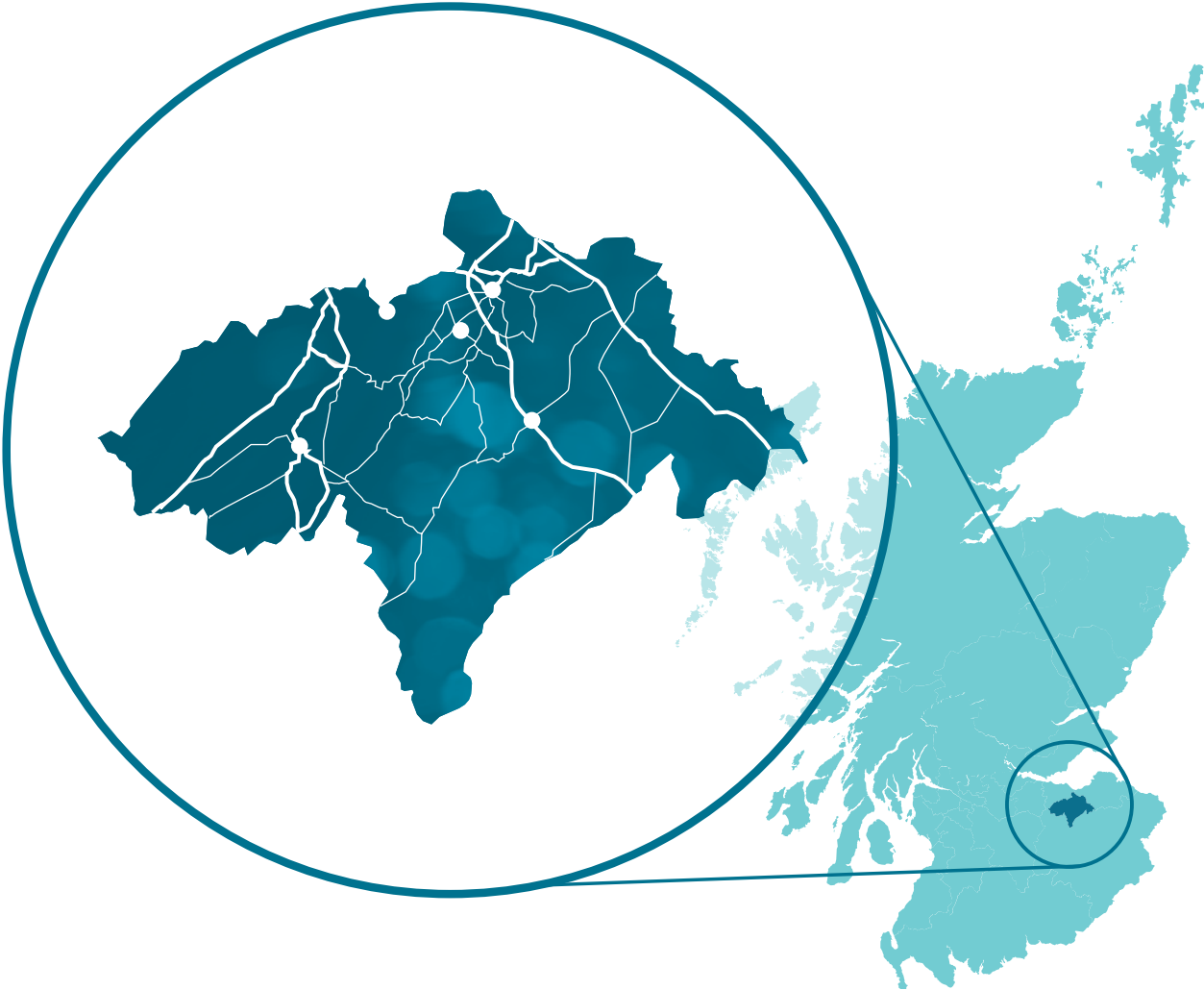


Best Value Assurance Report

Midlothian Council



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
July 2019


The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Key facts

Midlothian



136.6
square
miles

Area

91,340

Population

3,764

Workforce

18

Elected members

7 Scottish National Party
6 Scottish Labour
5 Conservative and Unionist

6,864

Council houses

£201
million

2018/19
revenue budget¹

£28.4
million

2018/19
capital budget²

£14.5
million

Budget gap
2020/21–2022/23

1. Revenue budget covers day-to-day costs such as wages.

2. Capital budget covers the cost of major projects such as schools and housing.

Commission findings



- 1** The Commission accepts the Controller of Audit's report on Best Value in Midlothian Council. We endorse the recommendations set out by the Controller in his report and expect the council to act upon them.
- 2** Midlothian is an area experiencing rapid population growth, putting pressures on public services. This, combined with the council's increasing funding gap, brings significant challenges in the medium to longer-term.
- 3** The council must make significantly better progress against its Best Value obligations. It has not made satisfactory progress since our previous Best Value report in 2012. Until progress is made, we cannot be confident that the council is well placed to deal with the significant cumulative funding gap of £14.5 million in the three years to 2022/23.
- 4** We emphasise the urgent need for the council to put in place a medium-term financial strategy to underpin better financial and service planning. It is encouraging that the new chief executive is making progress in implementing a recovery plan. This has led to a projected balanced budget for 2018/19 following overspends in the past two years.
- 5** We commend the council and its partners for delivering high-profile projects in schools, housing and transport. These are reshaping Midlothian's public services and will help to meet population demands. However, we note underspend and slippage in the current capital plan. The council should assure itself that it has the capacity and skills to deliver on its ambitious and increasing capital programme.
- 6** Elected members need to show better leadership to deliver the necessary change and make difficult decisions about the future shape of services. The duty of Best Value is a responsibility of all elected members. We expect members to work together, and with officers, to fulfil their corporate responsibilities. We are pleased that elected members are developing their scrutiny responsibilities; we urge members to take up training and development opportunities, including personal development planning.
- 7** The council is improving services in priority areas such as education and services for children. While there is a mixed picture in the performance of services overall, it is encouraging that the council can identify where and how to improve.

- 8** The council's record of good joint working with its partners will be helpful in dealing with the challenges it faces, as will be continuing to develop its good working with communities. We encourage the council to continue working with its employees to help shape and deliver the transformation required in how it delivers services.
 - 9** Our auditors will maintain a close interest in the council's progress and the Controller of Audit will keep us updated as appropriate.
-

Audit approach



1. The statutory duty of Best Value was introduced in the Local Government in Scotland Act 2003. The audit of Best Value is a continuous process that forms part of the annual audit of every council. Findings are reported each year through the Annual Audit Report. In addition, the Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first assurance report on Midlothian Council. The findings from previous Best Value reports on the council are summarised in [Exhibit 14 \(page 44\)](#).

2. This report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, focusing particularly on the Commission's Strategic Audit Priorities. We are looking for councils to demonstrate Best Value by showing continuous improvement in how they deliver services. Depth of improvement refers to the extent to which services implement improvements across a council. The pace and depth of this improvement is key to how well councils meet their priorities in the future.

3. Our audit approach is proportionate and risk-based, and so reflects the context, risks and performance of the individual council. It also draws on the intelligence gathered from audit and scrutiny work carried out in previous years. In keeping with this approach, we did some initial work to identify risks and council initiatives to build into the scope of our audit. This included a review of previous audit and inspection reports and intelligence, review of key council documents, initial meetings with senior officers and reflecting on our wider public sector knowledge and experience. Key areas of focus for our audit are shown in [Exhibit 1 \(page 8\)](#).

4. The detailed audit work for this report was undertaken between January and March 2019. Our audit work included:

- interviews with elected members and senior officers
- observing a range of council and committee meetings
- reviewing relevant documents.

Exhibit 1

Key areas of focus for our audit



Leadership and strategic direction

How well the leadership of the council works together to deliver the priorities identified under the Single Midlothian Plan.



Performance and outcomes

An overall assessment of outcomes and performance with a focus on key service areas, and the council's reporting on these.



Change and improvement plans including:

- delivery of significant initiatives
- delivery of services to children and young people and adult social care
- delivery of council transformation.



Process and results of self-evaluation

How effectively the council implements methods of self-assessment to drive continuous improvement.



Financial management and financial planning

How well it is planning its finances now and for the future.



Workforce planning

How well it is planning the workforce that it needs to deliver services now and in the future.



Community and citizen engagement

What is being done to make sure people have a say in the planning of services and how they are provided.



Transformational change and service redesign

How new and more effective ways of providing local services are developed.

Source: Audit Scotland

5. The audit work was carried out by a joint team from Audit Scotland and Ernst & Young LLP, the appointed auditor. Audit work in future years, performed as part of annual audits, will include a follow-up on the findings from this report and additional audit work on other Best Value characteristics as appropriate.

6. We gratefully acknowledge the cooperation and assistance provided to the audit team by all elected members and officers contacted during the audit.

Key messages



- 1** The council has delivered a number of ambitious projects since the last Best Value report, including schools, community campuses, housing and transport. Its overall pace of improvement is mixed. The council still needs to focus on some of the key requirements for Best Value, including financial sustainability, financial management and transformation. From 2016 onwards, the council has used its reserves rather than making some difficult decisions.
- 2** The council has made limited progress on its corporate transformation programme. This has contributed to its difficulties in reaching a sustainable financial position. The council has a lot to do to address the challenges that it faces and to deliver continuous improvement. It is focused on key priorities, but there are risks around the council's successful delivery of change due to its past track record and the scale of the challenge.
- 3** Midlothian Council has the fastest growing population in Scotland. Along with an increasing funding gap, this means the council is facing significant challenges in the medium and longer-term. It has set out its plans for delivering education and housing to meet its increasing population, but it has still to agree and implement its medium-term financial strategy. Officers plan to present this to council in June.
- 4** There has been a lot of change in political leadership at the council in recent years. The council has had a minority administration since 2012 and elected members and officers have had to adapt and work in different ways. There are some tensions in relationships that can impact on the effectiveness of council business. Political leadership needs to improve through a shared responsibility to deliver Best Value. Elected members need to work together to urgently agree the medium-term financial strategy and transformation programme, required to address the council's challenges.
- 5** Performance across services is mixed and the council is among the middle performing councils using benchmarking indicators. There is evidence of improvement in some of the council's priority areas, including improving outcomes for children and young people. The council makes good use of data to understand and improve its performance.

- 6 Partnership working continues to be a strength at the council. It works well with its partners on the Community Planning Partnership (CPP) and the Integration Joint Board (IJB). The council and its partners are working to a shared vision for the area through the Single Midlothian Plan. The council is working with its communities to deliver improvements and needs to build on this further with greater community involvement. It is taking action to further improve its relationships with the third sector.
-

Part 1

Does the council have clear strategic direction?



Midlothian Council faces significant challenges from a fast-growing population. This impacts on housing, schools, transport and broader infrastructure. Since our last Best Value audit, the council has delivered several ambitious initiatives.

The council and CPP have one shared vision for Midlothian. The vision is broad with short-term priorities that reflect local needs. The council could refine its vision to ensure that it focuses its activity effectively.

The council has a lot to do to address its challenges and to deliver continuous improvement. It is focused on key priorities, but political leadership needs to improve through a shared responsibility to deliver Best Value.

All elected members need to work together to urgently agree the medium-term financial strategy and the changes to service delivery required to achieve financial sustainability and deliver the council's priorities.

Midlothian council faces a number of challenges with the highest population growth and high rates of housing and transport development

7. Midlothian council is based around 16 communities with a mix of towns and rural areas. It is the fifth smallest Scottish mainland council by population and is the fastest growing by population according to 2026 estimates. Compared with the rest of Scotland, Midlothian has:

- a larger than average percentage of young people
- a smaller than average percentage of working-age people
- a pensionable age population in line with the average.

8. Between 1998 and 2018 Midlothian's population increased by 14 per cent, the fifth highest change in Scotland. Based on 2016 projections, the population of Midlothian is expected to increase to 100,410 by 2026, an increase of approximately 13.3 per cent.¹ Midlothian Council is responding to this growth through its local development plans (LDPs). These designate areas for housing and economic development ([Exhibit 2, page 13](#)).

9. The LDPs identify two phases of growth: 2009–19 with 8,080 new homes, and 2019–20 with 4,410 new homes being built. The financial crash of 2008 meant that private developers held back from building homes, resulting in the current acceleration in house building. During the first phase of growth 5,590 new homes were built of the 8,080 target. Since 2008/09 Midlothian has ranked in the top four council areas for new homes built per 1,000 households across all sectors, including the private sector.² Midlothian's new housing brings with it a rise in the school-age population, with a projected 18 per cent rise in the under-16 population by 2026. This presents challenges for the council because of the costs of developing and staffing new schools and in delivering social care services.

10. Midlothian is part of the Edinburgh and South East Scotland City region. The Midlothian economy is rooted in the traditional and primary industries, but with a growing number of high-technology enterprises. Key business sectors include animal biosciences, life sciences, marine engineering and construction. Many such businesses are situated in the Midlothian Science Zone. The public sector is the largest employer.

