**Finance, Economy & Corporate Services Scrutiny Committee**

**25th January 2024**

**Agenda Item No 8**

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| **Finance & Corporate Services Directorate Performance Report** |
| **Report by: Eileen Rowand, Executive Director** |
| **Wards Affected:** All |

**Purpose**

To present the Finance & Corporate Services Directorate Performance Scorecard for 2022/23.

Recommendation(s)

Members are asked to: -

1. Note the arrangements to fulfil the Council’s obligation to comply with Audit Scotland’s 2021 SPI Direction.
2. Consider the Finance & Corporate Services Directorate performance information including current challenges/priorities and Risks. A high-level overview of Finance & Corporate Services Directorate KPIs is attached in Appendix 1 – covering 4 lenses: Local Government Benchmarking Framework (LGBF), Plan for Fife (P4F), Customer, Resources and Service Operations.

Resource Implications

None

Legal & Risk Implications

There are legal requirements highlighted within this report, linked to a risk of regulatory intervention if the Council does not adhere to the standards and expectations set by Audit Scotland.

Impact Assessment

An EqIA is not required because the report does not propose a change or revision to existing policies and practices.

Consultation

None required.

## 1.0 Background

* 1. Audit Scotland published an update on Statutory Performance Direction in December 2021. The Council is required to report a range of information setting out:
1. Its performance in improving local public services, provided by both (i) the council itself and (ii) by the council in conjunction with its partners and communities
2. Its progress against the desired outcomes agreed with its partners and communities
3. Its performance in comparison (i) over time and (ii) with other similar bodies including information drawn down from LGBF in particular and from other benchmarking activities
4. Its assessment of how it is performing against its duty of Best Value, and how it plans to improve against this assessment.

Below is a Link to the Direction Statutory Performance Indicators (revised) published in December 2021: -

<https://www.audit-scotland.gov.uk/uploads/docs/um/spi_direction_2021.pdf>

##  Performance Reporting

* 1. Appendix 1 to this report is presented in the form of a balanced scorecard covering the areas of LGBF/P4F, Customer, Resources and Service Operations. A current snapshot of Service Challenges is included along with a section on Risks.
	2. Overall the Directorate is performing well, despite facing an increase in demand for support from other Directorates and the challenges associated with recruitment and retaining staff with the necessary skill set for specific roles.
	3. Effective workforce planning for the Services in 2023/24 and beyond will be crucial to ensure challenges related to core skills development, recruitment and retention of the workforce are addressed.

## Conclusion

3.1 In conclusion, the report highlights the positive performance of the Finance & Corporate Services Directorate for the fiscal year 2022/23. There are ongoing actions in progress to address areas for improvement.

List of Appendices / Appendix 1 – Finance & Corporate Services Directorate Performance

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**Appendix 1- Finance & Corporate Services Directorate Performance**

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| **FINANCE & CORPORATE SERVICES** |
| **Current Challenges & Priorities**Key challenges over the past year include:* Demand currently exceeds resource levels and capacity. Priorities, based on the future organisational model adopted and change agenda, will need to be reviewed in line with resources, capacity and risk areas. Given the financial challenge the Council faces, we anticipate a need to reduce the workforce and we may need to use NOIs to manage any staffing reduction balanced with maintaining critical skills, if possible, whilst delivering required financial savings. Additional challenge from growth areas where there is both temporary and permanent investment (equal pay project team and attendance support unit).
* There are a significant number of workforce issues facing the Council and the Directorate both supports work on these and manages the impact for the Directorate. Work around our pay strategy including significant support for equal pay work; recruitment; absence management including the development of the Attendance Support Unit, health & safety and ensuring the wellbeing of employees are critical activities where there is a strong focus.
* A challenge lies in the need to get the most benefit in what we invest in ICT software and services while changing the way we utilise solutions and data. There is a necessity to revise current approaches to align them with the Council's aspirations and objectives to join up service delivery and enabling an agile response to change.
* Replacing Legacy systems with new ones remains a complex task, as existing business processes must adapt to digital platforms. We must be mindful of the sustainability of these systems and make sure we reap the benefits of our significant investments.
* Managing finances within the current economic climate can be challenging with pressures such as inflationary increases impacting on both revenue and capital budgets. The budget position and financial monitoring are reported to the Cabinet and the Scrutiny Committees.
* Reform of the non –domestic Rating system meant that the Assessor Service required to transform its operations to meet legislative change and significantly increased workloads. A raft of new legislation introduced many changes including; three yearly revaluations (previously five), a narrower tone (valuation) date, greater transparency in approach, production of a draft Valuation Roll and a new two-stage appeal system.

