
Report To:	Policy & Resources Committee	Date:	16 September 2025
Report By:	Interim Chief Financial Officer	Report No:	FIN/51/25/AE
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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 Committee on several matters relating to the Finance Service.
- 1.3 This update to Committee provides updates in terms of the following:
- Debt Recovery Annual Report – Year Ending 31 March 2025
 - Council Tax SMS Messaging
 - Scottish Welfare Fund
 - Social Security Scotland
 - Savings Strategy – External Audit Action 2023/24 Accounts
 - Use of Emergency Powers – Award of contracts for the Provision of Transport for Children with Additional Support/Medical Needs for 2025/26 and 2026/27

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee note the various updates from the Finance Service including the role out of SMS text messaging to support the collection of Council Tax from October 2025.
- 2.2 The Committee is asked to approve the inclusion of the Savings Strategy outlined in Appendix 3 in the Councils Medium Term Finance Strategy from December 2025 onwards.
- 2.3 That the Committee note the use of emergency power for the awarding of contracts for the Provision of Transport for Children with Additional Support/Medical Needs for 2025/26 and 2026/27.

Angela Edmiston
Interim Chief Financial Officer

3.0 BACKGROUND AND CONTEXT

- 3.1 The Finance Service covers a wide range of functions ranging from Accountancy, Payables, Treasury/Insurance to Revenues, Benefits Discretionary Payments and Internal Audit. This update covers several areas relating mainly to Revenue Services with an update on the External Audit action point from 2023/24 Accounts Audit, Savings Strategy.
- 3.2 **Debt Recovery Annual Report Year Ending 31 March 2025**
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 partner.
- 3.3 Council tax collection in 2024/25 was 94.8% of Council tax billed which compares with 94.7% in 2023/24. Council tax payers were assisted with a one-off payment to negate an 8.2% increase in 2024/25. The Scottish average collection in 2024/25 was 95.5% with Inverclyde being placed 23 of the 32 councils. The effect of cost-of-living pressures and changes to Debt Recovery Regulations on Council tax collection continued to affect performance. Collection of all prior year Council tax billed since 1993 at 31st March 2025 was 97%, matching the position at the same point in 2024. The Council exceeds the budgeted collection rate for all years up to and including 2019/20.
- 3.4 Payment of Council tax by direct debit in 2024/25 was 82.3% of in year receipts, a slight reduction of 1% on 2023/24. Direct debit continues to be promoted as the preferred payment method. Council Tax online services were replaced in early 2025 with more accessible and user-friendly solutions. The uptake of e.billing increased from 1,705 in January 2025 to 3,552 in July 2025 (108% increase) and the use of Council Tax e.forms which improves the speed at which accounts are updated, and bill payers receive their Council tax Notices, increased by 253% over the same period.
- 3.5 Council Tax debt recovered by the Council's debt recovery partner decreased by 8% following a stronger year in 2023/24 when collection increased by 11%. Non-Domestic Rates debt recovery increased by 116% having declined the previous year by 19%. The surge in Non-Domestic Rates collection in 2024/25 was due to their collection of £400,000 relating to ten late payers with larger accounts. In-year Non-Domestic Rates collection was 95%, 1.16% more than 2023/24.
- 3.6 Debt recovery continued to be more challenging with inflationary pressures and higher interest rates affecting disposable income. The protected minimum balance in bank accounts of £1,000 continues to have a particular effect. Appendix 1 shows the level of debt collected against respective years; it also compares total collection with 2023/24.
- 3.7 Services are in place to support those who ask for help by way of spreading payment over 12 months instead of 10, help to claim Council Tax Reduction, discounts and exemptions; and referrals to money and debt advice services. Another advance in the Council Tax administration is a wider use of SMS text messaging explained at section 3.9 of this report.
- 3.8 The gross debt as at 31 March 2025 is £26.118m as shown in Appendix 2. There is a bad debt provision of £22.613m, leaving a net debt of £3.505m.
- 3.9 **Council Tax SMS Messaging**
The service currently uses SMS text messaging as a quick and cost-effective method to contact Council Tax (CT) payers for one-off initiatives, most recently to encourage uptake of e-billing. As part of ongoing efforts to improve service efficiency, SMS messaging will be repurposed from early October 2025 to prompt CT payers to pay missed instalments.

