
Report To:	Policy & Resources Committee	Date:	31 January 2023
Report By:	Interim Director, Finance & Corporate Governance	Report No:	FIN/08/23/AP/LA
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Subject:	Finance Service Update		

1.0 PURPOSE AND SUMMARY

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to update Committee on a number of matters being progressed by the service as follows:

- Welfare & Benefits Support,
- Discretionary Housing Payments Policy,
- Non-Domestic Rates Revaluation
- Migration to the Cloud,
- Digital Modernisation
- Adoption of the CIPFA Financial Management Code

1.3 Decisions are required in relation to the Discretionary Housing Payments (DHP) Policy in Appendix 1 to be applied from January 2023 and the assessment of compliance with the CIPFA Financial Management (FM) Code in Appendix 2.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee approves the updated DHP Policy to be applied from January 2023 and attached at Appendix 1.

2.2 It is recommended that the Committee notes the officer self-assessment against the CIPFA Financial Management Code in Appendix 2 and the actions proposed to increase compliance.

2.3 It is recommended that the Committee otherwise notes the report.

Alan Puckrin
Interim Director, Finance & Corporate Governance

3.0 BACKGROUND AND CONTEXT

3.1 Benefits & Welfare Update

The Chancellor announced as part of the Autumn Statement a rise in most welfare benefits including the state retirement pension by September's Consumer Price Index inflation level of 10.1%. An exception is Local Housing Allowance rates for those renting in the private rented sector which will be maintained in cash terms at the 2020-2021 rates. The Deputy First Minister announced the same inflationary increase for the devolved benefits delivered by the Scottish Social Security Agency, having already increased the Scottish Child Payment to £25 in December 2022.

3.2 The Benefit Cap restricts total welfare benefit payments to £20,000 for families and £13,400 for single households without children, rising with inflation from April 2023 to £22,020 and £14,753. The Scottish Government is committed to mitigating the benefit cap as far as possible from 1 January 2023 within devolved powers by an award of Discretionary Housing Payment. Anyone eligible who applies is expected to receive the maximum amount allowed by regulations without having to prove hardship. The Council's DHP Policy has been amended to reflect the increased level of support from 75% to 100% of the lower of either the capped amount or the applicant's housing costs from 1st January 2023 and is found at Appendix 1. The Council's share of the Scottish Government's forecast of up to £2.6m additional costs to March 2023 is £35,850. It is unclear at present whether demand will exceed this sum.

3.3 Councils are encouraged to support capped claimants in exempting themselves from the cap. This can include securing the necessary hours of employment, or successfully applying for an exempting disability benefit. The Revenues and Benefits team routinely provides HSCP Advice Services with details of those affected who make contact with them offering advice and support.

3.4 DHP/SWF

The 2022-2023 allocation of Discretionary Housing Payment (DHP) to help with the shortfall between rent and either Housing Benefit or Universal Credit for reasons other than the Benefit Cap is £203,000 and includes a one off £36,000 redistribution of unallocated Covid-19 funding. Expenditure, excluding Benefit Cap commitments from January 2023 is projected to be £162,000. The remaining budget will be allocated to those who apply for DHP and are affected by the Benefit Cap and meet the conditions for an award under the Council's DHP Policy between April and December 2022.

3.5 Scottish Welfare Fund (SWF) expenditure to December 2022 is £680,000 against the budget of £756,000. The budget is supplemented by £150,000 provided on a one off basis by the Council which will be required in full on the basis of the current level of demand. The most costly aspect of SWF is supporting applicants who meet the criteria for Community Care Grants move home. The number of social rented sector new builds planned for 2023-24 is a fraction of the number released in the current and recent years so demand for grants for that reason will reduce. The Scottish Government funding allocation remains the same for 2023-24 which does not allow for inflationary increases in grants nor an increased level of applications as a consequence of increased living costs. Officers will consider this in more detail and will report back with proposals if action is needed to ensure costs remain within available resources.

3.6 Other Welfare Matters

The Self-Isolation Support Grant closed to new applications on 5 January 2023. The closure of the grant is expected to have limited impact given the decreased demand with only 17 awards being made between October and December 2022.

A new Energy Bill Support Scheme will be delivered by the service from late January 2023 in conjunction with the Department for Business, Energy and Industrial Strategy (BEIS). Online applications will open for households who are eligible for the £400 grant and have not received the equivalent funds from their utility provider to submit their details, alongside a helpline for those without online access. This is likely to include: self-funded care home residents; residents of park homes; tenants in certain private and social rented homes; homes supplied via private wires; residents of caravans and houseboats on registered sites; farmers living in domestic farmhouses; and off-grid households.