In addition to Rating reform, a further change included the transfer of the functions of the Valuation Appeal Committees to the Scottish Courts and Tribunals Service on the 1st April 2023 and the Service is currently adapting to this change. The Service has grown to meet the increased workloads and changes but recruiting the correct skillsets has proved very challenging for the Service. Rating is a highly specialised field and recruitment challenges have resulted in the Service having to invest heavily in training to create a pipeline of well-trained, qualified staff to support the Service for the future, more particularly for Revaluation 2026 which will be the first three yearly revaluation to take place. The implementation of a new IT software system is currently ongoing, having been subject to many delays, and is a further challenge that the Service works to overcome.* Significant changes to electoral legislation applying to the conduct of elections and registration of electors have required resources to prepare for and implement the changes. The next major electoral event will be a general election, likely in 2024.
* Delivering the improvement actions identified as part of the Annual Governance statement will also be a priority for Legal and Democratic Service.
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| **RISKS/EMERGING RISKS** |
| The Directorate oversees the following strategic risks: * **FC001 ICT Failure**- a critical failure of council systems and information will not be available to support service delivery.
* **FC009 Poor Corporate Governance & Leadership-** a failure to adequately and consistently apply the Council’s Code of Corporate Governance and a failure of leadership.
* **FC010 Elected Members**- Failure to comply with Council Governance and Councillors’ Code of Conduct.
* **FC012 Financial Instability**- The Council and its partners fail to deliver Plan for Fife ambitions. The Council's Financial sustainability is compromised.
* **FC013 Failure to Effectively Discharge Statutory Health and Safety Obligation -** (Managing to minimise) the risk of accident, injury or harm to a member of staff, service user, contractor, or other 3rd parties.
* **FC014 Workforce Challenges –** a range of factors at national and local level which combine to create a more competitive labour market and potentially more challenging organisation to resource and develop in keeping with the Council’s vision.
* **FC015 Ineffective Information Governance-** a failure to meet statutory responsibilities under GDPR, DPA, FOISA, EIR and PR(S)A.
* **FC016 Ineffective Transformational Change Agenda/Strategic Planning-** the Council does improve significantly or at pace.
* **FC017 Legal and Regulatory Compliance Failure-** the Council does not plan effectively to meet legislative changes or is in breach of its statutory obligations.

These represent substantial risks, and we have controls in place to proactively mitigate any potential impact. |
| **KEY OUTCOMES (LGBF/P4F)** |
| As shown in chart opposite there is 1 indicator in the top quartile, 4 indicators in the 2nd quartile, 3 indicators in the 3rd quartile and 2 indicators in the bottom quartile as per table below.Key - Top quartile - Ranked 1-8 in Scotland2nd quartile - Ranked 9-16 in Scotland3rd quartile - Ranked 17-24 in ScotlandBottom quartile - Ranked 25-32 in Scotland |
| Due to the timing of the report to the Committee, the LGBF Figures for 2022/23 will not be published until 2024 on the Improvement Service website. The table below gives Fifes figures for 2022/23 from internal sources on progress. Many of the LGBF indicators are Council wide rather than for the Directorate alone. Further narrative on these indicators is detailed throughout this document.  |
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| LGBF | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Support services as a % of total gross expenditure (LGBF) | 4.76% | 5.69% | 4.51% | 4.02% | 3.55% |
| % of highest paid 5% employees who are women (LGBF) | 57.00% | 57.60% | 59.20% | 60.70% | 61.00% |
| The Gender Pay Gap (%) (LGBF) | 1.90% | -0.66% | 1.79% | 1.69% | 1.10% |
| Sickness Absence Days per Employee (excl. teachers) (LGBF)  | 13.1 | 13.85 | 11.83 | 15.29 | 15.8 |
| % of total spend that is spent locally (with businesses located in the Fife area) not with local SME’s (LGBF) | 35.50% | 31.90% | 37.20% | 40.20% | 35.08% |
| Useable reserves as a % of annual budgeted revenue (LGBF) | 7.80% | 8.40% | 19.90% | 22.50% | 24.80% |
| GF Balance as a % of annual budgeted net revenue (LGBF) | 1.80% | 2.30% | 5.40% | 3.30% | 3.80%  |
| Financing Costs to Net Revenue Stream - GF (LGBF) | 8.37% | 7.79% | 6.10% | 6.39% | 1.27% |
| Financing Costs to Net Revenue Stream - HRA (LGBF) | 20.23% | 21.54% | 22.00% | 22.04% | 23.77% |
| Actual outturn as a % of budgeted expenditure (LGBF) | 100.29% | 99.60% | 91.98% | 93.64% | 92.00% |