- 3.10 In 2024/25, more than 18,000 Reminder Notices were sent. The objectives of the SMS initiative are to enhance the efficiency of Council Tax collection; reduce postal costs by decreasing the number of Reminder Notices sent by post; and to support CT payers in avoiding debt accumulation and Summary Warrant charges.
- 3.11 Messages will be generic and will not contain personal information. They will notify recipients that a Council Tax payment is due and encourage prompt payment to avoid additional costs. Each message will include a link to the Council Tax landing page, which will feature a new section explaining the use of SMS messaging.
- 3.12 The effectiveness of this initiative will be assessed by monitoring the number of in-year Council Tax Reminder Notices issued compared with previous years.
- 3.13 The Committee is asked to note that SMS text messaging will be introduced as a tool to support Council Tax collection from early October 2025.
- 3.14 **Scottish Welfare Fund**
The Committee agreed in February, a one-off Fuel Supplement of £100 to be paid as an additional component of the Scottish Welfare Fund Crisis Grant to support those in fuel crisis who were not eligible for the government Pension Age Winter Fuel Payment or did not receive the Inverclyde Council Pension Age Winter Fuel Payment. Payments have been made to 206 households to 31st July 2025, totalling £20,600. It was agreed that the policy would be reviewed as part of the development of a proposal for the Fuel Poverty Fund for non-pensionable age households in fuel poverty in the winter of 2025/26. The proposal for a Working Age Winter Fuel Support Scheme 2025/26 is found elsewhere on the Agenda.
- 3.15 Expenditure on Scottish Welfare Fund, excluding the payment of the one-off Fuel Supplement in the 4 months to 31st July was £308,865, exceeding the Scottish Government programme funding at that point by 23%. An earmarked reserve together with Anti-Poverty Funding of £75,000 for 2025/26 will contain costs.
- 3.16 **Social Security Scotland**
The Scottish Government has announced the introduction of a new benefit, the Two Child Limit Payment (TCLP) to help mitigate the financial impact of the limit applied to Universal Credit (UC) and Housing Benefit. TCLP will be delivered by Social Security Scotland and will provide a flat-rate monthly payment of £292.81, equivalent to the UC child element for second and subsequent children. This payment will be available to households who do not receive a child element for third or subsequent children born on or after 6 April 2017. Payments will align with UC assessment periods and will be issued monthly.
- 3.17 It is estimated that 33,000 households in Scotland will be eligible for TCLP in 2026.
- 3.18 Social Security Scotland will promote the benefit to recipients of the Scottish Child Payment who meet the eligibility criteria. Eligibility will be confirmed through data sharing with the Department for Work and Pensions (DWP). Applications for TCLP will open on 2nd March 2026.
- 3.19 In general, TCLP will be disregarded for Scottish Social Security benefits. However, it will be counted as income for the purposes of: Council Tax Reduction (CTR) for working-age claimants; Kinship Care Allowance; and potentially, Discretionary Housing Payments (DHPs).
- 3.20 Further details will be provided in future Finance Update Reports as more information becomes available.

3.21 **Savings Strategy**

As part of the 2023/24 Annual Audit Report, the External Auditors identified the following action:

We recommend that in view of the availability of a medium term forecast, beyond the two year budget, saving plans should be considered and developed for the medium term as well i.e. beyond the period covered by the latest budget.

This action was allocated to the Chief Financial Officer with a delivery date of September 2025.

3.22 The Council currently produces a Medium Term Financial Strategy (MTFS) which is reviewed and updated every 6 months in June and December each year. The MTFS, alongside regular budget updates, identifies the budget gap in the medium term.

3.23 Each year the funding gap is closed by a variety of options. The work required to deliver savings, and their impact can vary dramatically with some being technical savings with no impact on service delivery and others being more difficult requiring extensive consultation with the workforce and communities.

3.24 Options adopted in the past and available to the Council to close the budget gap are as follows:

- Efficiencies / Substitution
- Charging
- Recharging
- Employee Turnover
- Savings Workstreams
- Service Specific Savings
- Adjustments
- Technical Savings
- Council Tax
- Use of Reserves

3.25 Appendix 3 attached presents guidance on available options and a process on the approach to closing the funding gap. This process could be further developed to include indicative figures in the medium term to close the projected budget gap identified in the MTFS. It is proposed that appendix 3 should be adopted into the financial outlook section of the MTFS from December 2025 onwards and remain under review for further development.

3.26 **Use of Emergency Powers - Award of contracts for the Provision of Transport for Children with Additional Support/Medical Needs for 2025/26 and 2026/27**

On 1 July Councillors Clocherty, McGuire, Moran, McCabe and Curley, the Interim Chief Financial Officer, the Head of Legal, Democratic, Digital & Customer Services and the Chief Executive approved the use of Emergency Powers for the award of contracts for the provision of transport for children with additional support/medical needs for 2025/26 and 2026/27. The total annual value of the contracts was £200,000.