11. Transport statistics show that 47.5 per cent of the Midlothian population in 2011 travelled to Edinburgh while 19.5 per cent of people working in Midlothian live in Edinburgh. More recent figures indicate a fairly static picture based on survey data.³ Unemployment in Midlothian in 2018 was 3.7 per cent, compared with a Scottish average of 4.3 per cent. Median weekly earnings for residents and employees in Midlothian in 2018 were £537.20 and £544.40 respectively. This is lower than the median weekly earnings of £562.70 across Scotland.⁴

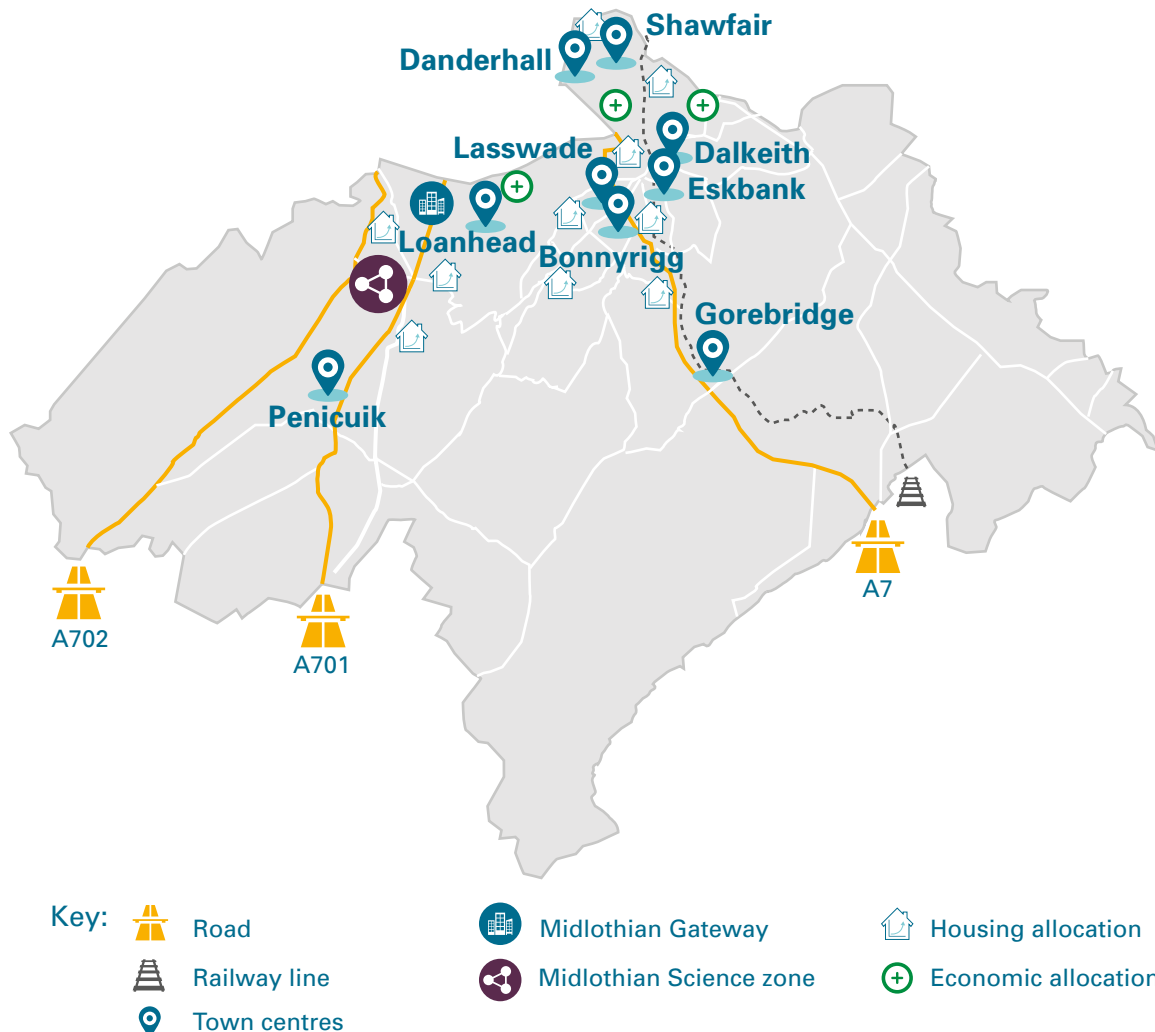
12. The LDPs also set out areas of natural beauty such as the Pentland and Moorfoot hills and the Esk Valley. On the eastern slope of the Pentlands is the council's snowsports centre, Hillend, which has Britain's biggest artificial slope.⁵

13. The area has six wards – Bonnyrigg, Dalkeith, Midlothian East, Midlothian West, Midlothian South and Penicuik – each represented jointly by three councillors. There are 16 community councils across Midlothian.

Exhibit 2

Map of Midlothian showing principal towns, roads, and areas identified for housing and economic use

The Midlothian Science Zone is an established bioscience location for research and development. The Midlothian Gateway sits on the A701 corridor development area, and includes improvements to the current Straiton Commercial centre and creation of a mixed-use development.



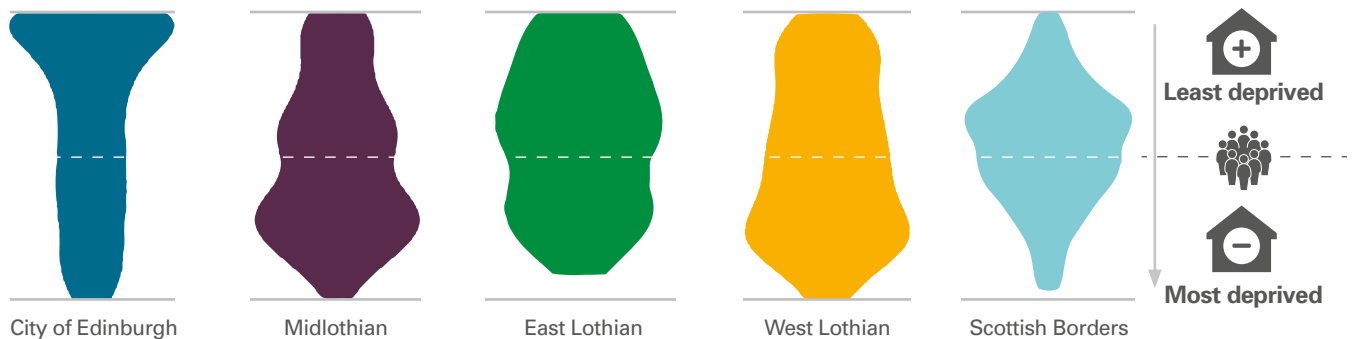
Source: Midlothian Council Local Development Plan 2017

14. Midlothian's profile of deprivation suggests that relatively few households are at the extremes, that is, relatively few are in the most- or least-deprived areas ([Exhibit 3, page 14](#)). There are 13 datazones in the 20 per cent most-deprived areas, and 18 datazones in the 20 per cent least-deprived areas. The Midlothian CPP targets three areas of deprivation – Dalkeith Central/Woodburn, Mayfield/Easthouses and Gorebridge.

Exhibit 3

The distribution of deprivation in Midlothian and the other council areas in the city region area

In Midlothian overall, a higher proportion of households are in more-deprived than in less-deprived areas.



Note: The top of the shape shows the proportion of the population in the least deprived areas, working down to the proportion of the population in the most deprived areas.

Source: Open Data Manchester using Scottish Index of Multiple Deprivation (SIMD), 2016. SIMD is the official tool for identifying the most deprived areas in Scotland. It looks at multiple aspects of deprivation such as resources and opportunities as well as low income.

Since our last Best Value audit, the council has delivered several ambitious initiatives.

15. The last Best Value report on Midlothian Council was published in 2012. Since then, the council has delivered several ambitious initiatives such as:

- The Learning Estate Strategy:** the council completed a school catchment review in December 2015. This informed the council's Learning Estate Strategy which was approved by council in 2017. Since 2015/16, it has invested £35 million in secondary schools and £37.2 million in primary, nursery and early years establishments. This includes building five new schools and additions to four schools ([Case study 1, page 25](#) on the Newbattle Digital Centre of Excellence). As a growing council, Midlothian anticipates that its schools will reach their highest capacity in 2042 and its Learning Estate Strategy seeks to avoid over-provision.
- Improvements to transport links:** in September 2015, four new railway stations in Midlothian, on the Edinburgh to Borders line, opened. The council had a key role in coordinating the work required to open these stations through the Borders Railway Blueprint Partnership. This group still meets to maximise the opportunities created by these railway links, including tourism growth and improved access to labour markets, education centres and new housing developments.
- Commencing work on Shawfair new town:** the council has planned for a new community at Shawfair, merging with the community at Danderhall. This will consist of 4,000 new homes, businesses, schools, community facilities and a new town centre around the Shawfair Railway station, constructed as part of the Border's rail project. Planning permission was granted in 2015/16. The first phase includes green space for residents and traditional housing. The council's Learning Estate Strategy includes delivering school provision at all levels. An energy-from-waste plant has

been built at Millerhill, near the eastern boundary of Shawfair, and it began producing energy from its turbine in December 2018. Heat from waste will be generated via a district heating scheme in the new Shawfair settlement. Shawfair and Danderhall will have an estimated population of 12,000. This will make it one of the larger Midlothian towns, compared with Penicuik (16,300) and Dalkeith (13,700).

- **Building social housing:** the need for social housing in Midlothian is great, with over 4,000 applicants on the council's housing waiting list. The council is responsible for 6,864 dwellings, and its stock has increased by 15 per cent over the past ten years. The council has improved the condition of its housing stock, increasing the percentage that meet Scottish Household Quality standard criteria from 40.2 per cent in 2009/10 to 96.4 per cent in 2017/18. The council's Strategic Housing Investment Plan for 2019/20 to 2023/24 states that it is committed to building 1,000 new council houses by March 2022 and requires 25 per cent of any new private development to be affordable housing.

The council and its partners have a broad vision and a clear focus on short-term priorities

16. There is a single vision for the Midlothian area, the Single Midlothian Plan. This sets out the vision of the council and its partners in the CPP and directs the council's work.⁶ The vision is structured around five broad objectives and three short-term priorities ([Exhibit 4, page 16](#)). The five themes are:

- Adult health and care
- Sustainable growth Midlothian
- Getting it right for every Midlothian child
- Community safety
- Improving opportunities Midlothian.

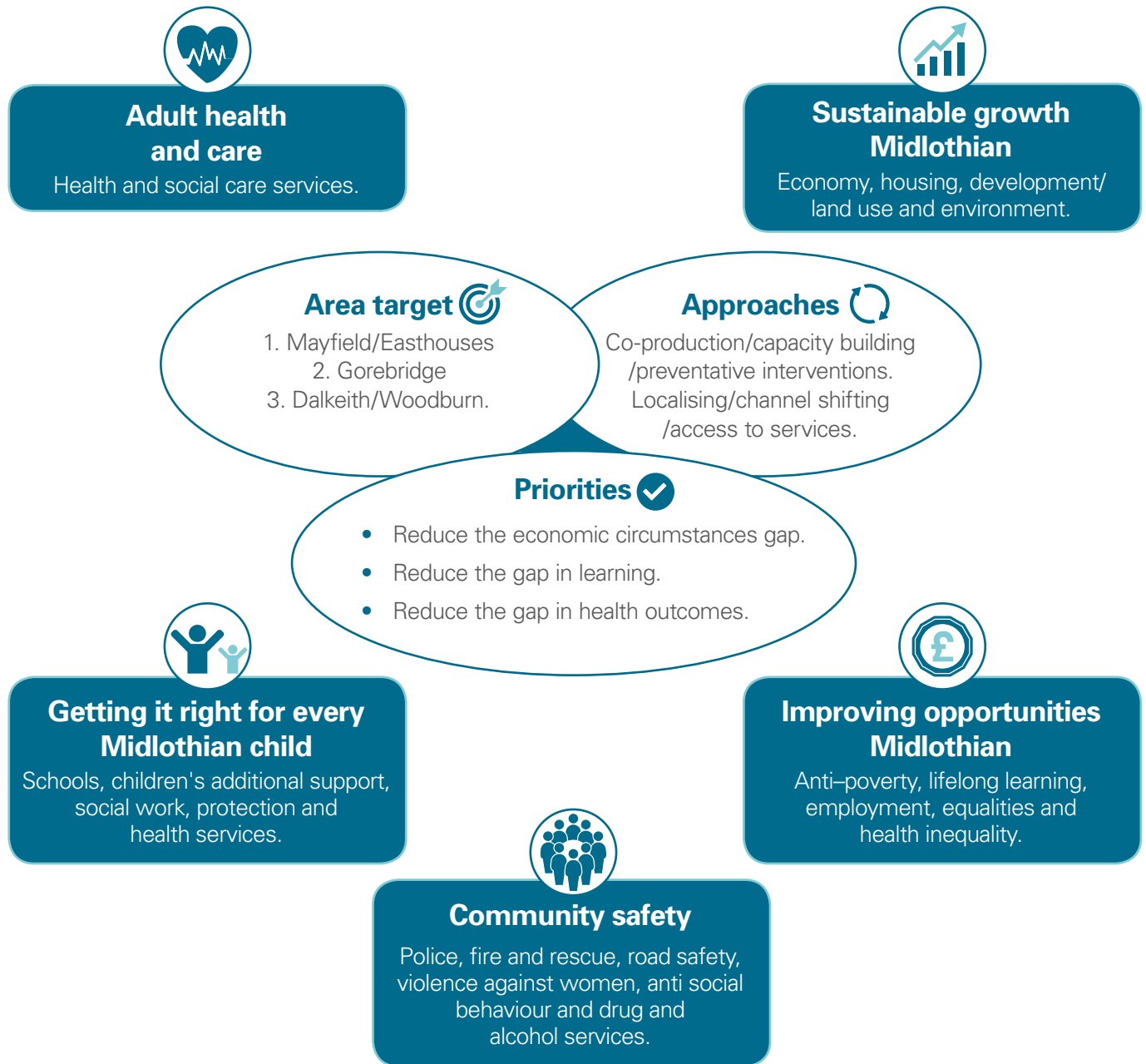
17. The vision is very broad but the three short-term priorities give it focus on reducing inequality in economic circumstances, learning outcomes and health outcomes. The council and the CPP use comprehensive performance indicators to evaluate performance in terms of progress towards achieving the five objectives and three priorities, as detailed in [Part 2](#). There are clear links between the Single Midlothian Plan and the service plans that direct the work of individual services and departments.