Support services as a percentage of total gross expenditureThe Local Government pay award and investment in ICT has contributed to the expenditure on Support Services costs, although additional funding to partially cover the cost of the pay award was received from the Scottish Local Government to balance some of these costs. Support Services have taken action which has resulted in a significant reduction in our costs.Highest-paid employees who are womenWe continue to see a rising number of women in the top 5% of earners and this is higher than the Scottish Local Authority average (58.9%). Through our work towards Equally Safe at Work accreditation, we have been focussing on gender equity in the workplace and have spotlighted female leadership within the Council.Gender Pay GapThe gender pay gap continues to be lower than the Scottish Local Authority average (2.5%), although we do still see areas of occupational segregation within areas of the workforce. We continue work to challenge traditional perceptions and stereotypes for example by using recruitment adverts showing male employees in early years settings.Sickness Absence Days per EmployeeThe long-term absence rates have increased.  The profile of sickness continues to show an increased number and duration of absences for conditions requiring hospital or medical treatment. It should be noted that the absence figures above are inclusive of Covid absences, whereas the 2022/23 SPI figures that will be published early in 2024 will show figures excluding Covid absences.To sustain a long-term improvement in the levels of absence across the council Cabinet Committee agreed additional funding to establish an Attendance Support Unit in HR to strengthen and extend current support provision. The HR Manager (Attendance Support Unit) took up post in November and recruitment is ongoing to fill the other new positions, essential to increasing wellbeing and improving attendance management. A programme of New Manager Attendance Management Induction is already underway, and many existing managers are using the opportunity to attend to check and refresh their knowledge. Additional training covering specific issues is in development, as is a generic induction video for all new employees.Procurement spent on local enterprisesThere has been a reduction in local spend in 2022-23 due to some areas of significant increase in spend with non-Fife businesses. This is largely due to disproportionate inflationary increases in areas such as utilities as well as additional spend in capital projects with a non-Fife contractor. The Procurement Service continues to promote the awarding of suitable contracts to local business wherever this provides best value for the Council and work closely with Economic Development via the Supplier Development Program to encourage local businesses to tender for Fife Council contracts. Useable reserves as a percentage of annual budgeted revenueApplication of the revised accounting guidance in respect of Service Concession arrangements resulted in a significant underspend in Loan Charges budget which made a significant contribution to the balances position. This accounts for the increase in the level of useable reserve as a percentage of budgeted revenue. These will be used to fund additional capital expenditure and will reduce over time.GF Balance as a percentage of annual budgeted revenueApplication of the revised accounting guidance in respect of Service Concession arrangements resulted in a significant underspend in Loan Charges budget which made a significant contribution to the general fund balances position. This accounts for the percentage increase which has offset where balances have been used. Financing costs to net revenue stream – GFApplication of the revised accounting guidance in respect of Service Concession arrangements resulted in a reduction in the cost of borrowing for 2022-23 as the benefits generated were realised in year. As a result of this cost reduction, the percentage to net revenue stream has reduced significantly. The percentage is expected to increase again in future years reflecting the levels of borrowing required to finance the capital plan. Financing costs to net revenue stream – HRAThis financing costs to Net Revenue Stream (HRA) indicator has steadily increased reflecting increased capital expenditure on HRA and Affordable Housing, therefore there is an increased cost of covering the borrowing associated with these projects. This remains fairly constant at 23.77% for 2022-23 and is in line with the agreed levels per the HRA Business Plan.Actual Outturn as a percentage of budgeted expenditureThe actual outturn as a % of budgeted expenditure prior to 2021 was around 100% reflecting that Directorates more or less managed expenditure to their overall budgets. In 2020-21 the percentage decreased to 91.98% which reflected the impact of the Pandemic. In addition, a significant amount of government funding was received late in 2020-21 and had to be carried forward. The percentage of 92% reflects continued levels of one-off government funding that is held in committed balances plus a change in accounting treatment for some ring-fenced grants and Service Concession arrangements as noted above. |

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| A RAG has been added to the following sections of the Template: -

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| **Key to Council Scorecard Results Tables**  |
|  Green (G) | Performance improved, or above target and no action required | Amber (A) | Performance static, slightly below target and action in place  | Red (R) | Performance significantly worse, and requires immediate action |
| **N/A**  | Not Available to report  | **DIV/0** | Zero response |  |

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| **CUSTOMER** |
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| **PI Short Name** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Q1 2023/24** | **Q2 2023/24** |
| F&CS Stage 1 Complaints actioned < 5 days | 79% | 95% | 100% |  96% (G) | 100% | 100% |
| F&CS Stage 2 Complaints actioned < 20 days | 75% | 100% | 100% | 100% (G) | 0 | 100% |