3.27 The use of Emergency Powers was required as it was essential the contracts were in place for the beginning of the new term on 19 August 2025 to enable smooth transition from one contract to another, for pick-up points to be confirmed and for parents to be notified prior to beginning of the new term, and this pre-dated the next Policy & Resources Committee meeting. Inverclyde Council has an agency agreement with Strathclyde Partnership for Transport (SPT) to conduct the procurement process and recommendations for the award of contracts is provided by them, and this was not available for the May Committee cycle.

3.28 The use of these powers was also reported to the Education & Communities Committee on 2 September 2025.

4.0 PROPOSALS

- 4.1 The Committee is asked to note that SMS text messaging will be introduced as a tool to support Council Tax collection from early October 2025.
- 4.2 It is proposed that appendix 3 is adopted into the MTFS from December 2025 to meet the External Audit Action from the 2023/24 audit. This will be reviewed and updated on a 6 monthly cycle as part of the MTFS and reported to Committee.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendations are 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 issues arising from this report.

5.4 Human Resources

There are no HR issues arising from this report.

5.5 Strategic

There are no strategic issues.

5.6 Equalities, Fairer Scotland Duty & Children/Young People

(a) Equalities

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

	YES – Assessed as relevant and an EqIA is required and will be completed prior to the Committee
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.

6.0 CONSULTATION

6.1 Consultation has taken place with the CMT and MBWG regarding the Savings Strategy.

7.0 BACKGROUND PAPERS

7.1 2023/24 AAR – December 2024 Council.

Appendix 1

Analysis of Debt Recovery Partner Performance 2024/25

Council Tax	
Financial Year	Payments Received
	£000's
Pre 2000	4
2000/01	5
2001/02	4
2002/03	6
2003/04	6
2004/05	7
2005/06	10
2006/07	8
2007/08	10
2008/09	10
2009/10	15
2010/11	10
2011/12	16
2012/13	24
2013/14	29
2014/15	25
2015/16	27
2016/17	30
2017/18	36
2018/19	47
2019/20	65
2020/21	96
2021/22	106
2022/23	165
2023/24	506
2024/25	922
Total	2189

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	1
2014/15	0
2015/16	0
2016/17	0
2017/18	1
2018/19	0
2019/20	2
2020/21	3
2021/22	42
2022/23	164
2023/24	200
2024/25	488
Total	901

	2023/24	2024/25	Difference: 2023/24 – 2024/25	
	£000's	£000's	£000's	%
Council Tax	2391	2189	-202	-8%
Non Domestic Rates	430	901	498	116%
Total	2821	3090	296	10%

Appendix 2

	Position 31/03/2025 £'000	Position 31/03/2024 £'000	Movement £'000
<u>Council Tax</u>			
Gross Debt	20,127	19,244	883
Less: Bad Debt Provision	18,253	17,782	471
Net Debt	1,874	1,462	412
<u>Sundry Debt</u>			
Gross Debt	2,032	2,247	(215)
Less: Bad Debt Provision	633	638	(5)
Net Debt	1,399	1,609	(210)
<u>Industrial & Commercial Rent</u>			
Gross Debt	198	148	50
Less: Bad Debt Provision	140	115	25
Net Debt	58	33	25
<u>Statutory Additions</u>			
Gross Debt	3,587	3,422	165
Less: Bad Debt Provision	3,587	3,422	165
Net Debt	0	0	0
<u>Long Term Debtors</u>			
Gross Debt	174	238	(64)
Less: Bad Debt Provision	0	0	0
Net Debt	174	238	(64)
<u>Overall Totals</u>			
Gross Debt	26,118	25,299	819
Less: Bad Debt Provision	22,613	21,957	656
Net Debt	3,505	3,342	163

Medium Term Savings Plan

- 1.0 Each year the Council is legally required to set a balanced budget for the forthcoming financial year and to do that, need to develop robust plans to close the gap between expenditure demands and available resources.
- 1.1 The Council has developed an approach covering a range of options to close the funding gap in previous years and plans to adopt the same principles in future years. For the Council to remain financially sustainable, it is essential that approved savings are delivered in the timescales set at the budget setting process however given the nature of some savings a considerable lead in time may be required to achieve this.
- 1.2 The different options developed can be covered in the following categories. The Council will likely need to adopt several of the options below to close the budget gap identified.
 - Efficiencies/Substitution – Efficiencies can produce a monetary saving resulting in a budget reduction or non-monetary, meaning that the Council can deliver more for the same funding. Substitution allows the Council to charge existing core spend to new funding streams resulting in a budget saving. An example of such is a new central funded policy which is currently provided under a local policy.
 - Charging – The Council charges for several services. Whilst some fees are set nationally, the Council has discretion over a variety of service delivery areas such as Environmental Services, licensing, parking, burial and cremations, etc.
 - Recharging – Where it is appropriate, the Council can charge core service costs to the Capital Programme or other ring-fenced budgets. This is kept under review and can be used, on a time limited basis, to generate savings.
 - Employee Turnover – No Directorate remains fully staffed each year. Vacancies or gaps between an employee leaving and a replacement starting, is referred to as Turnover. Turnover is based on a percentage of annual budget and increases in line with annual pay awards. This continues to be reviewed to ensure the percentage is at an appropriate level, any increase to the percentage can generate a budget saving.
 - Savings Workstreams – The Council developed a savings workstream plan during 2024/26 budget process. Workstreams may cover some categories above such as charging and efficiencies but allows a target to be set and met over a term longer than 1 year. Current workstreams fall under the following categories: Income Generation; Procurement; Energy; Asset Management; Management Restructure; Digital; School Catering Review and CLD Review.