- 3.7 The Chancellor announced in the Autumn Statement that the move of approximately one million Employment and Support Allowance (ESA) claimants onto Universal Credit (UC), including those on ESA who also claim Housing Benefit (HB) has been delayed for fiscal reasons until 2028. A consequence of the announcement is the Council's responsibility for administering Housing Benefit for 1,700 working age people who claim ESA will continue longer than expected.

3.8 **Social Security Scotland**

The Scottish Social Security Agency launches the Winter Heating Payment in February, replacing the Cold Weather Payment previously provided through the DWP. It will provide a £50 payment every winter to around 400,000 people in Scotland on low-incomes to help with their heating expenses. The payment will be made automatically and regardless of the temperature.

The latest published Scottish Child Payment statistics to 30th September 2022 show 2,510 applications have been approved with £1,808,730 being paid to Inverclyde families since the benefit commenced for the under 6 year olds in February 2021. Inverclyde's authorised applications represents 1.64% of the national total.

3.9 **Non-Domestic Rates**

A revaluation of non-domestic premises takes effect from 1st April 2023 and will be based on a Tone (valuation) date of 1st April 2022. Final Valuations will be sent to ratepayers in March 2023. Based on the information shared with the Council, and as covered in the Budget Update elsewhere in the agenda, the Rateable Values (RV) for many Council owned properties have increased significantly resulting in a £1.05million estimated Budget pressure.

- 3.10 In addition, it is estimated that there is a further Budget pressure arising from the inclusion of properties in public parks which were previously excluded from the valuation roll. The publication of a draft valuation roll on 30th November 2022 shows 19 premises where Inverclyde Council is proprietor with Inverclyde Leisure being the ratepayer for 11 premises, the others being mainly bowling clubs. A transitional relief scheme will be introduced to cap bills at 33% of the gross liability in 2023-24, 66% in 2024-25 and reaching 100% in 2025-26. Consideration will be given to any mandatory and discretionary reliefs due, including Small Business Bonus Scheme Relief which may meet rates liability in full for the smaller voluntary sector premises. A provisional pressure totalling £150,000 has been factored into the 2023/26 funding gap estimates.
- 3.11 Various other changes to thresholds and reliefs were advised as part of the Scottish Government Draft Budget and these will require changes to the Council's NDR system. These are being progressed in advance of Annual Billing in April/May.

3.12 **Migration to the Cloud**

Implementation of Microsoft 365 for Schools is complete. All of the main features including MS Teams, One Drive, Email are available for roll-out within the schools as required. Phase 1 of the Corporate Microsoft 365 implementation is complete. Final migration to cloud hosted mail and migration of mobile devices to the new platform was completed in December 22.

Core corporate services including, Legal and Democratic Service, Finance, Regeneration and Planning and Roads and Transportation have now been deployed. Phase 2 including HSCP, Revenues and Benefits and Customer Services is pending following the support of a key third party supplier. Testing integration with this system is nearing completion Elected Members will be issued new Mobile Devices to allow use of online services when convenient for them. A communications plan and a series of user guides were produced and distributed as part of the project.

3.13 **Digital Modernisation**

A report has been considered by the Members Budget Working Group which highlighted the strategic and operational need for a change to existing working practices, and the potential benefits of a major expansion in the use of EDRMS and a range of other digital initiatives to drive improvements in service delivery. The report recommended that a more tactical approach is taken whereby a number of Service driven digital developments are progressed at the same time as progressing smaller EDRMS projects.

The scale and speed of developments will depend upon the one off sums allocated and the report recommends that Members consider allocating a significant sum from the unallocated reserves towards this agenda as part of the current Budget deliberations.

- 3.14 To reflect the strategic and corporate priority being placed on these proposals in this it is intended that the Chief Executive chairs a Digital Transformation Board which will include representation from the 3 Directorates plus Legal, Finance and HR. This Board would review Business Cases, provide support and challenge and ensure that momentum is maintained in project delivery plus reviewing regular reports on overall progress to the Policy & Resources Committee

3.15 **CIPFA Financial Management Code**

In 2019, the Chartered Institute of Public Finance and Accounting (CIPFA) published the new Financial Management Code (FM Code). The Code is designed to support good practise in financial management and to assist local authorities in demonstrating their financial sustainability. This is the first time a code has been set out with standards of financial management for local authorities. The code builds on the current CIPFA Prudential and Treasury Management codes which require Local Authorities to demonstrate long term financial sustainability of their capital expenditure, associated borrowing and investments. The first full year of compliance of the Code was 2021/22. As part of the 2021/22 Annual Report from the Council's External Auditors, the need for the Council to carry out an assessment against the Code was agreed as an action.