The Directorate consistently handles complaints promptly and takes necessary actions, to enhance service delivery and address concerns effectively. The number of complaints remains minimal, given that the Directorate primarily focuses on supporting internal customers rather than external ones.  |
| **RESOURCES** |
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| **PI Short Name** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Q1 2023/24** | **Q2 2023/24** |
| Finance & Corporate Services - Average WDL per FTE | 10.51 | N/A | 9.77 | 11.32 (R) | 12.15 | 11.52 |
| Finance & Corporate Services - Average Long-Term WDL per FTE | 6.32 | N/A | 7.36 | 7.94 (A) | 8.28 | 8.2 |
| Finance & Corporate Services Workforce who are Female (%) | 73.20% | 73.50% | 74.90% | 74.40% (G) | N/A | N/A |
| Finance & Corporate Services Workforce who are Full-time (%) | 77.40% | 76.50% | 73.00% | 75.30% (G) | N/A | N/A |
| Finance & Corporate Services Workforce who are Permanent Employees (%) | 76.80% | 78.60% | 95.60% | 96.30% (G) | N/A | N/A |
| Finance & Corporate Services Employees aged 24 and under (%) | 5.00% | 4.70% | 3.70% | 5.70% (G) | N/A | N/A |
| Finance & Corporate Services Employees aged 29 and under (%) | 10.20% | 9.50% | 8.10% | 10.10%(G) | N/A | N/A |
| Finance & Corporate Services Employees aged 55 and over (%) | 24.20% | 25.80% | 29.40% | 27.50% (G) | N/A | N/A |
| Finance & Corporate Services Number of Voluntary Redundancies (FTEs) | 17 | 2 | 4 | 1 | N/A | N/A |
| Finance & Corporate Services Number of WYI Bids | 12 | 3 | 2 | 7 (G) | N/A | N/A |
| Finance & Corporate Services Number of WYI Programme new starts | 5 | 0 | 5 | 6 (G) | N/A | N/A |

* In 2021/22, as we returned to work either in full or on a blended workstyle basis, our absence rate has increased but remains lower than pre-pandemic levels, perhaps in part due to the flexibility many staff have in the way they work. In 2022/23, as we have returned to a post-pandemic period our levels of absence have increased perhaps due to the increase in employees mixing with more people and the levels of transmission of ailments increasing due to no restrictions being in place. However, Finance and Corporate Services, at an average of 11.32 average working days lost for the rolling year to 31 March 2023, sits below the Fife Council average of 14.02 average working days lost (or average of 15.85, if teachers’ absence is excluded).
* Our headcount by age range peaks at 55 to 59, and we have approximately the same number of staff aged 50 to 54 as we do under the age of 40. This demographic is seen across the Council. This is concerning as there is a desire to bring more young people into the workforce however this is limited given the stable state of the workforce. However, there was an increase in the workforce aged under 30 in the past year.
* Services in the Directorate have continued to find retaining skilled staff and attracting new talent challenging. Our workforce strategy (Our People Matter) sets out our strategic commitment to addressing those challenges and our work in Services and at a corporate level on workforce planning explores and tests solutions.
* In addressing these challenges, as part of the first cycle of workforce planning activities, Services across the Directorate have identified key areas for action, including upskilling staff and identifying training and development needs to improve staff retention, succession planning, and increasing opportunities for young people and taking a grow our own talent approach.
* Good progress has been made in addressing the ageing profile of the Directorate. Notably, 46% of new starts in 2022/23 were under the age of 30.
* The Directorate has supported new starts through the Workforce Youth Investment (WYI) Programme. This has been very successful. Services were able to start 6 young people during 2022/23 utilising WYI funding, including 5 Modern Apprentices across Business Support, Finance, Electoral Services and Procurement and a Fire Safety Trainee within HR. Of these 6, 2 have already went on to successfully gain permanent roles within the Directorate.

The table below provides information on **Finance and Corporate Services** workforce data by Budgeted (FTE) for the current year and the last 4 years.

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| **Budgeted (FTE) April 2019** | **Budgeted (FTE) April 2020** | **Budgeted (FTE) April 2021** | **Budgeted (FTE) April 2022** | **Budgeted (FTE) April 2023** | **Difference in FTE 2022-2023** |
| 1,272.16 | 1,102.11 | 1,069.42 | 1,033.90 | 1046.73 | 12.83 |

There has been some increase in the establishment since April 2022. This mainly relates to additional funded posts, where we have seen temporary and longer-term investment to increase resource capacity. We have also seen some in-service restructuring which has realigned positions and impacted on FTE. |
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| **SERVICE OPERATIONS** |
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| **PI Short Name** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Q1 2023/24** | **Q2 2023/24** |
| Invoices sampled that were paid within 30 days (%)  | 96.90% | 94.60% | 93.80% | 92.80%(A) | 95.60% | 97.9% |

The introduction of a new system, coupled with the challenges posed by the pandemic, resulted in a temporary dip in the performance of this indicator in 2022/23. However, it is encouraging to see a subsequent improvement. In 2023 new technology known as Intelligent Document Recognition (IDR) was implemented to enhance the invoice payment process. The automation of part of the manual process within Accounts Payable has resulted in a notable improvement in the efficiency of invoices being paid within 30 days. We aspire to achieve a position in the top quartile once the LGBF indicators are published.**#** |