


Finance and Integrated Service Support Performance Report Quarter Three 2019/20

Cabinet
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Item No.5.11

Midlothian 

Progress in delivery of strategic outcomes

Finance and Integrated Service Support continues to have a strategic focus on securing the financial sustainability of the council, strengthening financial management together with nurturing a highly motivated and effective workforce. All of which are central to the achievement of the Council's priority outcomes and delivery of services to a growing county.

The key activities which support this are:

- a) The delivery of the Council's Medium Term Financial Strategy (MTFS) incorporating Capital Strategy and Capital Investment plans, Reserves Strategy and Treasury Management Strategy together with the development and implementation of a comprehensive Change Programme;
- b) The Workforce Strategy and the Service Workforce Plans;
- c) Delivery of the Integrated Service Support review, reducing the overall cost of providing the Finance and Integrated Support Services and ensuring the service is delivered within the approved budget.

These are supported by:

- . The Digital Strategy and Digital Learning Strategy
- . The Procurement Strategy and Contract Delivery Plan

In their annual report for 2018/19 EY recognised the substantial progress that had been made in addressing the recommendations from previous years which contributed to an improved amber rating for financial management. The EY report reinforces that there is further work to do particularly to improve the longer term financial sustainability of the council. EY made eight recommendations and these are being taken forward by officers across the council.

Growing Council

Population growth in Midlothian over the next 10-15 years will see Midlothian become the fastest growing Council in Scotland. 0-15 population increase, projected at 20% and 75+ population increase projected to increase by 100% between 2014 and 2039.

This brings the opportunity to support the Council vision of being 'A Great Place to Grow'. As a growing Council this brings the opportunity to redevelop parts of Midlothian, improve infrastructure with a focus on area targeting, improving economic opportunities, improving education and health outcomes.

This growth creates the opportunity to meet the housing need with 25% of new homes being built in the affordable housing bracket, in addition to the expansion in Council House building. This construction will directly support employment in construction and will see a steady increase in the volume of Council Tax received over time.

The approved, Capital Strategy sets out infrastructure required to meet those demographic pressures and includes the financial contributions Midlothian will make to the Edinburgh and South East Scotland City Region Deal.

Continued Service Transformation

The Continued significant transformation of service delivery is allowing services to be provided within the reduced budget available. As finance and ISS transitions to be part of the new corporate solutions service, services will continue to be reshaped, business processes reviewed and adapted to embrace technology solutions including the continued adoption of automation. Following Councils endorsement of pursuing shared services with Scottish Borders Council, work is underway with colleagues in Scottish Borders Council with the objective of bringing forward proposals to both councils.

1: Financial Strategy

The core objective of the Financial Strategy is to secure the Council's financial sustainability during an ongoing period of financial constraint coupled with acute service demand pressures and increasing customer expectations.

The Financial Strategy is not only about balancing the budget, it provides a means to ensure as far as possible that the limited resources available to the Council are targeted on delivery of improved outcomes, particularly against the key priorities of:-

- . Reducing the gap in learning outcomes
- . Reducing the gap in health outcomes
- . Reducing the gap in economic circumstances

The Financial Strategy is central to ensuring that the resources available to the Council is directed towards the priorities set out in the Midlothian Single Plan.

Achievements

- a) Successful recovery of the £3 million projected 2018/19 budget overspend. Positive outcome for the 2018/19 End of Year Financial reports an underspend of £495,000 which was achieved by everyone working together, demonstrating strict financial discipline. The action taken to address the overspend was also noted positively in the Best Value Assurance Report;
- b) Successful completion and submission of the 2018/19 audited accounts in accordance with the statutory deadline with an unqualified audit opinion;
- c) Completion of Quarter two 2019/20 Financial Monitoring reports for Council as part of the robust scrutiny of financial performance and subsequent submission of a recovery actions to arrest the projected in year overspend within services;
- d) Update on the Medium Term Financial Strategy 2019/20 to 2022/23 presented to Council 1 October 2019 which provided an update on the progress of the recommendations since the last report on 25 June 2019, and which has been delegated to the Business Transformation Steering Group to develop the next phase of the strategy and identify further measures to address the remaining budget gaps for 2021/22 to 2022/23.

2: Workforce Strategy

The purpose of the Workforce Strategy is to ensure that Midlothian Council continues to have a workforce that is able to deliver positive outcomes for the people of Midlothian. It sets out an approach to supporting, developing and reshaping the workforce now and in the future in response to changes whether as a consequence of national or local issues. It is underpinned by the Council's values and vision.