18. The CPP, supported by the council, has adopted an inclusive approach to developing the vision. It holds annual away days and these have been very well attended by community groups and third sector bodies. These days are used to discuss the vision and update the Single Midlothian Plan on an annual basis. At the 2019 planning day, the CPP agreed that continuing to focus on reducing inequality was important.

Exhibit 4

The vision set out in the Single Midlothian Plan 2018/19

The vision has five broad themes, three short-term priorities and three geographical target areas.



Source: Single Midlothian Plan 2018/19

19. Current work at the council will impact on its future vision. In February 2018, the council established a programme 'Services with Communities' aimed at transforming services through working more closely with communities ([paragraphs 125–126](#)). At the beginning of 2019, a member of staff was seconded to lead this project. This will include consulting with communities to get their views on the area's challenges and how communities could become more involved in planning and

co-producing services. A co-production approach gives more power to community organisations, involving them in defining the issues, designing the response and delivering the actions that are identified. Once this work is complete, the council should refine its vision. The council needs to be realistic about what it can deliver, given the scale of its current challenges and the capacity of its workforce.

There has been a great deal of change in the political leadership of the council

20. The past two local government elections have brought a great deal of change in the political leadership of Midlothian Council:

- 2017 election – this resulted in close three-party representation in Midlothian for the first time, with seven Scottish Labour, six SNP and five Conservative and Unionist members. Labour formed a minority administration. A by-election in 2018, after the death of the Labour provost, saw the SNP win the seat. Two-thirds of elected members were newly elected.
- 2012 election – eight SNP, eight Labour, one independent and one Green. The SNP formed a minority administration for the first time in the council's history, working with the independent member. The leader of the council changed four times over the course of the administration.
- 1996 to 2012 – 16 years of a majority Labour administration.



21. These changes have meant that officers and elected members have needed to find new ways of working together, particularly working with a minority administration, when they have been used to a Cabinet arrangement under a majority. Elected members have also needed to find new ways of working together and they need to continue to build on this.

The council needs to develop and sustain more constructive relationships between members and between members and officers

22. There are tensions in some of the relationships between members. Elected members have opted out of attending and participating in some important cross-party groups, such as the group overseeing the council's business transformation programme, the Business Transformation Steering Group (BTSG). Elected members have felt that political point-scoring within the public chamber has prevented more of a consensus from being reached across parties. These tensions could impede elected members of all parties taking responsibility for addressing the council's current and future financial challenges.

23. There are signs that relationships between members are improving, with some recent examples of elected members working together, constructively and across political parties, to good effect. The IJB has cross-party membership and has worked well, agreeing the three-year IJB strategic plan and scrutinising service performance. An education working group was established in October 2018 and again, this is a cross-party group. The group has become more proactive since it started, asking for further information and providing a forum for frank and open discussion before matters are debated and decided on at the full council. Elected members should build on these positive examples of effective cross-party working.

24. The council also needs to develop and sustain more constructive relationships between elected members and officers. In the past, elected members have used the mechanism of presenting motions to alter the recommendations set out by officers within a report. There is a risk with this method of decision-making that officers will not have been able to work through the implications of amended recommendations in their entirety. There have been occasions when elected members of the Planning Committee have decided to waive developer contributions to local infrastructure, meaning that officers have to identify further sources of funding for the infrastructure needed to support the areas of growth. There is also a perception among some elected members that some officers are reluctant to discuss new ideas and how the council could do things differently.

25. It is a steep learning curve for newly elected members to develop the skills necessary for making decisions in a council. The Accounts Commission has produced guidance to support members in their roles, such as the How councils work reports [Roles and Relationships: are you getting it right?](#)  and [Safeguarding public money: are you getting it right?](#) .⁷ Elected members should consider whether they need additional training to help them fulfil their role ([paragraphs 59–62](#)).

The chief executive is focused on a number of key areas for improvement. The senior management team will need to work together to address current challenges

26. The council is aware of where it needs to improve. Its focus is on putting in place a medium-term financial strategy that sets out the implications of available resources on current and future service delivery. This will be supported by improved financial planning to support its longer-term plans and improving financial management so that it can deliver those plans. It can demonstrate good examples of working across council services ([Part 4](#)) but recognises that it can do more. Therefore, it launched its one council initiative in June 2016, encouraging a culture where there is greater understanding by officers of responsibilities and pressures across service areas, to encourage better decision-making.

27. There have been a number of changes at senior officer level which, when combined with the changes in elected members, has added to a period of significant change since the last local government election. The current chief executive took up post in August 2018 and has focused on a number of key areas for improvement. The council is working towards transformation including working with communities to identify how they can plan and deliver services together in future, in the context of the council's financial challenges ([Part 5](#)). The Strategic Leadership Group (SLG) needs to continue to work collectively, finding solutions to service pressures and capacity difficulties, to address the challenges facing the council.

Political leadership needs to improve through recognising a shared responsibility to deliver Best Value

28. It is essential that all members recognise that they share the responsibility for delivering Best Value. All members need to come together, demonstrate shared ownership and accountability and work together to agree the medium-term financial strategy and transformation programme. It is important that the council moves from investing significant staff energy into an annual budget process and instead takes a longer-term view in order to support its vision for Midlothian. This is another reason why it is so important that the council agrees the medium-term financial strategy.

Part 2

How well is the council performing?



Overall the council's performance against the objectives and short-term priorities in the vision is mixed. Service performance is also mixed.

There are good examples of the council taking action to improve performance. Performance has improved in some priority areas, particularly in services for children and young people.

The council makes good use of data to understand and improve its performance.

The level of scrutiny by elected members is improving but remains inconsistent.

29. In this section we consider performance against the five broad themes and three short-term priorities in the council's vision, and how performance compares with others using national data. We also comment in more detail on young people's services, adult social care and customer care. The council has delegated services to the IJB, including adult health and social care and supported housing services. The Midlothian Health and Social Care Partnership is responsible for delivering those services.







Overall performance against the objectives and priorities in the council's vision is mixed

30. As outlined in [Part 1](#), the vision of the Single Midlothian Plan has five broad objectives and three short-term priorities. The CPP tracks performance against this vision and [Exhibit 5 \(page 20\)](#) shows performance against the five broad themes. There are different results because the Annual Performance Report presents information across indicators for all partners in the CPP. The Balanced Scorecard presents information on indicators for services for which the council is directly responsible.

Exhibit 5

Performance against target for objectives in the Midlothian Vision, Annual Performance Report and Balanced Scorecard, 2017/18

Overall performance is mixed. The council is meeting more of its targets for 'Improving opportunities in Midlothian' and 'Sustainable growth'.

 Vision objective	Annual performance report (CPP indicators)		Balanced scorecard (council-only indicators)	
	with target	on target	with target	on target
 Adult health and care	14	71.4%	7	66.7%
 Community safety	17	50.0%	7	33.3%
 Getting it right for every Midlothian child	18	40.0%	20	72.2%
 Improving opportunities in Midlothian	34	58.1%	8	83.3%
 Sustainable growth	44	86.0%	14	80.0%

Note. Some percentages are based on lower numbers of targets than shown in the table, because we have excluded indicators that did not have up to date data.

Source: Audit Scotland analysis of Midlothian Council Annual Performance Report 2017/18 and Balanced Scorecard 2017/18





31. Midlothian Council is meeting more of its targets for 'Improving opportunities in Midlothian' and 'Sustainable growth' than it is for its other objectives and priorities. Examples of what it is doing well include the number of environmental awards which were obtained, such as green flags, and completing all neighbourhood plans. Community safety is an area where the council is not performing as well, missing its targets for the number of antisocial behaviour orders breached and number of community payback orders completed.

32. [Exhibit 6 \(page 21\)](#) shows performance against the three short-term priorities in the Single Midlothian Plan. The council has met more of its targets for reducing the gap in economic circumstances. The council has not met as many of its targets in the area of reducing the gap in learning outcomes, although it has improved in this area ([paragraphs 46–51](#)).

Exhibit 6

Performance against the short-term priorities, 2017/18

The council is meeting more of its targets for reducing the gap in economic circumstances than for the other short-term priorities.

 Short-term performance in Midlothian Council	Indicators	
	with target	on target
 Reducing the gap in economic circumstances	7	71.4%
 Reducing the gap in health outcomes	5	66.7%
 Reducing the gap in learning outcomes	8	50.0%

Note. Some percentages are based on lower numbers of targets than shown in the table, because we have excluded indicators that did not have up to date data.

Source: Audit Scotland analysis of Midlothian Council Balanced Scorecard 2017/18

33. The council tracks its performance against a wide number of indicators for information. There are a total of 139 indicators shared across the CPP (92 without targets) and 92 indicators for the council (46 without targets). The CPP and the council also consider updates against actions. These track progress against the actions which sit alongside corresponding performance indicators. It is not appropriate for all indicators to have targets but the council should consider whether it could provide greater clarity on its use of targets. It could more clearly state which are its priority indicators against its five broad objectives. It could also state why some of its targets are only to maintain or reduce performance.

National indicators show that the council's overall performance across services is mixed

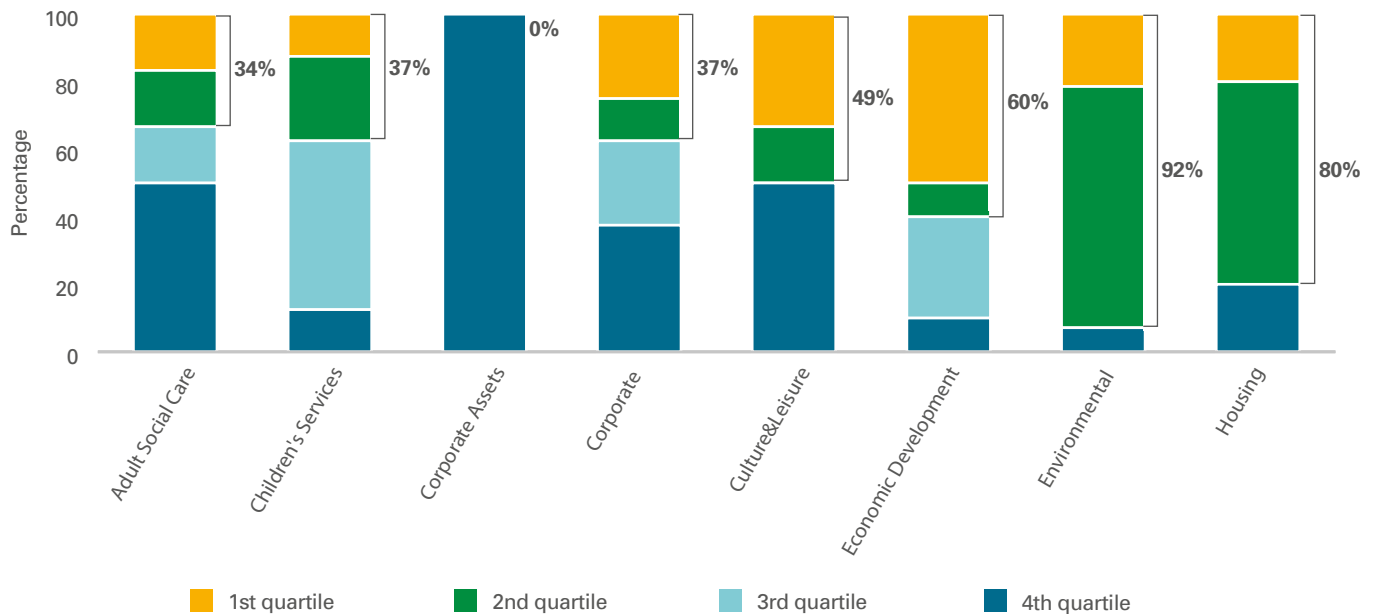
34. The council presents annual reports analysing the Local Government Benchmarking Framework (LGBF) indicators to Cabinet and to the Performance Review and Scrutiny Committee ([Exhibit 7, page 22](#)). The LGBF brings together information about how all Scottish councils perform in delivering services. The framework lets the council compare its performance against the Scottish average and other councils. Indicators are divided into service areas and performance relative to other councils can be seen by the proportion of indicators in each quartile.

