

EXECUTIVE DIRECTOR SPONSOR: Sarah Jane Hannah

**2021-22 - Q1
Finance & Business Services Directorate Report**

The Board should note this paper was considered by the EMT at their meeting on 3 August 2021.

Purpose

The Board are invited to comment on the update of activities across the various teams within the directorate. The report has been designed to showcase and give visibility of the work that each of the teams undertake to keep Scottish Canals running effectively.

Please note there will also be a verbal update regarding the month end financial performance within this agenda item.

Priority

Routine. This paper is a summary document for noting.

Background

LOOK BACK (Q1)	
Finance <i>(Headed up by Susan O'Neil)</i>	<p>Quarter one for the finance team has been busy with post year-end activity.</p> <p>Preparing the Annual Report & Accounts under the Government Financial Reporting Manual (FReM) guidelines for the first time and providing guidance to Scottish Government on our agreed Accounts Direction was the biggest priority for the quarter.</p> <p>Finance worked closely with the Estates team on the valuation of investment assets, and valuation of the bulk of Scottish Canals' operational assets for the first time, as well as analysing the FReM requirements and making adjustments to the previous years' financial statements.</p> <p>Andrew Ogg, our interim financial accountant, left at the end of May when our new Head of Finance, Susan O'Neil, started her permanent role in order to provide the finance team with more stability and experience in particular within accounting under NDPB regulations.</p>

	<p>It is expected that the Annual Report & Accounts for the year will provide a robust FReM compliant document on which to provide a good basis for preparing the document in future years when additional challenges such as restating our leased assets under IFRS 16 Leases will be tackled for the first time.</p> <p>The team has continued to work closely with KPMG on a number of complex tax issues. The historic VAT assessment HMRC provided has been updated and disclosed on the same basis as in 2019/20 Annual Report & Accounts. Discussions are ongoing with HMRC.</p> <p>Training our existing two management accountants on the qualities required for effective business partnering was also completed to assist with the future vision and model for the finance department.</p> <p>Business as usual activities included management accounts, supporting such committees as Project Assurance and job capture meetings as part of the job evaluation project.</p>
<p>Procurement <i>(Headed up by Shaun McAllister)</i></p>	<p>A large exercise was undertaken to identify contracts held across the organisation to assess compliance, and to aid forward planning of procurement activities for the small team.</p> <p>An assessment of the exposure of the organisation to risks due to Covid-19 and EU exit in particular around supply chain and contract performance has been undertaken for presentation, and the team have attended a number of workshops on key themes such as Fair Work First, Community Wealth Development, Climate Change Emergency and Cyber Resilience as well as developing Procurement Capability Improvement Plans.</p> <p>Work continued on the Procurement Strategy for presentation to the Audit & Risk Committee in August along with the Annual Operating Plan.</p>
<p>Digital Services <i>(Headed up by Gordon Miller)</i></p>	<p>ICT Business As Usual team has completed the following projects over the last quarter:</p> <ul style="list-style-type: none"> - Recovery of smartphones and tablets from colleagues across the business. They have now been cleared of all sensitive data and will be recycled. - Server refresh has been completed, bringing our servers up to date and removing and recycling redundant equipment. - The Pier Square to Steamer Terminal equipment move has been completed. - The 1st stage of the file server upgrade has been completed. - Cyber Essential accreditation is pending, however all paperwork has been completed. - A new video editing PC was built and provided to the marketing department to assist in their critical work. - The work at the coffee pod at The Falkirk Wheel has been complete and is meeting the expectations of the site team.

	<ul style="list-style-type: none"> - Worked with engineering colleagues and Fairfields to support the development of telemetry and user operation across several sites. <p>Between April – June 2021, 497 issues were logged with the service desk and 430 were resolved.</p> <p>Digital change:</p> <p>In Q1 we have hit the following milestones:</p> <ul style="list-style-type: none"> - Hosted over 20 engagement sessions with colleagues across the business to shape the digital change programme. - Worked with EMT to ensure strategic aims and objectives, alongside tactical delivery of the programme was well planned. - Progressed well on 8 projects – website development, health and safety management application, online booking system, organisational ticketing, finance reporting, Microsoft 365 developments and enhancing our backup solutions. - Some concerns were raised when an acquisition of one of our partners, Plan:IT, happened suddenly. However we are working closely with them to mitigate our risk and understand how it'll impact us moving forward. - Projects plans and specifications for each project is now well under way.
<p>Heritage <i>(Headed up by Chris O'Connell)</i></p>	<p>Section 17 implementation continues, of the ten projects which would have required full scheduled monument consent application, six have been undertaken as Section 17 (60%) and four submitted for SMC. This has resulted in 60% of our work having the usual 2-month delay removed and has some low level time savings for staff.</p> <p>The potential loss of historic walls at Stockingfield Bridge threatened to delay the programme of work (3 months). After negotiations with HES, Balfour Beatty and Jacobs a new design was found which does not affect the walls. HES have agreed that this new design can be implemented as an amendment under the current SMC.</p> <p>SC received a letter of unauthorised work at Pinkston Basin (biomatrix). The incident was minor, the bolts and two of biomatrix modules will need to be re-located. Once done the incident will be closed.</p> <p>Site visit to Crinan to review lock gate replacement winter works. Much of the work can be undertaken as Section 17.</p> <p>Cases of unauthorised magnet fishing are ongoing. HES are formally contacting the Glasgow group and will be issuing a letter of unauthorised work. There is likely to be a potential backlash on social media.</p> <p>The Heritage Team were invited to attend QTR meetings of the Scottish Heritage Crime Group whose interest is partnership working to reduce</p>