The Workforce Strategy is important as it outlines the organisation's approach to articulating how workforce issues will be managed to ensure the Council has the people and skills to manage change and deliver service.

The strategy will ensure we have the right people at the right time and who have the right skills, knowledge and attitude to provide services confidently and competently.

Achievements

- a) Workforce Strategy update report submitted to December Council meeting outlining the progress made to date;
- b) Following a year-long pilot, the Council's submission for Equally Safe at Work accreditation was made in December 2019;
- c) Successful implementation of Assessment Centre for the post of Chief Officer Place and Chief Officer Corporate Solutions;
- d) Revision of the Flexible Working policy and Code of Conduct to ensure policies continue to meet best practice;
- e) Continuation of a rolling programme of Mentally Health Workplace training for Managers;
- f) Participation in the international White Ribbon Campaign including training from the Director of White Ribbon Scotland and ten members of staff taking the pledge to play their part in eradicating violence against women and girls;
- g) Successful implementation of the a robust programme of activities to celebrate 16 days of activism;
- h) Completion of the Wellness@Midlothian work plan for 2020;
- i) Strong focus on continuing work with service managers within areas with high absence levels, advising on specific interventions;
- j) Updated and new modules continue to be uploaded onto the Council's e-learning platform, LearnPro;
- k) Updated and new guidance notes continue to be uploaded onto the online HR portal;
- l) Continue to work with teaching trade unions to harmonise our people policies with those applicable to local government employees; and
- m) Committed to the Veterans Guaranteed Interview Scheme to ensure we continue to support those leaving the Armed Forces fulfil their potential in civilian life.

3: Digital Strategy and Digital Learning Strategy

The Digital Strategy ensures that the ICT infrastructure and facilities are fit for purpose and that they effectively and efficiently underpin delivery of Council Services and align with the Single Midlothian Plan and the National ICT Strategy for Scotland.

Midlothian's Digital Learning Strategy is central to the Council's aim of delivering a world-class education system. It is closely aligned with Scottish Government's policy and advice on digital learning and it also articulates with key national and local priorities.

Midlothian's strategy covers 4 key aspects associated with learning in the digital age: Curriculum, learning and teaching; Leadership and professional learning; Digital participation and Infrastructure

Achievements

- a) Property Programmes: commissioning and/or decommissioning of a number of sites including internal redesign and configuration, along with work across the whole School estate at Hopefield, Sacred Heart, Woodburn (Ph2), Mayfield (Ph3) and all the additional requests for Early Years expansion (Vogrie, Scott Corner and others) to support the wider Property and School programme;
- b) Digital Enabled projects: a number of new Business Applications have been implemented and these continue to improve the overall Digital end user customer experience, Leisure Management, Online School payment, Cashless Catering. The Customer Services e-platform being another key building block in the overall customer journey;
- c) Digital Strategy Group has prioritised and aligned Council programmes / projects to the wider Digital Strategy, Digital Learning Strategy and National Transformation Programme (Local Government Digital Office);
- d) Continued Asset Management and Investment in Digital Foundations infrastructure and associated services – Replacement of digital assets continues across the Corporate and School estate to improve the end user experience and reliability of aging assets;
- e) CyberSecurity resilience: number of improvements made to the Council Cyber defences resulting in four new firewalls and the regular review and maintenance of ongoing threats and risks. Currently starting to implement Scottish Government CyberSecurity action plan. Compliance: Preparation and Planning of for PSN accreditation – April 2020;
- f) Working with the Digital Office to manage a Digital Maturity Exercise on behalf of the Midlothian Council management team, findings and summary to be shared with Corporate Management Team; and
- g) Business Information and Analytics: introduction to new platform as a service in partnership with NSS, deployment of Tableau Dashboards (Investing in our Workforce, Complaints, Education and Health & Social Care).