35. For Midlothian Council, the majority of housing, environmental and economic development indicators are in the top two quartiles, indicating comparatively better performance in these areas. However, Scottish Housing Regulator (SHR) indicators for housing services do not show as positive a picture of performance. These show poorer performance with service quality and for services to homeless people and gypsy/travellers. The SHR has indicated that it will work more closely with the council because of these concerns.

Exhibit 7

Council's own reporting on 2017/18 LGBF performance indicators, February 2019

There is a spread of performance across council services.



Notes:

1. Children's services includes education.
2. Children's services is missing 11 indicators which were not available at the time of publication.
3. Corporate includes indicators of sickness absence; council tax collection; spend on support services etc. Corporate Assets includes indicators on the suitability and condition of council buildings.

Source: Midlothian Council's analysis of 74 LGBF indicators based on 2017/18 data, February 2019

36. Exhibit 8 (page 23) shows our analysis of council performance since 2013/14, based on selected LGBF indicators which mostly relate to outcomes. This does not show an overall pattern of improvement, with the percentage of indicators in the top two quartiles fluctuating between 47 and 53 per cent. Midlothian has 51 per cent of the selected LGBF indicators in the top two quartiles, ranked 13 out of 32 councils in Scotland in 2017/18.

37. Comparative performance can also be measured using the **Community Planning Outcomes Profile** (CPOP) data set. These indicators are relevant to the CPP as a whole, including the IJB and its delegated service areas. This shows a more positive picture, with improving performance in twelve indicators, decline in five and static performance in one indicator. Examples of improving and declining CPOP indicators are:

- Percentage of primary 1 pupils with a healthy Body Mass Index improved by 1.9 percentage points between 2007/08 to 2017/18.
- Early mortality reduced by 5.7 per cent between 2007/08 and 2017/18.
- There were 4,740 more unplanned hospital attendances in 2017/18 compared to 2007/08.
- Emergency admissions increased by 1,098 between 2007/08 and 2017/18.



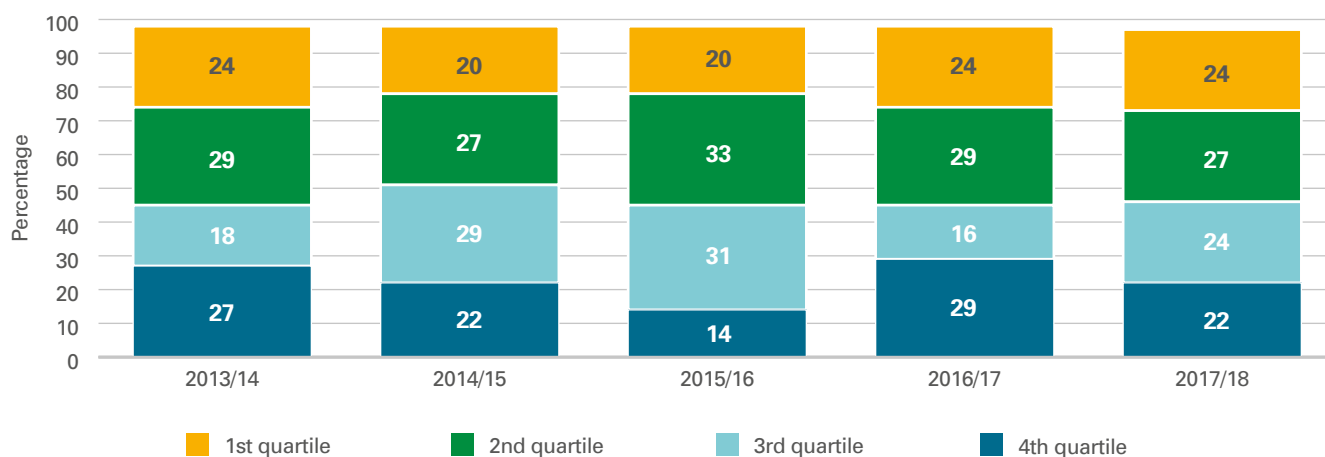
The Community Planning Outcomes Profile is a tool that can assess if the lives of people in a community are improving, using a set of core measures on important life outcomes.

Source:
Improvement Service

Exhibit 8

Analysis of LGBF indicators, 2013/14 to 2017/18

Audit Scotland's analysis shows that the number of indicators in the top two quartiles has fluctuated.



Note: Audit Scotland LGBF performance analysis is based upon 49 single-year, mainly outcomes-based, indicators which were reported on as part of the LGBF every year within the five-year period. Where a council did not supply data for one of the 49 indicators we have excluded this from our analysis and so reported totals may not equal 100 per cent

Source: Audit Scotland

The Integration Joint Board (IJB) is taking action to address priority areas in adult health and social care services

38. Midlothian Council receives performance reports from the IJB for adult health and social care. The IJB has acknowledged that performance is mixed. A major programme of service change is outlined in the Midlothian Health and Social Care Partnership's Adult Health and Social Care Strategy and Delivery Plan 2019-22. The changes are designed to promote prevention and recovery.

39. The IJB is taking action in the area of preventative services. It recently extended its Wellbeing Service to all 12 GP practices in Midlothian after a successful pilot. This service offers members of the public the opportunity of a 'good conversation' with a trained practitioner, exploring life issues that may be affecting health and wellbeing, such as family, relationships, money, housing and mental health. The aim is to support people to develop their own personal outcomes and methods of self-management and to be more able to live well.

40. An evaluation of the pilot demonstrated the positive impact the service was having on helping people to manage their wellbeing. This is the result of a partnership between the IJB and the Thistle Foundation, a charity supporting people living with long-term health conditions. In November 2018, partners were successful in securing funding until 2022 from a range of sources, including the Scottish Government.⁸

41. The IJB acknowledges that its biggest challenge is its capacity to provide care both at home and in care homes. One of the council's external care-at-home providers is facing continuing difficulties in delivering the service it is

commissioned to deliver. The IJB is working with this provider to improve that service. It has also increased capacity through other external providers, by reorganising its in-house service and by working closely with the voluntary sector to see how it can provide alternatives to care at home. The IJB is monitoring the situation to determine whether it should consider further action.

42. The IJB is exploring options for providing extra care housing in Dalkeith and Bonnyrigg, following successful initiatives such as Cowan Court in Penicuik. This was opened in 2013 and provides 32 homes with extra-care housing support, designed for older people, with the option of cohabiting with their spouse/partner, sibling, parent or child. It received a positive inspection from the Care Inspectorate in March 2017. Teviot Court opened in 2017, providing specialist support services to people with autism, learning disabilities and complex support needs. It provides specialist 24-hour support, including overnight support staff provided by the Richmond Fellowship. As at March 2019, the IJB reported that no one with learning disabilities was being cared for in hospital, and all were being cared for within the community.

43. Work is also under way to develop models of support for homeless people with complex lives. Multi-agency meetings and a broader workshop have already taken place with the plan for homelessness support to be developed by June 2019.

44. Performance against national CPOP data, relevant performance measures for the IJB and other satisfaction-based indicators shows mixed performance. There has been a decline in some health indicators, for example in unplanned hospital attendances and emergency admissions ([paragraph 37](#)).

45. Performance against key waiting time and service user satisfaction targets could be improved. Waiting times for occupational therapy and social work services are above target. Performance is below target for the time taken to deal with complaints. Adult health and social care services rank very low for LGBF satisfaction indicators related to people receiving any care or support who rate it as good or excellent; and people who agree that their services or support had an impact on maintaining or improving their quality of life. Despite a reduction in satisfaction, these services are ranked fifth in Scotland for the percentage of people aged 65 or over with long-term care needs receiving personal care at home, increasing by four percentage points between 2011/12 and 2017/18.

The council has improved against most of its priorities for education and is aware of where further improvements are required

46. At the time of the last Best Value audit report, we reported that improvements were required in some areas of education. Since then the council has embarked on an ambitious Learning Estate Strategy, which we refer to in [Part 1](#). One significant project totalling £38 million has been the Newbattle Community Campus, which opened in June 2018 ([Case study 1, page 25](#)).

47. The council has worked with partners to improve against its priority that more pupils achieve positive destinations after leaving school ([Case study 2, page 25](#)).

Case study 1

Newbattle Community Campus




The campus is the result of a partnership between Midlothian Council and Edinburgh University. The Campus has a secondary school of around 850 pupils, a public library, a gym, sports facilities, a swimming pool and community meeting spaces. It also provides workspaces for self-employed businesses and provides access to and training in the latest technology. The partnership has links to the Data Driven Innovation Programme and the City Deal. The aim is to provide high-quality, industry-led skills for learners, including digital skills. There are not yet performance measures to quantify the improvements that this facility has made to outcomes for pupils, and performance measures will likely be longer-term in nature by assessing school-leaver destinations. However, school attendance has already improved from 85.3 per cent to 86.6 per cent, and exclusions have reduced from 56 to nine. Staff believe this to be the result of the better facilities offered by the Digital Centre of Excellence, as well as increased pupil engagement in learning.

Source: Audit Scotland

Case study 2

Positive destinations



The CPP identified improving **positive destinations**  for school leavers as a priority in 2013, to reverse the trend of five years of underperformance. Work began by establishing which council services (schools, children and families social work and economic development) and external partners (Skills Development Scotland, local colleges, universities) would be essential to a new approach. The council worked with partners to achieve:

- more flexible and practical skills and training for young people to help everyone achieve their potential
- closer working between parents, employers and further education establishments to help young people manage the change from school to their next step
- investing in individual school leavers who were considered at risk of not achieving a positive destination by identifying lead staff members to work directly with the at-risk young people, to help them achieve a positive destination.

This collaborative approach has led to improved outcomes: the percentage of pupils entering a positive destination increased from 85.8 per cent in 2011/12 to 94.4 per cent in 2017/18. The percentage of 16 to 19 year olds participating in learning, training or work in 2017/18 was also 94.4 per cent, higher than the Scottish average

Source: Audit Scotland



School leavers who are engaged in higher education, further education, training, voluntary work, employment or activity agreements are classified as having a **'positive destination'**.

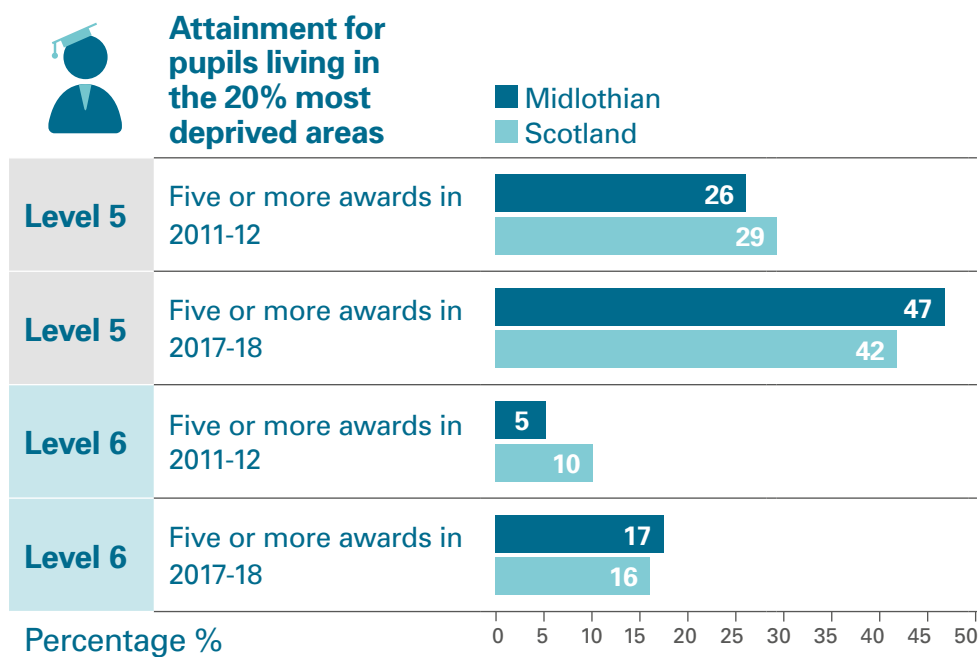
Source: Scottish Government

48. The council has improved significantly for performance in the educational attainment of pupils living in areas of higher deprivation. Midlothian’s rate of improvement for pupils living in the 20 per cent most-deprived areas is particularly good, with levels of attainment now above the Scottish average ([Exhibit 9](#)).

Exhibit 9

Improved performance in educational attainment for children living in deprived areas

The rate of improvement for pupils gaining five or more awards at Level 5 and Level 6 for children living in deprived areas is better in Midlothian than across Scotland.



Source: Audit Scotland using LGBF data

49. For nine of the 11 LGBF attainment indicators, Midlothian’s rate of improvement is either in line with or exceeds the Scottish rate of improvement. This includes improvements in terms of positive destinations for pupils. The council’s overall tariff scores have improved, as well as total tariff scores for pupils across all levels of deprivation. Tariff scores are calculated by accounting for the total number of tariff points for each award in education.