- Service Specific Savings – The Corporate Management Team (CMT) will produce a list of potential savings for review by the Members via the Joint Budget Group (JBG) and Members Budget Working Group (MBWG). These savings are likely to be Service reductions or Service redesigns. They will generally require public consultation and employee engagement. It is imperative that the key priority outcomes of the Council plan continue to be met.
 - Adjustments – Although not a saving, adjustments can help reduce the budget gap. Adjustments include improvements to the Government Grant or over provisions of inflation and pressure contingencies.
 - Technical Savings – Savings may be achievable due to changes in accounting treatment. An example of such was changes in accounting treatment for Service Concessions (PPP). Reviews of loan charges repayment periods has been undertaken many times in prior years and should be kept under review. Any proposed technical changes need to ensure Best Value is met in the longer term and that a change to accounting treatment can be professionally justified.
 - Council Tax – The Council can increase Council Tax to help close the annual budget gap unless subject to conditions/freeze by SG. The Council must fund the costs of Council Tax Reduction payments which is netted off the annual increase. Each year Officers review the movement in Band D equivalent properties to identify if there has been a net growth in the overall tax base. It is not anticipated that there will be a significant growth in Band D equivalent properties, but any adjustment will be considered in the budget gap.
 - Use of Reserves – The Council has used reserves to close previous budget gaps. This is not a process to consider recurringly but as a short-term solution. The Council approved use of reserves during the 2025/26 budget but has a clear plan to reduce the reliance on use of reserves over the period 2026/28.
- 1.3 During the budget process, new pressures may arise which have not been factored into the projected budget gap. Initially Services will review the current budget to identify any possible virement to contain the pressure going forward. If this is not possible, then a revision to the budget gap will be made.
- 1.4 With the many uncertainties facing Scottish Local Government funding, there is a need for the Council to prepare a medium to long term financial plan, Medium Term Financial Strategy (MTFS). To support this, the Council needs to consider the options to close any budget gap in a medium to long term basis also. The Council has prepared an optimistic, pessimistic and mid-range view of the budget gap between 2026/2029 per table 4a, 4b and 4c in the MTFS.

Budget Gap 2026/29

	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Projected Budget Gap - Mid Range	8.05	8.30	7.20	23.55
Projected Budget Gap - Optimistic	4.35	4.80	4.70	13.85
Projected Budget Gap - Pessimistic	10.85	11.40	12.20	34.45

- 1.5 The mid-range budget gap is adopted for planning purposes during the budget setting process. The Council will consider several options at section 1.2 to close the budget gap. Increasing Council Tax will be considered during the process with a residual budget gap identified that will need to be closed via savings options.
- 1.6 Income from Council Tax accounts for approximately 14% of the Councils revenue resources. An assumed uplift on Council Tax, for demonstration purposes, has been used in the table below. The table reflects the residual savings required to close the budget gap after an assumed uplift in Council Tax of 5%, 7.5% and 10%.

Budget Gap 2026/29

	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
MIFS June 2025 (For Demonstration)				
Projected Budget Gap - Mid Range	8.05	8.30	7.20	23.55
5% Increase in Council Tax Income	(1.90)	(2.00)	(2.10)	(6.00)
Residual Budget Gap	6.15	6.30	5.10	17.55
Projected Budget Gap - Mid Range	8.05	8.30	7.20	23.55
7.5% Increase in Council Tax Income	(2.85)	(3.08)	(3.30)	(9.23)
Residual Budget Gap	5.20	5.23	3.90	14.33
Projected Budget Gap - Mid Range	8.05	8.30	7.20	23.55
10% Increase in Council Tax Income	(3.80)	(4.20)	(4.60)	(12.60)
Residual Budget Gap	4.25	4.10	2.60	10.95