4: Other Service Improvements

- a) ISS delivery plan is in place to deliver the £1.1 million savings target for the current financial year. Current projections indicate an in year shortfall against this target which is mostly offset by strict vacancy and cost control. Overall at quarter 3 the service projects a small overspend of £21,000 (0.2%);
- b) Purchase to Pay
 - . Following the successful pilot of e-invoicing phase 1 of the roll out has been completed onboarding a further five suppliers
 - . Invoice Approval complete for:
 - o Adult Social Care (non-care) and Occupational Therapy
 - o Midlothian House (except HR)
 - o Property Maintenance Pilot (Servest Atalian AMK Ltd)
 - . Purchasing Card – Lodged/Virtual Card pilot complete at Newbattle HS kitchen for one supplier
 - . E-Forms – Supplier Changes Check and Purchasing Card Application now live
- c) Sales to Cash
 - . Quick import complete for Music Tuition, Housing Repairs and Social Care Non-Residential invoices
 - . Quick import complete for customer creation
 - . Analysis and revision of product codes ongoing
- d) Finance Transactions
 - . E-Forms for GL Chart of Accounts requests (creations and changes) live
- e) Integra Making Tax Digital testing completed (live early January)
- f) Migration of Condeco to Legend complete
- g) Mosaic – completion of workflows for RCRM
- h) Public Records (Scotland) Act – Progress Update Review 2019 - Recognition from the PRSA assessment team of the progress with the Records Management plan, Midlothian's commitment to our records management obligations and the ongoing work to bring all elements into full compliance.

Challenges and Risks

Financial Sustainability

Given the continuing challenging grant settlements, representing a real terms reduction in core funding together with the impact of a rapidly growing population and greater demand for services, the Council has shifted to a Medium Term Financial Strategy. This complements the existing forward plans for HRA, Capital and Reserves. Delivery of savings plans, both within the MTFS and relating to previous slippage is key and this needs to be monitored closely. Values attached to proposals in the MTFS are being reviewed further to ensure they sit correctly within a detailed delivery plan which can be reflected in the final 20/21 budget. It is important for the Council that the measures in the MTFS are fully developed (where necessary) at pace and also proceed to implementation at pace.

UK Decision to leave the EU

All Council services have been kept abreast of the risks associated with the UK leaving the EU and in particular the risks for a no deal scenario. Services have been directed towards UK Government guidance on how to prepare for a

no deal and have been tasked with assessing the potential impact and identifying appropriate risk responses. A Council Cross Service Brexit Working Group has been set up in preparation for a potential No Deal exit from the European Union.

1: Financial Strategy

The need to continue to strengthen financial sustainability and financial management by:

- a) Continue work on developing cost projections and savings proposals to update the Financial Strategy for 2020/21 to 2022/23 and complete the 2020/21 Budget;
- b) Prepare financial monitoring reports for Quarter 3 and continue to work with budget holders to maintain effective control over expenditure and with Heads of Service to develop plans which address and mitigate against overspends;
- c) Work to develop cost projections and the implementation of any additional saving measures to update the Medium Term Financial Strategy won't be until after the government grant settlement is announced;
- d) Continued financial support for the Change Programmes and delivery of savings measures. Help shape and lead all strands of the programme, continue to revise savings profiles. Oversight of investment to support transformational change and the assessment of bids against the criteria used for the Capital Receipts Scheme;
- e) Review of the Capital Strategy and the affordability of investment plans principally to reflect the ongoing review of the Learning Estate Strategy;
- f) Continue to strengthen financial stewardship in a climate of reducing budgets and increasing service pressure;
- g) Review and update financial directives and associated documentation;
- h) To ensure that the Capital plan and asset management board provides adequate scrutiny and oversight of capital projects to ensure projects are delivered as planned and so, minimise reported slippage in the capital plan.

2: Workforce Strategy

Alongside the Medium Term Financial Strategy 2020/21 to 2022/3 we will continue to implement the Workforce Strategy 2017-2022. This includes a focus on the identified themes over the next five years. The Service Workforce Plans will need to be updated to align to the MTFS, the new leadership structure and detail the projected workforce actions over the medium term.

- a) Identifying alternative service delivery approaches and the impact on service delivery with pressure on available resource;
- b) Securing the improvement in flexibility and productivity throughout the workforce;
- c) Continued development of the Workforce Strategy action plan;
- d) In light of the implementation of the Senior leadership review revisions to the F&ISS workforce plan are no longer appropriate. A new service workforce plan and associated actions will be required for Corporate Solutions which also reflects the Medium Term financial Strategy (MTFS);
- e) Continue to support our leadership community so that they are able to perform to a high standard and deliver on the Change Programme;
- f) Promoting compliance with our policy on the use of agency workers;
- g) Ensuring the adoption of the revised Business Travel and Subsistence Policy across services, which brings a shift from the use of personal vehicles to pool electric cars;
- h) Maintain attendance levels (2017/18 average days lost 7.5 which ranked the Council 2nd best in Scotland) supporting service areas with high or increasing absence levels to deliver interventions to support their service workforce strategies.