50. While Midlothian’s rate of improvement for tariff score measures since 2011/12 is consistent with the trend across Scotland, the council still performed below the Scottish average for the total tariff score measures for most deprivation groupings in 2017/18. **Insight data** also shows that it performs less well than its virtual comparator for breadth and depth measures, which show the performance of S4 – S6 pupils in the range of qualifications taken and the level at which they are achieved.

Insight data:
Insight is an online benchmarking tool which provides schools with information about attainment outcomes in the senior phase. It uses a ‘Virtual Comparator’ which contains a sample group of school leavers from similar schools in other local authorities.
Source: Education Scotland

51. The council is aware of where further improvements are required, including increasing attendance and reducing exclusions of pupils, including looked-after and accommodated children. The council has appointed additional staff using its attainment fund for care-experienced young people to support improved outcomes.

Children's services was an improving area at the time of the last Best Value audit and it has continued to improve

52. At the time of the last Best Value audit in 2012, we reported that there had been significant improvements to children's services. In January 2014, Midlothian's services for children and young people were inspected by the Care Inspectorate and Education Scotland. The report concluded that these services are having a largely positive impact on children and young people and their families. Particular strengths are the meaningful involvement of children and young people in shaping policies and services, and creative approaches to encouraging physical, social and emotional wellbeing. Planning and the leadership of improvement were identified as areas for further improvement.

53. In November 2017, the council introduced its Permanence and Care Excellence Programme with the aim that 75 per cent of children under the age of 12 would have a permanent care accommodation plan within 7.5 months of their first involvement with social services. Permanent care includes care with birth families, kinship care, foster care or adoption. Within the year, this target had been surpassed with 80 per cent of children receiving a decision on long-term care within that time-frame. By April 2019, that had risen to 95 per cent.

54. The council introduced the Mind of My Own app in April 2018 which has increased the level of feedback from young people with experience of living in care about the service they receive. Thirty-one young people are using this app to communicate with their workers in a way that better suits their needs. The council has also established a virtual headteacher, not attached to an educational establishment, but with responsibility for these young people, to focus on their educational outcomes.

The council has improved its overall approach to customer care but service user satisfaction is comparatively low

55. Customer care was an area that needed to improve at the time of the last Best Value audit. The council now has a much clearer focus on reporting feedback. Each service performance report has a section titled 'Valuing customer feedback', where complaints and waiting times are reported. The council's website is well laid out, with good customer accessibility and functionality. The Society of IT Practitioners (SOCITM) rated the council website as among the best performing in the UK in 2018, based on a continuous assessment during 2017/18.⁹ Midlothian was one of only 40 of the 414 local authority websites to achieve the highest number of stars.

56. The council has introduced a self-service approach in the libraries in four of Midlothian's main towns. This allows libraries to remain open for longer periods but only staffed at allocated times. This approach has been adopted in the Loanhead Library facility, which operates as a multi-functional centre ([Case study 3](#)). Innovative developments such as this allow communities to become more involved in how services are delivered, helping to improve outcomes for local people.

57. National datasets have demonstrated a reduction in satisfaction across most services. Satisfaction in Midlothian is slightly higher for leisure facilities and street cleaning relative to the Scottish average. However, it is lower than average for parks and open spaces, and museums and galleries, where the decline has been at a faster rate than Scotland. The council uses its Citizens' Panel, made up of 1,000 residents, to collect community satisfaction information. We have compared Citizens' Panel results with LGBF results where there is some similarity between services ([Exhibit 10, page 29](#)). According to Citizens' Panel results, satisfaction with the standard of education and library services is much higher than according to the figures measured through the LGBF. The council should seek to understand these different results and work to improve user satisfaction.

Case study 3

The Loanhead hub offers frontline services and support to communities



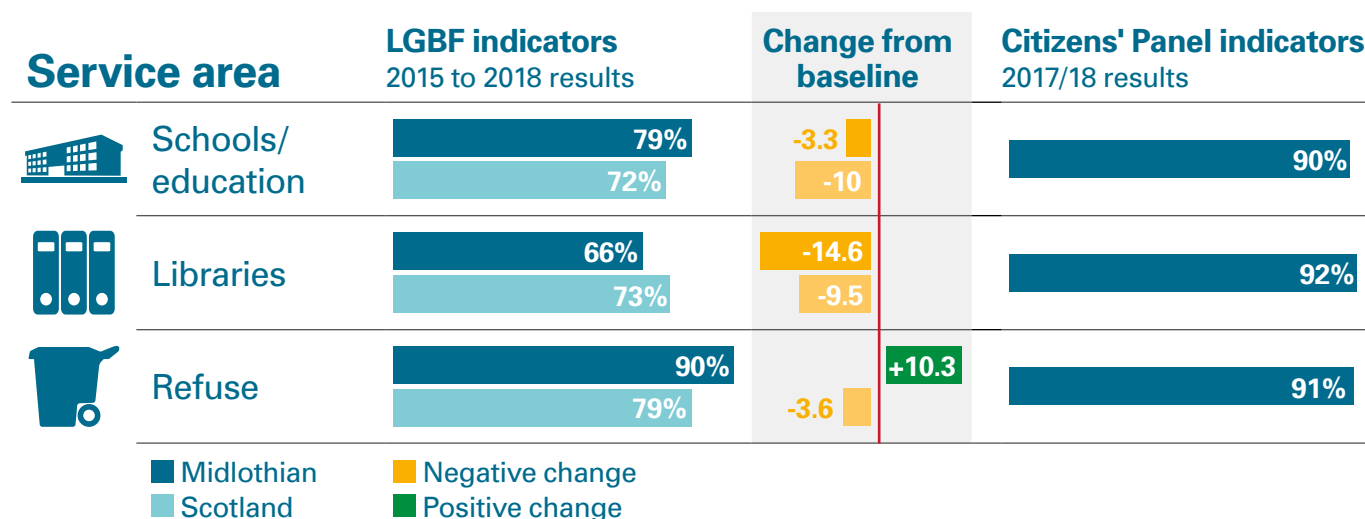
The Loanhead Centre has been developed through work with local communities to deliver services while making effective use of local assets. A budget of £15.4 million was allocated to create a multi-purpose hub for people in Midlothian. The project delivered one integrated building which contains a new primary school, GP practice, a refurbished library, leisure centre, after-school facilities, nursery and early years family support centre. This has allowed a variety of local services to be delivered using an efficient and integrated approach, bringing people together in one community space. Library visits have increased to 88,634 since opening in August 2017 compared with 30,665 over the same length of time in the previous building. There has also been an increase in GP registrations and leisure centre memberships. Positive feedback has further demonstrated the project's success, via the Loanhead and District Community Council forum.

Source: Midlothian Council / Audit Scotland

Exhibit 10

Comparison of satisfaction measures between the Citizens' Panel and the LGBF indicators

Satisfaction with services is higher according to the Citizens' Panel indicators.



Notes:

- Schools/education includes the LGBF indicator 'percentage of adults satisfied with local schools'. The Citizens' Panel results include 'Whether or not someone in your household attends a local school, how satisfied are you with the schools in your area?'.
- Libraries includes the LGBF indicator 'percentage of adults satisfied with libraries'. The Citizens' Panel results include 'Overall, how satisfied are you with the service you received?'.
- Refuse includes the LGBF indicator 'percentage of adults satisfied with refuse collection'. The Citizens' Panel results include 'Overall, how satisfied are you with Midlothian Council's refuse collection service?'.
- Baseline period is 2010-14 for the LGBF indicators.

Source: Audit Scotland using the LGBF satisfaction measures from 2015-2018 and Midlothian Council Citizens' Panel Survey 2017/2018

The council is committed to using evidence and provides comprehensive performance information to elected members and the public

58. The council is committed to using evidence and provides comprehensive performance information to elected members and the public. The council performs well in relation to reporting performance to the public, with a good range of information in different formats. The council demonstrates a commitment to being open and transparent with a good balance between reporting areas of strength and areas for improvement.

Elected member scrutiny is improving but officers should do more to help elected members with this role

59. The level of scrutiny at the council has improved, as elected members have grown into their roles. With the major changes in political representation, it has taken time for members to understand all aspects of their role. Now members can be seen asking questions and seeking assurance around performance and council policy decisions. However, the level of scrutiny is not consistent and members need to ensure that they consistently exercise appropriate scrutiny.

60. Officers should improve this further by ensuring that all reports are of high quality and that elected members are clear on what they are being asked to decide on. Some committee reports can be very long. Reports are also sometimes issued late, reducing the time for elected member to read and understand them. Some reports presented as part of previous budget-setting processes did not contain a sufficiently thorough assessment of the level of savings that were achievable.

61. Officers and members need to work together to ensure that ongoing training and development are appropriate to meet members' needs, and members need to take up such opportunities. The attendance of elected members at training events is recorded via the council's website, providing a training history for each individual councillor. This approach to monitoring the uptake of training is limited, as it does not provide an overview of training and development. Moreover, a third of elected members have not recorded their uptake of the induction programme.

62. The council also organises seminars and informal briefing sessions on various topics, which are well received. Elected members should ensure that they take up the offer of such seminars, briefing sessions and training. The reintroduction of personal development plans would allow elected members to state the areas in which they want to improve their skills or knowledge, giving them something to work towards.

Part 3

Is the council using its resources effectively?



The council faces significant challenges in achieving a sustainable financial position. It is facing a funding gap of £14.5 million between 2020/21 and 2022/23.

The council needs to end its reliance on reserves. Since 2016, it has used £16.1 million of reserves and they are now at a low level.

The new chief executive has made good progress with starting to address the council's financial position. She implemented a recovery plan for 2018/19, and the council has reduced the projected overspend from £3 million to nil.

The council recognises it needs to develop its medium- and long-term financial planning processes. Progress has been slow but developing a medium-term financial strategy is now a priority.

The council has faced substantial financial pressures over the past three years and faces significant challenges in achieving a sustainable financial position

63. A funding gap is the difference between the council's income and the amount it needs to spend. In its financial strategy paper to the council in February 2019, the council forecast a cumulative funding gap for 2020/21 to 2022/23 of £14.5 million. Since the council agreed its budget, officers have continued to update their projections of the funding gap and this will be shared regularly with members. The budget shortfall by 2022/23 equates to six per cent of the cost of providing services in the year (net cost of services). The council prepares its funding gap analysis with a range of scenarios: best case (£1.6 million) to worst case (£27.2 million).

64. For the past three years the council has not delivered on its approved budget. As part of the annual audit process, for the last two years the external auditor concluded that the council had failed to operate within established budgets and that this was predominantly through failing to achieve financial savings planned through its transformation programme ([paragraphs 122–124](#)).

65. The council needs to make difficult decisions about its services and how they are provided to ensure it balances its finances. This is clear from the range of savings options approved and not approved by members as part of the 2019/20 budget process, where some difficult decisions about cutting services were deferred.

The new chief executive has made good progress in starting to address the council's financial position

66. Prior to 2018/19, these financial pressures had not been addressed and budgetary pressures were likely to increase. However during 2018/19 the council implemented a recovery plan. This reduced the anticipated overspend for 2018/19 from £3 million to nil. There is a strong tone from the chief executive in her message that overspending is an unacceptable position. She has instructed directors and heads of service to deliver within their set directorate budgets.

The council needs to end its continued reliance on using reserves as part of the budget-setting process

67. Elected members have been unwilling to take potentially unpopular decisions which are necessary to balance the council's finances in times of extreme financial difficulty. Instead members and officers have been choosing to use reserves to balance its finances. In the last three years, members have approved the use of £11.1 million of general fund reserves. The council used £6.4 million to balance budgets, £1.4 million to fund additional expenditure, £1.2 million to support transformation and £3.1 million to fund voluntary severance costs, and used £1 million from other savings.

68. [Exhibit 11 \(page 33\)](#) shows use of general fund reserves of £16.1 million (projected to 31 March 2019), £5 million above approved usage. The external auditor noted in their 2017/18 audit report that the council could not continue to use the reserves to secure a balanced budget and the level of uncommitted general reserves pose a significant risk to the financial sustainability of the council.

69. The council has low uncommitted general fund reserves. Uncommitted reserves have depleted over the years with the council projecting, in their reserves strategy, an uncommitted reserves balance of £3.7 million at 31 March 2019, with an improvement projected to £4.3 million as at May 2019.


70. A prudent level of uncommitted reserves is seen by the sector to be between two and four per cent of net expenditure. Excluding the resources delegated to the IJB, this equates to between approximately £3.3 million and £6.6 million. The uncommitted reserves of £4.3 million projected is therefore within this range and above the two per cent set out in the council's reserves strategy.

71. There will be further risks around use of available reserves due to additional one-off costs associated with service transformation (in line with the new programme discussed in [Part 5](#)) and workforce reductions. The results of the 2019/20 budget setting process include a reduction in 136.84 full-time equivalent (FTE) posts at the council. The council has identified these costs and set out how they will be addressed in the reserves strategy.

Exhibit 11

Use of general fund reserves (committed and uncommitted), 2014/15 to 2018/19

General reserves have been depleted from 2016/17.

