finance Management System (FMS) is the Council's accounting system and was implemented from 2002. It is also used to process creditor payments, sundry debts and has interfaces to other systems such as payroll, income, Council tax/NDR and costing systems for Roads and Building Services. The system is also used by the IJB/HSCP as their corporate finance system. The current supplier intimated in 2017 that they planned to move away from the provision of Corporate Finance systems but have continued to enter into Service Level Agreements with Councils to maintain existing arrangements.

3.21 The current SLA with the Council is due to end in March 2025 and the Chief Financial Officer met with senior representatives of the supplier in July to discuss a further extension. The meeting was positive but it is clear any further extension will be the last and as such, in the not too distant future, officers will need to develop plans to implement a new financial management system as a lead in time of around 3 years is expected. Committee need to be aware that the replacement of the system is likely have significant financial implications, both one off and recurring. Reports will be brought back at the appropriate time.

3.22 Smart Survey- Accountancy Services

As part of the Finance Service Plan actions a survey of Budget holders was undertaken in the early summer. Views were sought on both the quality of support/availability of the team especially in light of hybrid working, as well as use of the FMS and any training requirements. The responses were overwhelmingly positive with 86% saying that the team were always available and 100% classifying the support as good or very good.

Some training needs around use of FMS and general budget management were requested and these are being taken forward by the team.

4.0 PROPOSALS

4.1 There are no specific proposals relating to the report although the Committee will note the positive performance from the Finance Service in a wide range of areas.

5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk		X
Human Resources		X
Strategic (Partnership Plan/Council Plan)		X
Equalities, Fairer Scotland Duty & 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 From (If Applicable)	Other Comments
N/A					

5.3 Legal/Risk

There are no legal or risk matters arising from the recommendations in this report.

5.4 Human Resources

There are no HR issues arising from the recommendations in this report.

5.5 Strategic

There are no strategic matters arising from the recommendations in this report.

6.0 CONSULTATION

6.1 None.

7.0 BACKGROUND PAPERS

7.1 None.

Analysis of Debt Recovery Partner Performance 2022/23

Council Tax

Financial Year	Payments Received £000's
Pre 2000	6
2000/01	6
2001/02	7
2002/03	5
2003/04	8
2004/05	8
2005/06	9
2006/07	10
2007/08	13
2008/09	11
2009/10	19
2010/11	23
2011/12	23
2012/13	22
2013/14	30
2014/15	30
2015/16	34
2016/17	54
2017/18	53
2018/19	65
2019/20	128
2020/21	290
2021/22	462
2022/23	845
Total	2161

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	1
2015/16	2
2016/17	1
2017/18	0
2018/19	2
2019/20	93
2020/21	86
2021/22	61
2022/23	284
Total	531

Comparison 2020/21, 2021/22 & 2022/23

	2020/21	2021/22	2022/23	Difference: 2021/22 – 2022/23	
	£000's	£000's	£000's	£000's	%
Council Tax	1752	2466	2161	-305	-12%
Non Domestic Rates	215	268	531	263	98%
Total	1967	2734	2692	-42	-1%

Appendix 2

	Position 31/03/2023 £'000	Position 31/03/2022 £'000	Movement £'000
<u>Council Tax</u>			
Gross Debt	18,325	17,854	471
Less: Bad Debt Provision	17,076	16,509	567
Net Debt	<u>1,249</u>	<u>1,345</u>	<u>(96)</u>
<u>Sundry Debt</u>			
Gross Debt	1,732	11,550	(9,818) Majority of movement £10.370m HSCP - NHS
Less: Bad Debt Provision	604	569	35 COVID Monies included in 21/22 and not 22/23
Net Debt	<u>1,128</u>	<u>10,981</u>	<u>(9,853)</u>
<u>Industrial & Commercial Rent</u>			
Gross Debt	105	191	(86)
Less: Bad Debt Provision	80	130	(50)
Net Debt	<u>25</u>	<u>61</u>	<u>(36)</u>
<u>Statutory Additions</u>			
Gross Debt	3,260	3,209	51
Less: Bad Debt Provision	3,260	3,209	51
Net Debt	<u>0</u>	<u>0</u>	<u>0</u>
<u>Long Term Debtors</u>			
Gross Debt	243	311	(68)
Less: Bad Debt Provision		0	0
Net Debt	<u>243</u>	<u>311</u>	<u>(68)</u>
<u>Overall Totals</u>			
Gross Debt	23,665	33,115	(9,450)
Less: Bad Debt Provision	21,020	20,417	603
Net Debt	<u>2,645</u>	<u>12,698</u>	<u>(10,053)</u>