3: Digital Strategy and Digital Learning Strategy

- a) Increased threat of cyber/security attacks, e.g. denial of service, ransomware/hackers continues to be an ongoing challenge to mitigate risk and minimise service disruption;
- b) Securing, maintaining Digital skills and experience across the Digital Service teams in order to be able to respond, deliver and protect the organisation;
- c) Service Restructure: this will have a direct impact on a number of underlying digital services and plans are being put in place within the associated work plans to address this. (Business Applications, HR & Finance, file and folders – new structure & permissions, phone system & website);
- d) Maintaining the integrity and compliance of Public Services Network (PSN) ensuring that the Digital Estate and associated technologies inclusive of Business Applications are all up to date and pass rigorous penetration testing which is currently taking place;
- e) Ensuring sustainable investment in digital assets at a time of financial constraints and reduction in resources including the Asset Management Programme:- Microsoft Exchange/Office 365 / Windows 10 upgrade is currently in the preparation and planning stage. Additional Communications and plan to be shared with Directors, Chief Officers and Service managers;
- f) Regulatory changes proposed will impact on Council activities if not planned for – for example New Data Protection laws (GDPR) and other compliance requirements such as Payment Card Industry Data Security Standard (PCI-DSS);
- g) Pursuing the transformation of and innovation in service delivery by pursuing digital opportunities, including automation, artificial intelligence and Introduction of new ways of working supported by modern technology solutions etc.

h) Securing a replacement for the end of life Customer Relationship Management (CRM) system which is central in transforming the customer journey.

4: Procurement

- a) Maintaining service provision in response to a significant staff turnover in the team;
- b) To deliver and demonstrate savings through procurement by continuing to review and monitor performance;
- c) Completing the Purchase to Pay project;
- d) As the next stage of the Council's procurement journey, and similar to most other Councils the aim is to deliver a robust contract and supplier management tool by rolling out guidance and training to contract owners.
- e) Progressing a review of the procurement arrangements across the council including exploring options for joint working with neighbouring councils.

5: Service Improvements / Delivering Excellence

- a) Delivery of the Change Programme including the final elements to achieve the ISS savings target and in particular the Integrated Service Support Savings target for 2019/20 of £1.1 million;
- b) Purchase to Pay - Managing transitional arrangements for processing invoices and for Invoice approval, improving 100% first time data capture difficult due to variety and quality of invoice layouts/images;
- c) The impact of Interim Management arrangements on the progress of transformational work; d) Completing low risk Internal Audit recommendations within available resources.

Emerging Challenges:

The emerging challenge is to increase the pace in which change and improvement is being delivered, ensuring that there is clarity on priorities and that strategic outcomes are clearly defined and articulated. Maintaining forward momentum amid a period of structural change.

Assessing the Government grant settlement and addressing the remaining budget gap leading to the delivery of a balanced MTFS covering the next 3 years which will support the delivery of a balanced budget for 2020/21.

Finance & Integrated Service Support



Successes and Challenges

Corporate Performance Indicators (latest)

4 9 0 6

Service Plan Actions (latest)

1 26 0

Service Plan PIs (latest)

2 1 0 3

Service Risks (latest)

12

Corporate PIs Off Target as at 31st January 2020

PIs 4

Performance against revenue budget

% of invoices paid within 30 days of invoice receipt (cumulative)

Average number of working days lost due to sickness absence (cumulative)

% of internal/external audit actions progressing on target.

Service Plan Actions Off Target as at 31st January 2020

Actions 1

Achieve contract delivery targets set out in the Contract Delivery Plan

Service Plan PIs Off Target as at 31st January 2020

PIs 2

Corporate Indicator - Percentage of invoices sampled and paid within 30 days (LGBF)

Corporate Indicator - The Percentage of council employees in top 5% of earners that are women (LGBF)

High Risks as at 31st January 2020

Risks 2

10 Risks at Medium and 2 Risks are high

DS - Compliance - Regulatory, Contractual and Legal

DS - Computer Business Continuity Management

Key PIs
 Off Target
 On Target
 Data Only Indicator
 Data is not yet available

Key Actions
 Off Target
 On Target/Complete
 Data is not yet available

Key PIs
 Off Target
 On Target
 Data Only Indicator
 Data is not yet available

Key Risks
 High Risk / Medium Risk
 Data is not yet available