	£'000	£'000	£'000	£'000	£'000
	31/03/2015	31/03/2016	31/03/2017	31/03/2018	31/03/2019*
General fund reserves	21,315	24,625	17,651	10,777	8,488
Use of reserves	-804	-3,310	6,974	6,874	2,289

Note. * projected at May 2019, finalised figures unavailable.

Source: Audited financial statements

72. In response to the audit recommendation, elected members approved a reserves strategy in February 2019. This notes the need to maintain an adequate level of general reserve to provide a contingency for unforeseen or unplanned costs and that in the current financial context two per cent of net expenditure should be considered a minimum. Members agreed that where projections indicate that the two per cent minimum balance will be breached, officers should implement an immediate plan to recover the position, failing which they would need to increase reserves by the next available budget.

The council is developing a medium-term financial strategy and will have approved it by the summer

73. The Accounts Commission's [Local government in Scotland: performance and challenges 2017](#)  report highlights the importance of medium-to long-term financial planning given the continuing pressures that councils will face in the future.

74. The new chief executive acknowledges this and has stressed the importance of a medium-term financial strategy and the need for all members to work together to develop and agree the strategy. The council is developing the medium-term financial strategy and plans to present it to full council by June 2019, before summer recess.

The council needs to do more to improve its financial reporting arrangements to better support budget holders and elected members in their roles

75. Historically, not all budget holders have been able to identify variations against budget soon enough during the financial year. While budget holders, service managers and Strategic Leadership Group have access to online financial reports these do not always provide them with the financial management information they need or they have not used the available information to help them effectively manage their budget.

76. The usefulness of financial information was limited for a variety of reasons including information not being maintained accurately and delays in feeder systems data and other financial transactions being processed. This meant managers were over dependent on the finance team to interpret the available financial information and to explain the financial performance to them.

77. As a consequence, in some areas there was a lag in managers being able to take early action on projected overspends. This time lag, coupled with a complex financial framework with various savings and efficiency strands, makes it more difficult to assess the financial performance during the year. This in turn makes it more difficult for budget holders, officers and elected members to fulfil their duties with respect to financial management.

78. There have been signs of recent progress in this area with improvements in the completeness of financial information and plans to make it easier for both managers and elected members to have greater insight into the available financial data by introducing financial dashboards. There has been a clear message from the chief executive on the necessity of strict budget management. There is also a clear governance structure on the delivery of savings and in relation to the medium-term financial plan.

79. The council still needs to do more, however, specifically around simplifying reports, improving the completeness and accuracy of financial information so that it can be relied upon throughout the financial year and so in turn enabling managers to make a timely response to variations.

The council has a large capital budget reflecting the needs of its growing population, but it has experienced slippage on capital projects

80. The council continues to under-deliver against its capital plans, due to recurring slippage in delivering various capital projects such as Cuiken Primary School and Sacred Heart Primary School extensions. For a number of years slippage, or 'rephasing', has occurred beyond what the council has forecast. This is due to a variety of issues including, but not limited to, supply chain pressures, issues arising during the consultation process, and internal capacity issues. In February 2019, the 2018/19 capital plan budget of £32.4 million was rephased to £28.4 million (a decrease of £4 million). The capital plan is a significant part of transforming the council and ongoing slippage or unrealistic budgets have the potential to impede delivery of change.


81. The 2019/20 Housing Revenue Account revised budget shows an average number of houses of 6,962, increasing from 6,864 in the 2018/19 budget, showing the increasing housing demands being faced by the council. Seventeen per cent of all dwellings in Midlothian are council housing stock, compared to 12 per cent for Scotland overall.¹⁰ The number of houses is continuing to increase due to the growing population ([paragraph 9](#)).

82. The council has a total borrowing requirement of £239.7 million to support its capital strategy in the period to 2022/23, reflecting the pressures on services due to the growing population ([Exhibit 12, page 35](#)). The 2018/19–2022/23 general services capital plan shows budgeted expenditure totalling £97.3 million for Education, Community and Economy, again reflecting the needs of the growing population and the increasing pressures.

Exhibit 12

Borrowing requirements, 2018/19 to 2022/23

The treasury management strategy projects significant borrowing requirements over the next five years.

	£'000	£'000	£'000	£'000	£'000	£'000
	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Total capital expenditure	43,126	99,892	156,893	89,852	48,424	438,187
Available financing	(38,410)	(38,799)	(59,851)	(45,462)	(37,947)	(220,469)
Loans	10,452	9,201	9,282	1,534	1,554	32,023
Borrowing secured	(10,000)	0	0	0	0	(10,000)
Borrowing required	5,168	70,294	106,324	45,924	12,031	239,741

Source: Treasury management strategy, presented to council, February 2019

83. The council will benefit from funding as part of its involvement in the Edinburgh and South East Scotland City region deal (City region deal). Agreements were formally signed in August 2018. The UK and Scottish governments will each invest £300 million over the next 15 years, with Midlothian Council and other regional partners investing an additional £700 million. The University of Edinburgh has a programme of development where City deal funding will contribute to the World-Class Data Infrastructure hub at Easter Bush, providing a key strand of innovation in Midlothian. The deal will also facilitate the development of the A701 and A702 road schemes, improving transport links in Midlothian. Midlothian will also benefit from programmes within the City region deal, as it is within a ten-mile radius of other projects outwith the council area. The investment is expected to generate a £5 billion increase in Gross Value Added for the south east area's economy.¹¹

A number of weaknesses in the systems of internal control relating to payments made procuring roads services were identified by the council

84. The external auditor reported in the 2017/18 Annual Audit Report, that the council had an effective governance structure in place overall. However, they noted a number of aspects of the internal control framework that required improvement. They highlighted the results of the investigation into the council's road division which identified a number of weaknesses in the systems of internal control at the council. Progress on the 14 internal control actions was reported to Audit Committee on 12 December 2018 and these matters have all been addressed accordingly. A police investigation into alleged fraud is currently being undertaken.

85. The council has a robust procurement strategy that is updated every three years. The strategy includes a review of progress from the previous strategy and sets out the council's strategic goals to be taken forward through its procurement

activity over the next five years. In 2018, the council achieved F2 status on the new procurement improvement assessment which is carried out externally by Scotland Excel. Scoring can range from F1 (Highest) to F12 (Lowest).

The council recognises it needs to revise its workforce strategy to complement delivery of the medium-term financial strategy.

86. The council currently has individual workforce plans for each service (2017-22). Its workforce strategy 2017–2022 was approved at Council Committee in December 2017. It is aware it will need to revise its workforce strategy and individual service workforce plans to complement the new medium-term financial strategy that it is developing.

87. The council is committed to finding alternative roles for staff at risk of being displaced as a result of the budget changes and it has a policy framework in place that supports redeployment. A key part of this has been upfront and regular communication with staff. The reduction of 136.84 FTE posts at the council as part of the 2019/20 budget will be achieved through a combination of vacancy management and voluntary redundancy. In 2017/18, the council spent £853,000 on voluntary severance.

88. Midlothian experiences challenges in workforce as a smaller council but has developed some shared services and shared roles to help address this. The joint chief internal officer appointment with Scottish Borders Council in 2018 is an example of where this has operated successfully. The council should look at how it can expand the use of shared services/roles across the council.

The council has an effective approach to managing sickness absence

89. The council has an attendance management policy to reduce sickness absence in the workplace and help managers deal with absence appropriately. It has also prepared guidance for managers on interventions to maximise attendance at work, to support them in difficult situations.

90. The council has a low sickness absence rate as a result of its effective approach to managing absence. As at quarter three of 2018/19, the council had lost 9,450 FTE days which equates to a sickness absence rate of 2.53 per cent. National data using the LGBF also measures sickness absence across councils. Midlothian performs well and is among the top five ranking councils for both measures of sickness absence (teachers and non-teachers). In 2017/18 sickness absence days for teachers in Midlothian were 4.59 days, compared to the Scottish average of 5.93 days. Sickness absence for non-teachers was also below the Scottish average, at 8.59 days compared to the Scottish average of 11.41 days.

Staff feedback on the council is generally positive and it has a commitment to fair working practices

91. The council's most recent Employee Engagement Survey generated a 50 per cent response rate. The survey assessed a variety of key employee issues as well as views on the council. Out of 13 common questions between the 2016 and 2018 survey, the overall percentage of staff satisfied dropped in 11 questions.

92. Results show that there is a good appreciation for employee wellbeing, although this could be improved at senior management level. Generally, employees have a positive view of their roles, however only 44 per cent of respondents agree that they have enough time to carry out their work effectively. Employees' perceptions of Midlothian as an organisation are largely positive, however responses suggest that many staff do not feel that the council is reactive to staff feedback. As a result of the survey, officers produced and shared a managers' guide to action planning meetings in a bid to respond to the key issues and take timely action.

93. The council has been a living wage employer for three years and has achieved Living Wage employer accreditation through the Living Wage Foundation in addition to being nominated for a national award. This is part of the council's commitment to fair working practices. It also promotes and encourages the payment of the Living Wage in all contracts. In addition to delivering on the Living Wage requirement, Midlothian developed a broader evaluation to ensure that a fit-for-purpose framework for the future was in place, for example by adapting terms and conditions. The positive approach taken by the council has been recognised by other local authorities, who have reached out to the council to share best practice.¹²

Part 4

Is the council working well with its partners?



Partnership working was an area of strength in the 2012 Best Value audit and continues to be strong. The council and its partners are committed to a shared vision for the area.

The council works well across departments and with its partners to deliver improvements in services. It also works well with communities to deliver both large projects and local initiatives.

There is a good history of the council and the third sector working together. The council has taken steps to further improve how it works with the third sector so that it is more consistent.

The council and communities have developed neighbourhood plans for the three priority areas. It has struggled to build effective community oversight of progress across all neighbourhood areas.

Partnership working was an area of strength in the 2012 Best Value audit and continues to be strong

94. The council and its partners are committed to a shared vision for the area. Single Midlothian Plan priorities are agreed on at annual community planning development days, at which partner, third-sector and community views are represented. The event held in November 2018 was well attended, with 140 representatives from public and private sector agencies, the council, community councils, third sector organisations and approximately 50 young people discussing the plan's priorities. These days are valued by all partners, particularly the third sector, for being inclusive and effective.

95. Other bodies responsible for scrutinising and auditing the council have also highlighted strengths in partnership working, including joint working with East Lothian Council on public protection.¹³

96. There continue to be positive signs around the operation of the IJB including:

- a strategic approach to planning from the previous Health and Social Care partnership's (HSCP) three-year strategic plan (2016–19) to the current strategic plan (2019–22)

- the three-year financial strategy for 2019 to 2022
- the delivery of a £1m underspend for the IJB in 2017/18 and projected £1.5m underspend in 2018/19
- investment in workforce planning since the establishment of the IJB
- extensive public consultation during 2018 to inform the HSCP's strategic plan 2019–2022. This used a wide range of methods including social media and community events. A total of 1,600 responses were received and fed into the strategic plan and related service plans. These have fed into strategies to support carers and on mental health, learning disabilities and autism.

97. In [Part 2](#) we set out examples of how the IJB is improving outcomes for local people ([paragraphs 38–45](#)).

The council has worked well across departments, with its partners and service users to improve services for young people

98. There are good examples of some council services working effectively across departments and with partners. This had led to improved outcomes for service users, such as an increase in the number of young people moving on to positive destinations after they have left school ([Case study 2, page 25](#)).

99. Young people's mental health is another area where partners have worked together. More than 16 organisations from across the CPP and the third sector are now working together on a project to redesign mental health and wellbeing support services. The starting point was a survey of 374 young people carried out by the Midlothian Youth Platform in February 2018 ([Exhibit 13](#)).

Exhibit 13

Key themes from survey on young people's mental health, February 2018



Source: Midlothian CPP

100. This survey helped the council and its partners secure £836,000 of funding from the Big Lottery Early Action Fund over five years. A focus will be on testing and learning from measures to prevent mental health issues. This could also help reduce pressure on Child and Adolescent Mental Health Services.

101. The outcome of Education Scotland's Community Learning and Development (CLD) inspection of Midlothian Council in 2016 was very positive.¹⁴ CLD practice covers a range of activities such as youth work, adult learning, family learning and community development. The inspection findings highlight that both the council and its partners were taking an increasingly holistic approach to learning and this was having a positive effect on outcomes for young people, adults and communities in Midlothian. Across all four of the quality indicators, the council and its partners were assessed as 'very good'.

Engagement and partnership working with the third sector is effective at a community planning level. The council has recently taken steps to ensure a more consistent approach across the council

102. Engagement and partnership working with the third sector is good at a community planning level. The Third Sector Interface (TSI) is the representative body for over 200 third sector organisations in Midlothian. It works with and supports a broad range of organisations and volunteers that deliver services to communities across Midlothian. The TSI reports that it feels a valued member of the CPP and shares the vision and priorities in the Single Midlothian Plan. The TSI also values the support the council gives in terms of attending meetings, sharing information and facilitating links with wider partners. Individual staff within the council have contributed to positive relationships, helping to answer queries and give advice.

103. There is a strong, historical and supportive link between the council and the third sector in Midlothian. However, there have been some challenges in terms of the relationships between some third sector organisations and the council such as inconsistencies in communication and working partnerships, and the transparency of some decisions made by the council.