- 3.16 The Code applies a principles-based approach, it requires the Local Authority to demonstrate that its processes satisfy the principles of good financial management depending on size of the Authority, circumstances, and responsibilities. The code has been developed around 6 principles of financial management:

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

3.17 The Code has developed 7 standards in which to the Local Authority should assess against:

- The responsibilities of the Chief Finance Officer and the Leadership Team
- Governance and Financial Management style
- Long to Medium Term Financial Management
- The annual budget
- Stakeholder Engagement and Business plans
- Monitoring Financial performance
- External Financial reporting

3.18 Officers have undertaken the self-assessment against the above standards and the results can be found at appendix 2. Overall, the Council is assessed to be performing well against the standards and principles applied. There are two areas where further work is identified:

- A statement on the robustness of estimates to be included in the Budget Report.
- Reassess the current options appraisal policy and implementation against the IFAC/PAIB recommendations.

4.0 PROPOSALS

4.1 It is proposed that the Committee approve the updated DHP Policy to be applied from January 2023.

4.2 It is proposed that the Committee consider the contents of the officer assessment of the Council's compliance with the CIPFA FM Code and the actions identified.

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

The amendment to the DHP Policy can be contained within the extra resources allocated by the Scottish Government. If it becomes apparent that expenditure cannot be contained within the allocated 2023/24 allowance. Officers will bring a report back to Committee with options for consideration.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Benefits	DHP Payments	22/23	£35,850		SG funding for amended Benefit cap policy

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 issues arising from this report.

5.4 Human Resources

There are no HR implications arising from this report.

5.5 Strategic

The need for a robust Financial Management and Financial Sustainability framework is imperative for the delivery of the Council's Strategic objectives. Compliance with the FM Code will support the delivery of this requirement.

5.6 Equalities and Fairer Scotland Duty

(a) Equalities

This report has been considered under the Corporate Equalities Impact Assessment (EqIA) process with the following outcome:

X	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, assessed as not relevant and no EqIA is required. Provide any other relevant reasons why an EqIA is not necessary/screening statement.
	YES – Assessed as relevant and an EqIA is required.

6.0 CONSULTATION

6.1 The CMT have considered the officer self-assessment against the FM Code.

7.0 BACKGROUND PAPERS

7.1 CIPFA FM Code.

DHP Policy – January 2023

Appendix 1

Category	Circumstances	Maximum Duration of Award/ Award to be reviewed	Amount of DHP (up to the stated % of the shortfall between HB and the rent charge – or otherwise stated)	Examples of Supporting Evidence	Changes from Previous Policy
1a.	Claimants affected by the Social Sector Size Criteria (Working Age Housing Benefit claimants living in Housing Association tenancies)	For the full financial year	100% of the SSSC reduction	HB records	
1b.	Benefit Cap	Until end of financial year	100%	HB and CTR records	Increased from 75% to 100% from 1 st January 2023 No requirement for a financial assessment
2a.	Claimants supported by the Homelessness Service in the Private Rented Sector	12 months	100%	Homelessness records	
2b.	Claimants supported by the Homelessness Service or from Temporary Accommodation into Social Sector housing	One- off payment	Up to the equivalent of 1 week's rent charge for the new tenancy	Housing Association notification Lease agreement	
3a.	Financial Hardship – Less than £20 income over expenditure each week	Until end of financial year	75%	Claimant statement/HB Assessment	
3b.	Financial Hardship – Less than £20 income over expenditure each week – aged less than 35years and housed private rented sector	Until end of financial year	100%	Claimant statement/HB Assessment	
3c.	Financial Hardship – Less than £50 income over expenditure each week – housed in the private rented sector and in exceptional circumstances	Until end of financial year	100%	Claimant statement/HB Assessment	

Notes

DHP is awarded in order of priority with applications meeting the criteria for Category 1 being the first priority to Category 3 being the lowest priority

Category 1

- Applicants in category 1 are not subject to a financial assessment
- Those affected by the Benefit Cap– the lower of either the capped amount or the applicant’s housing costs as permitted by regulations.