	<p>anti-social behaviour and unauthorised activities in the heritage sector, such as graffiti and magnet fishing.</p> <p>Leamington Lift Bridge was awarded a Red Wheel as a Transport Heritage Site.</p> <p>The Heritage Team and colleagues made an application for a National Heritage Railway Association award for the Bowline and hosted the two judges on site. The awards will be announced later this year.</p> <p>The team has inputted content into the Bowline and Claypits interpretation programme.</p>
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Key Issues / Highlights

LOOK FORWARD (Q2)	
Finance	<p>The current finance team consists of two management accountants and one temporary systems accountant, with none of the existing roles or staff adequately requiring or providing specialist knowledge in capital accounting and related policies under the FReM.</p> <p>We will be recruiting a 2-year temporary capital and project accounting specialist in order to fully support the engineering, project and regeneration sides of the business in the development of commercial investment strategies, and also to support the large capital investment programme for the coming years given the increased capital grant-in-aid budget of £12.2m.</p> <p>The finalisation of the reforecast will be completed and submitted to Scottish Government, and work will begin with a firm to provide the detailed financial analysis for the organisation's commercial activities.</p> <p>The preparation of the revised Finance Manual work will be underway with key members of the finance team assessing our existing workflows and business processes and procedures to ensure they are fit for purpose. This work is being undertaken in conjunction with the procurement team.</p> <p>Meetings across the Senior Management Team will take place to collate the Heads of Service feedback for the Scheme of Delegation, with a detailed analysis of changes to the finance system also collated by the finance team to ensure system changes are put in place to enable a smooth transition.</p>
Procurement	<p>The team will be finalising the new Procurement Strategy and Operating plan and creating a programme plan of review of the Procurement Policy and associated procedures over the next 6 months.</p> <p>Training on new processes and procedures across the business will be carried out – and procurement will work closely with finance to develop a</p>

	<p>tailored Procurement & Finance Awareness training session for key stakeholders across the business over the coming 6 months.</p> <p>The Head of Procurement will be looking to add to the existing permanent resource of one procurement apprentice in order to support the large contract alignment programme and also the increased expenditure in the capital programme to ensure there are resources in place to assist with our compliance in this important area.</p> <p>A procurement specialist and additional procurement manager will be required for this work.</p>
<p>Digital Services</p>	<p>ICT Business As Usual:</p> <p>In Q2 we expect to meet the following milestones:</p> <ul style="list-style-type: none"> - Have all elements ready to start the delivery of the laptop refresh in Q3. - Implemented a space management system alongside the office re-opening project. - Complete the integration of CreditHound, our new credit control application which will integrate with the existing Sage finance system. - Completed further improvements at The Falkirk Wheel. - Started the procurement process for upgrading our backup system and replacing our aging Firewalls. - Completed the order for telephony and internet requirements for The Treehouse site. - Procurement underway for enhanced cyber security provisions. - Review all meeting room setup across the business and ensure they are fit for purpose for our hybrid working environment in the future and meet expectations of both staff and future customers renting space. <p>Digital change:</p> <p>In Q2 we expect to:</p> <ul style="list-style-type: none"> - Refine the longer-term scope of the project and realign current projects within a new digital strategic framework. - Start the other 9 projects, which are the implementation of a lone-working application, review and procurement of AMX, begin the search for a new payroll system, review our EPOS provision, expand our public wi-fi offering, further develop our digital signature offering, working closely with colleagues across the business on the roll out of meter macs, implement a new risk management system and start the new payroll system project. - We expect to make excellent progress on the projects currently started, and procure a health and safety management system, Microsoft 365 partner and website partner.
<p>Heritage</p>	<p>Guided heritage walks are planned for the Claypits opening on the 31st July.</p>

It is expected that there will be time set aside for monitoring the implementation of archaeological condition on the Treehouse project.

The team will be assessing winter works and which consents each project will fall under. SMC preparation will also begin for submission in August/September.

Meeting with HES to review S.17, and winter works.

Site visit to Cullochry Locks to review proposed lock gate replacement.

The watching brief on Stockingfield Bridge will continue.

Corporate Implications

- Strategic Priorities: Activities listed in the Directorate report directly contribute to delivering the agreed priorities.
- Risk/Risk Appetite: There is no additional or direct risks associated with the contents of this paper that are not captured within the wider corporate risk register.
- Legal: There are no legal implications in respect of the contents of this paper.
- Financial: There are no specific financial implications in respect of the contents of this paper, although work is underway within both Finance and Procurement Teams to understand how possible Covid-19 related delays may affect project delivery and subsequent contractual payments. The possibility of supplier relief requests, as contained within SG guidance and the SPFM are also being investigated.
- Human Resources: Scottish Canals continues to follow SG guidance regarding returning to the workplace. As a public body, we take our people responsibilities seriously, and seek to apply all relevant guidance which applies to us.
- Fair Work First: There are no new or additional Fair Work implications in respect of the contents of this paper.
- Communication: This report has been contributed to by all teams within the Directorate and will be used to raise the profile of our work across the business.
- Community & Third Sector: There are no new additional implications in respect of the contents of this paper, however there is ongoing cognisance of the potential impact on Community and Third Sector organisations.
- Commercial: Not applicable to this report.
- Asset: Not applicable to this report.
- Health & Safety: Not applicable to this report.

Conclusions and Recommendations

The Board is invited to note the contents of this paper, and to highlight any queries or interest about the activities referred to in the update.

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