104. The chief executive recently met with the TSI and proposed working together to refresh the existing agreement between the council and the voluntary sector, the Compact, which defines the principles for joint working between the council and third sector partners. The council is aware of the benefits of working well with community organisations and is keen to further develop relationships and working partnerships.

The council is making progress putting in place what is needed to deliver the Community Empowerment Act

105. Midlothian Council has made progress in taking forward actions to deliver the requirements of the Act. In 2017, the council launched a social media campaign to raise awareness about the Act. To date, the council has received and processed two participation requests – that is requests by community bodies to take part in making decisions about council services. Prior to the introduction of the Act, the council had completed community asset transfers – that is where communities have taken responsibility for land or buildings. At the time of this audit work, the council was supporting communities with six asset transfer requests, which were at various stages of development or submission.

106. Midlothian Council has been piloting a participatory budgeting approach. For example, the council and NHS Lothian have jointly allocated £48,000 for the 'Food Glorious Food' project in the three priority community areas. The council has still to set out plans for participatory budgeting.

107. The council has rolled out online training on the Community Empowerment Act across council staff, community councils, elected members and the third sector. The target was for 150 staff and volunteers to complete the training in 2018/19 and at May 2019, 108 staff had completed training. To demonstrate support for the voluntary sector, the council recently introduced a scheme where council staff can request two to four days per year to volunteer with community groups that are tackling a local social issue or providing an entrepreneurial partnership.

108. Closely aligned to the Community Empowerment Act is the Scottish Government's intention that empowering communities will help reduce disadvantage and inequality and improve outcomes for communities. Since 2016/17 the council has had a strong focus on reducing inequalities and developing more preventative approaches through the Single Midlothian Plan ([Part 1, paragraph 14 and Exhibit 4](#)).

The council works with service users and community groups to improve services and build community capacity

109. Community empowerment is a gradual process that involves continual learning and the constant building of a community's capacity to articulate and address its priorities. There are good examples of where the council has involved communities and service users in the design of services. These include designing and developing the Loanhead hub [Case study 3 \(page 28\)](#) and Newbattle Campus ([Case study 1, page 25](#)).

110. There are also good examples of where the council has worked with communities to build capacity. These include the Mayfield and Easthouses Community Empowerment Project, funded by community planning partners between 2015 and 2017 and led by third sector organisation Midlothian Voluntary Action. It involved working with the community to explore local solutions to issues identified within the neighbourhood plan. This led to a number of initiatives including the Recovery Cafe and a wellbeing group. Some of this work is ongoing and provided helpful insight on how to build community capacity. In [paragraphs 39–40](#), we mentioned the roll-out of the wellbeing service.

111. Community empowerment also involves communities having greater influence on and input to decision-making. The council conducts or participates in a wide range of public engagement activities across Midlothian's communities. The public consultation for the 2019/20 council budget was, for the first time, led by elected members from the administration. Various events were held over a ten-week period for staff, voluntary groups and the wider public to explore the spending options for 2019/20. The council got more than 2,000 responses. However, the events were poorly attended by the public and the number of responses was down by a third from the year before.

112. The council has found it difficult to get communities to participate in a proactive way, although communities have responded to specific services affected by cuts. The council is attempting to change this and is planning to engage directly with those who criticised previous cuts to get their input on how

to transform services in light of the council's financial position. It is important that elected members provide effective and consistent cross-party leadership when informing communities about the council's financial position and considering their views.

The council is working with its communities to deliver improvements. The council should encourage community ownership of these plans and improve how the community monitors progress

113. Communities within Midlothian have identified themselves into 15 areas that have their own sense of community. The council and local community groups have developed neighbourhood plans for these areas. The neighbourhood plans for the three priority areas of Dalkeith/Woodburn, Mayfield/Easthouses and Gorebridge are the Locality Outcome Improvement Plans (LOIPs) required under the Community Empowerment Act 2015.

114. The absence of a formal mechanism for reporting performance against all 15 neighbourhood plans makes it difficult for us to assess what has been achieved overall. Community representatives can give examples of successes by community groups and local authority partners, including improving local spaces and services.

115. Community councils represent communities in the neighbourhood plans and coordinate and monitor actions alongside other partners. The council and communities acknowledge that progress has been slow for some actions as a result of small numbers of volunteers and limited resources. The council should encourage community ownership of these plans and work with communities to improve how they monitor progress. A wider approach to membership of community councils or formalising a wider network of community groups would be beneficial. The council has facilitated some very useful community networking events, which is a good platform on which to build.

116. Midlothian Council uses a Citizens' Panel ([paragraph 57](#)) to gather the views of communities, particularly on perceptions of community cohesion and influence. Results in 2018 show that 84 per cent of the 619 respondents agreed with the view that people help each other when there is a problem, compared with 70 per cent in 2016. However, the 2018 survey also highlighted that people in Midlothian feel less able to influence decisions (42 per cent) and feel less involved in their communities (48 per cent) than in 2016.

117. The council is clear on the benefit of involving communities further in designing and delivering services and is taking this forward through its transformation workstream, Services with Communities ([paragraphs 125–126](#)). However, recent budget reductions across council services that work directly with communities may affect the future capacity of the council to provide sufficient support and expertise in this area.

Part 5

Is the council demonstrating continuous improvement?



The council's overall pace of improvement is mixed. It still needs to focus on some of the key requirements for Best Value, including financial sustainability, financial management and transformation.

The council has made limited progress on its corporate transformation programme. This has contributed to its difficulties in reaching a sustainable financial position. Given the acute financial position facing the council there is a need for a significant improvement in the pace of transformation.

The council is aware of what it needs to do and the new chief executive is focused on key areas for improvement. There needs to be agreement and effective governance across the political parties to address the challenges.

The council has a lot to do and there are risks around its successful delivery of change due to its past track record and the scale of the challenge.

The council has improved in a number of areas since the last Best Value audit and recognises that it urgently needs to make further progress given the scale of the challenges it faces

118. The council can demonstrate that it has improved in a number of areas such as children's services, educational outcomes, and lifelong learning and employability. It has maintained strong and effective partnership working. However, there are other areas where progress has been slow. For example, progress has been slow in establishing a longer-term financial strategy and delivering the council's corporate transformation programme. [Exhibit 14 \(page 44\)](#) shows what we reported in 2008 and 2012 and what we have found in this audit work. The council urgently needs to make further progress against the recommendations in this report, given the scale of the challenges it faces.

Exhibit 14

A comparison of selected Best Value judgements

The council has shown that it can deliver change and improvement when focused on initiatives and specific service areas. The rate of wider improvements has been slow.

2008 Controller of Audit judgement 	2012 Controller of Audit judgement 	2019 Controller of Audit judgement 
<p>Leadership and strategic direction: The council has an ambitious vision based on its understanding of the local needs and issues. Improvements in scrutiny need to be sustained to ensure that elected members are well informed about service weaknesses.</p>	<p>Leadership and strategic direction: There have been significant improvement in corporate management, officer and elected member leadership and leadership development.</p>	<p>Leadership and strategic direction: The council and its partners have a shared and well-supported vision that reflects local needs. Political leadership needs to improve through a shared responsibility for delivering Best Value and building on effective cross-party working. The new chief executive is focused on a number of key areas for improvement.</p>
<p>Service performance: The council's service performance is mixed. It is investing heavily to improve the quality of its school estate and to build new affordable homes, but it still needs to improve below average educational attainment and weaknesses in housing and homelessness services. It is responding positively to serious weaknesses identified in its child protection services and social work services more generally. Customer care is inconsistent in delivering accessible services and requires significant improvement.</p>	<p>Service performance: Council services are generally improving, although half the Statutory Performance Indicators still perform below the Scottish average. There have been some improvements in how the council provides its education service, particularly in pre-school and primary provision. However, there is room to increase the pace of improvement in some aspects of secondary. The council has been slow in developing its approach to responding to customer requests and enquiries.</p>	<p>Service performance: Overall service performance remains mixed. However, the council has improved in its target service areas. The council tracks performance against its vision and short-term priorities effectively.</p>
<p>Use of resources: The council's arrangements are generally effective in managing finances within budget and to support risk management, equalities and sustainability. Service improvements are needed in people management, medium-term financial planning, asset management, procurement and in demonstrating competitiveness. The council generally knows where it needs to improve and has work under way in most of these areas.</p>	<p>Use of resources: The council manages its budget well. Its Business Transformation Strategy provides a clear focus and direction for efficiency and improvement. There is a financial risk if its planned savings are not achieved. The council has improved its approach to how it manages its workforce. Although it is at an early stage, the council is progressing its proposals for a shared education and children's service with East Lothian Council.</p>	<p>Use of resources: The council needs to put in place a sustainable and deliverable medium-term financial strategy. It needs to improve its financial management and financial planning. It faces significant challenges in terms of achieving a sustainable financial position.</p>

2008 Controller of Audit judgement 	2012 Controller of Audit judgement 	2019 Controller of Audit judgement 
<p>Partnership working: The council needs to take a more strategic approach to Community Planning. Partnership working has contributed to some positive outcomes for communities but a more coordinated approach to working with partners is required. The council works effectively with the voluntary sector but this has not been the case with all partners across important areas of service delivery.</p>	<p>Partnership working: Partnership working is strong in Midlothian and the council and its partners are making progress in delivering their local outcomes. The council and its partners are good at consulting and involving local communities and can demonstrate how this has contributed to service delivery. The partnership is committed to further increasing community involvement through its development of neighbourhood planning.</p>	<p>Partnership working: Partnership working continues to be strong. There is solid evidence of involving communities in the redesign and delivery of services. More remains to be done to ensure wider community participation and ownership in local neighbourhood planning.</p>
<p>Customer focus: The council revised its management structure in April 2007 with the aim of increasing customer focus, encouraging innovation, improving efficiency and productivity, and promoting joined-up and strong accountability. However it was not able to demonstrate that the new structure represents the optimum arrangement for Midlothian.</p>	<p>Customer focus: The council has been slow in developing its approach to responding to customer requests and enquiries, but in the last year has put in place the building blocks to allow it to improve the way it delivers customer services. It now needs to increase the pace of change in this area.</p>	<p>Customer focus: The council's approach to its customer focus has improved. Further developments are planned through its workstream on digitally-led transformation but at this point these are not well progressed.</p>
<p>Continuous Improvement: The council has many processes in place to support performance management and continuous improvement but needs to apply these more rigorously if it is to deliver its priorities and improve services. It faces a challenging improvement agenda with limited resources. Past improvement plans have proved unrealistic and it now needs to set clearer priorities linked to available resources to meet its responsibilities to deliver Best Value.</p>	<p>Continuous improvement: Since 2010, the council has developed a prioritised business transformation savings (BTS) approach to address key improvement areas. Good progress has been made through this strategy in a short period of time eg People Workstream. There remain a number of challenges to take forward its improvement agenda. The council now needs to ensure that these plans are implemented.</p>	<p>Continuous improvement: The council has delivered a number of significant projects but it has not yet made the progress needed on its transformation programme. It launched a new programme in 2018. The council is aware of where it needs to improve and it is focused key priorities.</p>

Source: Audit Scotland

The council has completed some successful service reviews but has lacked a corporate approach to self-evaluation

119. The Best Value report in 2012 noted the council's approach to self-evaluation. It recognised its intention to develop a programme of self-assessments, based on the Public Services Improvement Framework. The council did not implement this programme immediately, but carried out a programme of self-evaluation during 2014/15. The council introduced its 'Delivering Excellence Framework' in June 2015 and this included a corporate self-evaluation. In addition to stand-alone reviews, the council's service plans and service performance reports have a good focus on improvement activity. Performance is monitored on a quarterly basis by Cabinet and by the Performance Review and Scrutiny Committee.

120. Until recently, services took forward their own self-evaluation programmes. The chief executive has now introduced a more corporate approach. The SLG now has oversight of the self-evaluation programme and senior officers are challenging each other on their performance, another element in one council working.

121. The council has improved in a number of areas, and this can be seen from the outputs of some successful service reviews. The council completed a review of its Lifelong Learning and Employability service in November 2015. This clarified the scope of the service and the support it would deliver. As a result of the review, community development and capacity building have been moved to another team so that the Lifelong Learning and Employability service can focus on supporting people to build core skills for learning, life and work, including positive destinations ([Case study 2, page 25](#)). This refocusing contributed to a very positive inspection of Community Learning and Development ([paragraph 101](#)). Other examples of successful service reviews include the children's service review in October 2016, which led to greater clarity in roles and responsibilities.

The council has made limited progress against its corporate transformation programme. This has contributed to its financial difficulties

122. The council has not fully delivered BTS, its previous corporate transformation programme. Some successes include: developing and launching a new responsive council website to improve customer accessibility and functionality; securing funding for the upgrade and extension of free public WiFi provision across libraries and hub buildings; and launching a new mobile library service into communities across Midlothian. However, the changes that the council has made have not transformed services, or how it delivers services, on the scale required.

123. The council spent £6.5 million on its transformation programme between 2011 and 2018 and delivered £14.9 million of the £16.1 million planned savings by March 2018. This shortfall has contributed to the council's financial difficulties.