Category 2

- Applicants in category 2 are subject to a financial assessment. Applicants are approved where income is less than £20 more than essential expenditure. Disability Living Allowance, Personal Independence Payment, Attendance Allowance and Scottish Disability Payments are disregarded as income although all other income is taken into consideration.
- Awards for claimants supported by the Homelessness Service in the Private Rented Sector are limited to the equivalent of the difference between the HB award and one rate above the LHA rate for the household’s requirements or the LHA 2 room rate, whichever is higher. Affordability of those supported by the Homelessness service or from temporary accommodation will be monitored closely subject to an upper annual budget of £10k.

Category 3

- Applicants are approved where income is less than £20 more than essential expenditure. Disability Living Allowance, Personal Independence Payment, Attendance Allowance and Scottish Disability Payments are disregarded as income although all other income is taken into consideration. This category will also be monitored closely and could be subject to review depending on the level of spend.
- In the private rented sector DHP is awarded based on the difference between HB or UC Housing costs and the LHA rate applicable to the household’s requirements or the 1 room rate for those aged under 35 years
- In the social sector DHP is awarded based on the difference between HB entitlement or UC Housing costs and the rent charge
- Private rented sector claimants subject to Local Housing Allowance restrictions who are in “exceptional circumstances”. Award DHP to meet the difference between HB or UC housing costs and one LHA rate above the rate applicable to the household’s requirements with a limit of the 2 room rate for those aged less than 35 years. Exceptional circumstances being situations that are particularly challenging and for an identifiable and specific reason, normally beyond the applicant’s control and more than the financial pressure experienced by most people who rely on welfare benefits. Exceptional circumstances may be when support is provided by Macmillan Cancer Support or similar organisation; those with terminal medical conditions; unexpected personal or family problems or illness.

Date: January 2023

CIPFA Financial Management Code - Assessment

	FM Standard	Evidence	Assessment (RAG)	Further Action Proposed
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.	Value for Money underpins decisions taken by the Council. Business cases and reports consider VFM. Evidence can be seen in the Local Government Benchmarking Framework and Key Performance Indicators. Key Performance Indicators included in the annual accounts management commentary.	Green	None
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	The CFO complies with the 5 key principles. <ul style="list-style-type: none"> • CFO is a key member of the Corporate Management Team, • the CFO bears influence via the CMT, MBWG, JBG to ensure decisions align with the Financial Strategy. • CFO leads in the preparation of the Medium-Term Financial Plan (MTFS). • Leads and directs on the Finance function • and is professionally qualified. The statement of responsibilities and Annual Governance Statement in the annual accounts confirms compliance.	Green	None Note, the FM code states the CFO should report directly to CEO or equivalent. This will be permanently effective from April 2023.
C	The leadership team demonstrates in its actions the behaviours responsibility for governance and internal control.	<ul style="list-style-type: none"> • The leadership team follows and demonstrates the Nolan principles per the FM Code. • The Leadership team follows the Council code of conduct. There is a Code of Conduct for employees and members. • The authority demonstrates governance and internal control, 	Green	None

	FM Standard	Evidence	Assessment (RAG)	Further Action Proposed
		<p>financial regulations are updated every 4 years as well as a Corporate Governance Policy. These are approved at Council after each revision. Documents held and linked to the Finance system detailing authorisation limits of the leadership team. Budget delegation responsibilities are communicated via appraisal process and budget process.</p> <ul style="list-style-type: none"> • The Council has a separate Audit Committee chaired by a member of the non-administration group. • Audit actions reviewed each cycle. <p>The Annual Governance Statement in the annual accounts confirms compliance.</p>		
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016).	This can be demonstrated in the Annual Governance Statement.	Green	None
E	The financial management style of the authority supports financial sustainability.	<p>The Council has in place an effective framework of financial accountability:</p> <ul style="list-style-type: none"> • Bimonthly revenue and capital reports to Committee. • Bimonthly key financial risks areas reported to CMT. • Annual budget process based on bottom-up employee budget calculations for key risk areas. • Budget process includes identification of other budget pressures. 	Green	None

