

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

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

Continue the significant transformation of service delivery to allow services to be provided within the reduced budget available. In the next 12 months this will require services to be reshaped, business processes to be reviewed and adapted technology solutions progressed, including the continued adoption of automation. These changes are set out in the service savings delivery plan and are designed to deliver savings of £1.1 million. Savings since inception of Finance and Integrated Service Support are predicted to rise to £4.2million (which equates to 42% of the 2019/20 budget) and as such represents a considerable reduction in both financial and human resources.

1: Financial Strategy - 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 1 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 - Achievements

- a) First Corporate Induction session held in September 2019 ensuring new staff are clear on expected standards of behaviour and the importance of compliance with HR policy;
- b) Implementation of Business Travel and Subsistence Policy to support the move to a hierarchy of travel. Revisions made to enhance current Maximising Attendance at Work policy following a recent internal audit report;
- c) Introduction of safe leave to better support those employee’s affected by gender based violence;
- d) Roll out of Financial Wellbeing support for employees recognising that financial management issues is often the underlying cause of stress and depression;
- e) Continuation of a rolling programme of Mentally Healthy Workplace training for Managers;
- f) Training sessions run by our partners at Equally Safe at Work to ensure we continue to progress our work on gender inequality;
- g) Work continues to be undertaken on promoting the EU Settlement Scheme in order to ensure that we comply with our legal requirements and to ensure that we have a workforce in place to deliver vital services to our communities; and
- h) Securing changes to terms and condition in respect of staff travel arrangements, with those changes fully implemented on the 1 October 2019.

3: Digital Strategy and Digital Learning Strategy - Achievements

- a) Property Programmes - Commissioning and/or decommissioning of 11 sites including internal redesign and configuration, along with work across the School estate at Cuiken, Sacred Heart, Woodburn, Mayfield and all the additional requests for Early years expansion to support the wider Property and School programme;
- b) Digital Enabled projects: Improvements in Council Cyber defences has resulted in four new firewalls being installed. The cashless catering system is now in the process of being deployed across the four Midlothian High Schools, which is also integrated with the current online schools payment system.
- 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;
- e) CyberSecurity resilience: maintained and currently reviewing the latest Scottish Government CyberSecurity action plan that all Councils need to respond to. Compliance: Preparation and Planning of for PSN accreditation;
- 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;
- 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 2 the service projects a small overspend of £64,000 (0.6%);
- b) Pilot of e-invoicing commenced in August initially for 3 suppliers. The next phase is due to be rolled out week beginning 28th of October with a further 3 suppliers;
- c) Lifelong Learning and Employability course bookings are now Live in Legend;
- d) A new support contract has been signed with Midland, the provider for iTrent, our integrated HR and payroll system, which ensures no increase in budget provision required over the next 5 years.

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 need to be reviewed further to ensure they sit correctly within a detailed delivery plan. 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 draft 2020/21 Base Budget;
- b) Prepare financial monitoring reports for quarter 2 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 in December 2019;
- 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.

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) 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;
- d) 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, Head of Service and Service managers;
- e) 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);
- f) Pursuing the transformation of and innovation in service delivery by pursuing digital opportunities, including Automation, Artificial intelligence etc.

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) Deliver actions from Procurement Strategy;
- f) Prepare and submit an annual procurement report for 2019/20 to the Scottish Minister.

5: Service Improvements / Delivering Excellence

- a) Delivery of Change Programme 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.

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 in December 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)

6 7 0 6

Service Plan Actions (latest)

1 26 0

Service Plan PIs (latest)

1 2 0 4

Service Risks (latest)

20

Corporate PIs Off Target as at 31st October 2019

PIs 6

Performance against revenue budget

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

Average time in working days to respond to complaints at stage 1

Average time in working days for a full response for escalated complaints

Percentage of complaints at stage 1 complete within 5 working days

Percentage of complaints escalated and complete within 20 working days

Key PIs

- Off Target
- On Target
- Data Only Indicator
- Data is not yet available

Service Plan Actions Off Target as at 31st October 2019

Actions 1

Achieve contract delivery targets set out in the Contract Delivery Plan

Key Actions

- Off Target
- On Target/Complete
- Data is not yet available

Service Plan PIs Off Target as at 31st October 2019

PIs 1

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

Key PIs

- Off Target
- On Target
- Data Only Indicator
- Data is not yet available

High Risks as at 31st October 2019

15 Risks at Medium and 5 Risks are high

DS - Staffing levels and impact on service

DS - Limited staffing resources to meet the IT demands of the Council/inadequate forum for deciding which computer projects are a priority

DS - Compliance - Regulatory, Contractual and Legal

DS - Computer Business Continuity Management

INFOSEC - Access Control - Cyber Security Attack

Key Risks

- High Risk / Medium Risk
- Data is not yet available