124. Given the acute financial position facing the council there is a need for a significant improvement in the pace of transformation, supported by clear reporting and effective cross-party scrutiny. The council's budget report in February 2019 analysed the funding gap within the context of elements of the budget that are fixed or difficult to change. It estimates that this means the impact on other elements of the budget, such as less protected services, is significant. The council has estimated that the budget shortfall is 11 per cent

of these other elements of the budget for 2019/20 and could increase to 45 per cent by 2022/23. It therefore needs to urgently transform how services are delivered for the future.

The council adopted a clearer approach to transformation in February 2018. Progress against the workstreams is mixed

125. The council adopted a clearer approach to transformation in February 2018. At that point it had five transformation workstreams as the Integrated Health and Social Care Transformation Programme was within its overall programme. In February 2019, it updated its programme to focus on the following four workstreams:

- Services with Communities – changing the council’s relationship with communities from a paternalistic one focused on service provision to one based on partnership and co-production and working together.
- Entrepreneurial Council – covers property development, income generation, asset utilisation and energy. It focuses on the commercial opportunities associated with these. This includes the business plan for Destination Hillend, the council’s snow sports centre.
- Digitally Led Transformation/Customer Services – the council aspires to be at the forefront of digitally enabled change, which will support customer services transformation. This workstream builds on and refocuses the customer services strand of the previous transformation programme.
- Shared Services – focuses on service sharing and collaborative working as key considerations for sustaining services.

126. The council has made a good start with the Services with Communities workstream, evidenced through its clear commitment to engagement and co-production with communities. Across all the workstreams, it is at an early stage in making the cultural shift necessary to progress its transformation. There has been less progress against its digital transformation workstream. The current focus is on an online payment system and it is yet to propose more fundamental deliverables. The council should seek to learn from other authorities where it can and utilise support from the Improvement Service and other bodies where appropriate.

The council is aiming to make £21 million of savings through its new transformation activity and savings plans

127. In February 2018, as part of its budget-setting process, the council set out its Change Programme. This identified the savings it planned to achieve from five transformation programmes and additional saving streams. At that time the council identified it needed to make £32.4 million of savings by 2021/22 with £11.4 million of savings in 2018/19. The council updated these saving plans as part of the budget-setting process in February 2019 ([Exhibit 15, page 48](#)). These revised figures show the council is seeking to save £21 million, with £9.2 million coming from its transformation programme and £9.7 million coming from other council service savings. Officers are continuing to develop and update the savings projections.

Exhibit 15

Savings from new transformation programme and additional savings streams, projected at February 2019, cumulative totals

The council has set out savings plans to the end of 2022/23.

Programme name	£ million			
	2019/20	2020/21	2021/22	2022/23
Reduced IJB allocation and efficiency target	1.51	1.51	1.51	1.51
Previous transformation programme	0.98	1.13	1.22	1.22
Transformation- Services with Communities	0.0	0.10	1.10	1.10
Transformation-Entrepreneurial Council	0.12	1.72	4.03	4.13
Transformation- Digitally Led /Customer Services	0.05	0.15	0.65	0.65
Transformation- Shared Services	0	1.06	2.06	2.06
Resource allocation changes	7.25	9.79	9.71	9.71
Income from fees and charges	0.15	0.30	0.45	0.6
Totals	10.06	15.76	20.73	20.98

Source: Appendices to Financial Strategy 2019/20 (including projections to 2022/23) Midlothian Council, February 2019

128. The council's savings include what it terms resource allocation changes. These involve:

- reviewing the services currently delivered by the council and considering options for future delivery, including whether services could be outsourced or transferred
- savings from efficiency targets for services.

129. For 2019/20 the Education, Communities and Economy directorate needs to make £2.67 million of savings, Customer and Housing Services and non-delegated health and social care services £0.59 million and the Resources directorate £2.49 million. The council plans to deliver savings of £4.13 million by 2022/23 through its Entrepreneurial Council Programme, a combination of past and current transformation programmes. The council reports variations from budget each quarter. In order to help elected members scrutinise performance against the council's transformation and savings plans, officers should provide a report summarising what has been achieved for 2018/19.

130. Officers should ensure that savings proposals are robustly forecasted. Recent monitoring has shown that this is still an issue, such as the delivery of savings from lifeguard reduction and reducing housing voids standards. These have been reported as unachievable. Forecasting savings obviously involves staff spending a great deal of time working through the implications of savings proposals. Moving to a three-year financial strategy should help ensure that staff time can be spent on strategic, rather than reactive, planning.

There needs to be effective cross-party governance arrangements to agree and implement the medium-term financial strategy and streamlined transformation programme

131. The cross-party Business Transformation Steering Group (BTSG) has not worked effectively. Different political parties have been unwilling to participate in the group at various times. There is frustration among elected members across all political parties that the group does not have a clearer focus on transformation. The detail of papers is more concerned with progress against savings rather than how to generate the ideas and actions needed to transform. Although this is the reality for the council at the moment, it must continue to look forward. The BTSG has been a difficult forum. It has not allowed the frank and open exchange of views, needed to better equip the council for meeting its financial challenge – either through difficult savings decisions or by transforming so that the council does less or generates more income.

132. It is essential that effective cross-party governance arrangements are put in place to enable the council to agree and implement its medium-term financial strategy and have honest conversations regarding how to transform. All elected members have a responsibility to contribute constructively. It is for the council to determine the best governance arrangements to support this, but a greater role for elected member leads in a particular service or outcome area, within cross-party forums, as now happens for education, may help support this. The council may wish to refer to Audit Scotland’s guidance on openness and transparency to help work through its governance arrangements.¹⁵

The council is focused on key areas for improvement. However, there are risks around the council’s successful delivery of change due to its past track record and the scale of the challenge

133. The council is aware of the difficulties it will have in truly transforming what it currently delivers. It has identified the opportunities and risks for each of the transformation workstreams. These are regularly monitored by senior officers and by the cross-party BTSG, and reports are shared with the Audit Committee to note as deemed necessary.

134. The council is aware of the risks that it may not have the skills or capacity needed to transform how it operates. The council has assessed the savings it plans to achieve from the transformation of education, children’s services, and housing and customer care as lower risk than those within commercial operations, finance integrated service support and property and facilities management. It is essential that services respond to the challenges set out within their transformational workstreams.

135. The council recognises that it needs to take urgent attention given the scale of the challenge it faces, and the new chief executive is taking appropriate action. The SLG and elected members from across political parties will need to work together, collaboratively and constructively, to make the changes required. The council has successfully delivered a number of large projects, but it has not yet been able to make the transformation required. There are risks due to the council’s capacity to deliver the changes required at this time given the scale of these challenges.

Recommendations



As a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the council's transformation plans ([paragraphs 28, 64–65, 73–74, 130–132](#)).

The council needs to develop and sustain more constructive relationships between members and between members and officers. It needs to implement effective cross-party governance arrangements to ensure that it delivers the medium-term financial strategy and transformation plans ([paragraphs 22–25, 28, 74, 131–132](#)).

The council needs to ensure that workforce planning reflects the medium-term financial strategy ([paragraph 86](#)).

The council should undertake a review of its capital programme, to ensure that the timeframes for delivery are achieved going forward and that monitoring and reporting mechanisms are enhanced to drive more accurate analysis and planning around capital work ([paragraphs 80–82](#)).

The council need to continue to implement financial planning arrangements to address budget gaps, underpinned by robust financial budgeting and monitoring arrangements ([paragraphs 75–79](#)).

The council should refine its vision in light of the outcome of consultation work through the Services with Communities transformation workstream and to ensure that it focuses its activity most effectively ([paragraph 19](#)).

Elected members need to exercise appropriate scrutiny at all times, take ownership for personal development plans and take up relevant training opportunities ([paragraphs 25, 59–62](#)).

The council should continue to build on positive elements of community empowerment. It should look to increase community ownership of local neighbourhood plans and work with communities to improve how they monitor progress ([paragraphs 113–117](#)).

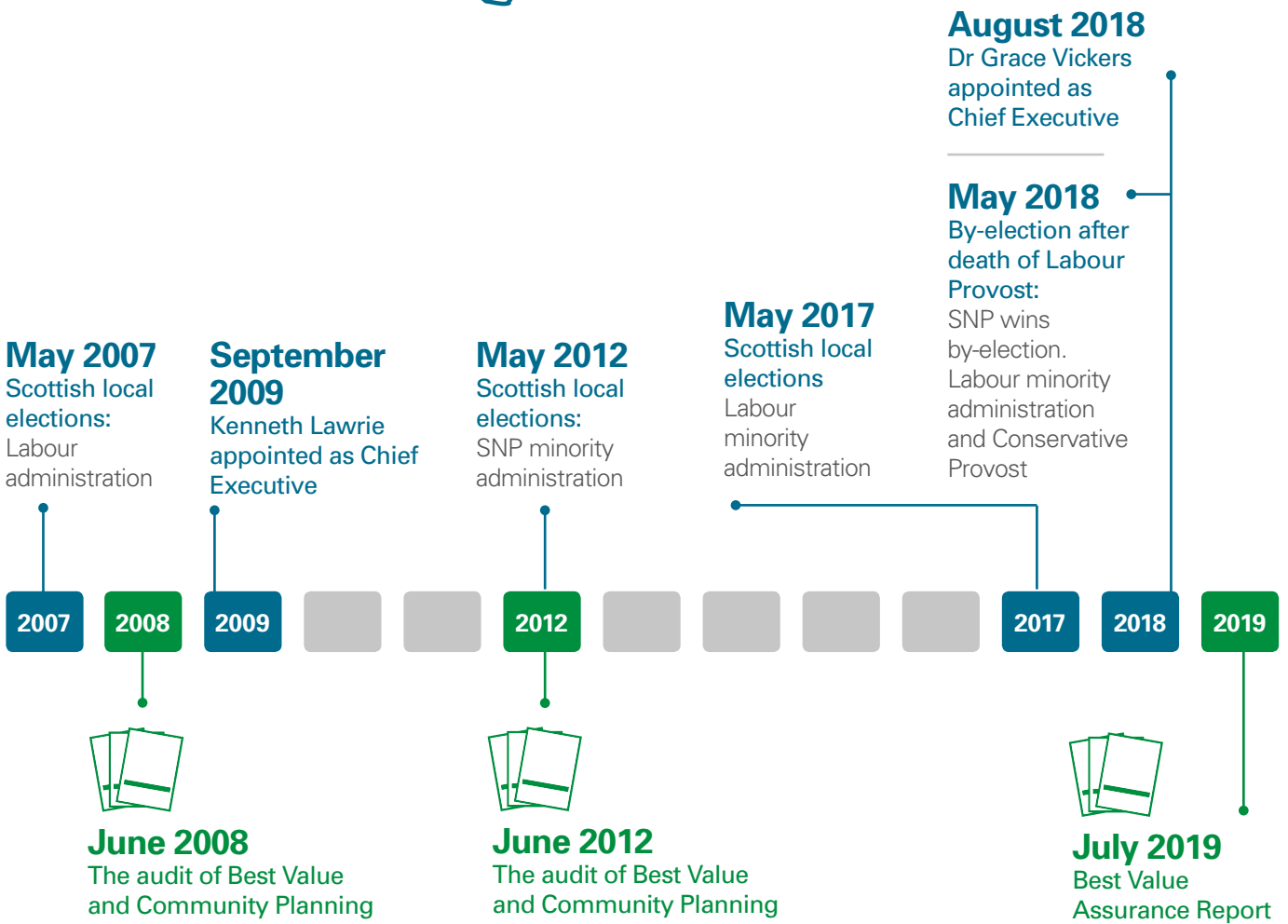
Endnotes



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- 1 National Records of Scotland.
 - 2 Scottish Government Statistics, New house building completion rates 2018.
 - 3 *Transport and Travel in Scotland*, Transport Scotland 2017.
 - 4 NOMIS Official Labour Market Statistics.
 - 5 Sport Scotland Website, 2013.
 - 6 Partners include Midlothian Voluntary Action, Midlothian Council Community Safety, Midlothian Integration Joint Board, Scottish Fire & Rescue Service, Police Scotland, NHS Lothian, Federation of Community Councils, Scottish Enterprise, Skills Development Scotland, Chamber of Commerce, Armed forces and SEStran.
 - 7 <http://www.audit-scotland.gov.uk/our-work/how-councils-work>.
 - 8 Midlothian's Health and Social Care Delivery Plan 2018/19.
 - 9 Holyrood Report on Council Websites, June 2018.
 - 10 Scottish Government Housing Statistics for Scotland and Scottish Housing Regulator Stock data.
 - 11 SPICe City Regions Deal Summary Paper, November 2017.
 - 12 Living Wage Foundation, May 2018.
 - 13 *Midlothian Council Local Scrutiny Plan 2018-19*, Audit Scotland.
 - 14 *Inspection of Community Learning and Development in Midlothian Council*, Education Scotland, December 2016.
 - 15 Audit Scotland, 2017/18 Audits: Notes for guidance, Openness and Transparency.


Appendix

Best Value audit timeline




Best Value Assurance Report Midlothian Council

This report is available in PDF and RTF formats,
along with a podcast summary at:
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