	FM Standard	Evidence	Assessment (RAG)	Further Action Proposed
		<ul style="list-style-type: none"> • Capital and Treasury management strategy reported annually and is continually reviewed on a risk basis. • MTFP linked directly to annual budget process. • Finance team are key in developing of strategic and operational plans. • Directorate Plans leading into the Council Corporate Plan 		
F	The authority has carried out a credible and transparent financial resilience assessment.	<p>The FM Code refers to factors that helps assess financial resilience:</p> <ul style="list-style-type: none"> • Getting routine financial management right • Planning and managing capital resources well • Using performance information affectively • Have clear plans for delivering savings • Managing reserves well <p>The Council has measures in place to cover all of these, however, the guidance states that a credible and transparent financial resilience assessment should be completed.</p>	Green	<p>None.</p> <p>No further action proposed. External Auditors carry out financial resilience assessment as part of the Annual Audit report.</p> <p>Best practise recommends an external peer review, but this is not deemed necessary at this point.</p>
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	The Council understands the risk to its financial sustainability, and this is presented in the Finance Strategy. The strategy covers the medium to long term. The strategy covers scenario planning on a worst- and best-case scenario. The Strategy is reported to the CMT and Committee every 6 months.	Green	None

	FM Standard	Evidence	Assessment (RAG)	Further Action Proposed
		Potentially, the Strategy may need to consider the results of the Financial Resilience Assessment.		
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authority.	<p>The Council follows the CIPFA Prudential Code for Capital Finance. Capital Strategy is prepared and reviewed annually, prudential indicators are set and in line with the Prudential Code. Capital programme is reviewed in line with the indicators three times per year as part of the Treasury Strategy and presented to Committee.</p> <p>Asset Management Plans are in place for the Council's key assets.</p>	Green	None
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	The Council has a MTFP (Finance Strategy) which is prepared and presented to Council every 6 months. It covers service plans, asset management plans, funding models.	Green	None
J	The authority complies with its statutory obligations in respect of the budget setting process.	The Council is aware of its statutory obligations for the annual budget setting process. This is demonstrated by regular reports to Committee and the approval of the annual budget at Council. The Council set a balanced budget for 2022/23 in February 2022.	Green	None
K	The budget report includes a statement by the chief financial officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	Budget report is required to include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves, the Council needs to implement statement.	Amber	Action: Develop a statement to be included in each budget report to Committee.

	FM Standard	Evidence	Assessment (RAG)	Further Action Proposed
		Reports currently set out Council reserves position and whether they are sufficient to ensure financial sustainability.		
L	The authority has engaged where appropriate with key stakeholders in developing its long term financial strategy, medium term financial plan and annual budget.	The Council is aware of the key stakeholders. Engagement is undertaken with the Community as part of the annual budget setting process which feeds directly into the Financial Strategy. The Financial Strategy use the Councils core Strategic Plan as well as information from the Scottish Government and the Director of Finance publications by John McLaren.	Green	None
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	The Council developed a draft options appraisal policy in May 2022. A review is required of this as it potentially is not consistent with the IFAC/PAIB publication <i>Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal.</i> The policy requires techniques for qualitative and quantitative assessments. The current policy covers risk.	Amber	Action: <ul style="list-style-type: none"> • Policy needs reviewed and adopted, • Guidance developed and circulated when options appraisal should be undertaken. • Needs a process in place that option appraisal results are reported clearly to CMT. Link to Annual Governance Statement.
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	Both Revenue and Capital reports are reported to the CMT prior to Committee submission. <ul style="list-style-type: none"> • Reports as well as key budget line areas and earmarked reserve positions are reported timeously and bimonthly to Senior Management. 	Green	None

	FM Standard	Evidence	Assessment (RAG)	Further Action Proposed
		<ul style="list-style-type: none"> Information includes projections for the year and prior year performance Includes outturn on contract monitoring with partnerships. All reports incorporate financial implications, legal implications, and strategic implications. <p>Governance reports are submitted to Committee regarding performance of partnership contract agreements.</p>		
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	<p>The leadership team monitor key risk areas on the balance sheet via implemented policies, reports, and strategies.</p> <ul style="list-style-type: none"> Fixed assets are managed via the Asset Management Plan reported to Committee, included within the MTFP. Debtors – The Council produces an annual corporate debt report. Treasury policy covering cash management and investment and regular reports to Committee. Service Concession arrangements are reviewed and included within the MTFP. Reserves policy covering the process of creating new reserves, the reserves position is reported to Committee and performance against earmarked reserves are reported bimonthly to the CMT. 	Green	None
P	The Chief Financial Officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting	CFO is aware of statutory responsibilities, and this is covered in the Statement of Responsibilities in the Annual Accounts.	Green	None

	FM Standard	Evidence	Assessment (RAG)	Further Action Proposed
	requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.			
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	The CMT receive Revenue and Capital outturn reports in line with the Committee cycle. The also receive reports on the key risk areas that can impact on financial sustainability every 2 months. A final outturn report is reported to Policy & Resources Committee and the Service Committees, information from these leads into decisions taken as part of the annual budget process.	Green	None