

READING BOROUGH COUNCIL

REPORT BY DEPUTY CHIEF EXECUTIVE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	25TH JANUARY 2022		
TITLE:	IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE		
LEAD COUNCILLOR:	CLLR McEWAN	PORTFOLIO:	CORPORATE & CONSUMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	CHRIS TIDSWELL	TEL:	07825190321
JOB TITLE:	PROGRAMME LEAD	E-MAIL:	chris.tidswell@cipfa.org

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Audit and Governance Committee agreed at its meeting in October 2020 that progress against the Finance Improvement Programme should be reported on a regular basis to the Committee.
- 1.2 This report provides the latest update on progress of the Programme workstreams and their deliverables against the Plan since the last meeting in September 2021.

2. RECOMMENDED ACTION

- 2.1 To note progress of the Finance Improvement Programme.

3. INTRODUCTION AND BACKGROUND

- 3.1 The Finance Improvement Programme has two key phases: Phase I responds to the historic and current issues identified to ensure a sound foundation and 'get the basics' right. The second phase, (Phase II), will concentrate on embedding Phase I delivery and developing the financial management culture and governance framework across the Council.
- 3.2 The Programme is led and overseen by the Finance Transformation Board chaired by the Deputy Chief Executive and meets monthly. The Board receives updates and reports ensuring appropriate challenge and stewardship, the Board monitors progress of delivery against the Project Plan and signs off key deliverables.
- 3.3 The Phase 1 workstreams are:
 - Accounts Payable
 - Accounts Receivable
 - Chart of Accounts
 - Reconciliations and Final Accounts
 - New Finance System

- 3.4 Each workstream has a number of deliverables which also includes relevant 'Audit Tracker' recommendations to help ensure progress on implementation.

4. PROGRAMME UPDATE - PLAN AND DELIVERABLES

- 4.1 As reported at the last Committee in September the accounts payable, accounts receivable and chart of accounts workstreams are now essentially concluded with ongoing improvements incorporated into the new finance system workstream. The Board will continue to review the monitoring and compliance process to ensure the improvements introduced become embedded.

The final accounts and reconciliations workstream continues, activity and progress is reported separately to the Committee on this agenda.

The finance system replacement workstream is in the system implementation stage. Project governance arrangements are in place and a finance system project board has been established, chaired by the Director of Finance, to manage the implementation of the new system. The project group reports through to the Finance Transformation Board. Updates on implementation progress will continue to be reported to the Committee.

- 4.2 Phase II of the transformation programme (developing corporate financial management governance and the overarching financial management environment) is to be aligned to the implementation of the new finance system.

The Board continues its monitoring role where activity relating to compliance has moved into business as usual and has set out a series of performance metrics and KPIs which it requires to ensure that the improvements introduced continue to be delivered. These are in the process of development and review. Phase II of the programme and plan will be designed to both ensure that the opportunities and benefits of the new system are realised and that the necessary development of the organisational approach to financial management and governance takes place and is embedded.

- 4.3 Audit tracker recommendations continue to be included within individual workstream deliverables where appropriate and are managed as part of the plan. There are now a total of 10 (previously 7) recommendations within the tracker covered by the Finance Improvement Programme. These are rated as; Red 2 (0), Amber 6 (6), and Green 2 (1).

5. WORKSTREAM UPDATES

The following section highlights each workstream's terms of reference and progress against the Plan. Each workstream has a table indicating a RAG rating for its deliverables and Audit Tracker recommendations. For reference the previously reported numbers are shown in brackets.

5.1 Accounts Payable

Terms of reference

To review and modernise the Accounts Payable process from start to finish using the technology available to the full ensuring it is fit for purpose and addresses historic issues. To improve the Supplier Database and increase efficiency within AP with the increased use of the Supplier Portal and access to the web centre.

Deliverables completed, Monitoring - Ongoing

The accounts payable workstream had 10 specific deliverables.

Completed	In progress	Not Started
10 (10)	0 (0)	0 (0)
Commentary		
<ul style="list-style-type: none"> Monitoring of KPIs is now undertaken on a monthly basis by the Board 		

- The Audit Recommendations Tracker has 3 (17) recommendations relating to Accounts Payable.
- Of the 3 recommendations included in the tracker ratings are: **1(1) Green, 2 (2) Amber and 0(0) Red.**

5.2 Account Receivable (AR)

Terms of reference

To review, develop and implement actions to ensure an efficient and effective debt management service that ensures compliance and is delivered using the most appropriate technology.

Final delivery date: (revised): 31 July 2022

The Accounts Receivable workstream has 12 specific deliverables.

Completed	In progress	Not Started
8(8)	4(3)	0(1)
Commentary		
<p>In progress deliverables are:</p> <ol style="list-style-type: none"> 1) addressing historic debt and reporting arrangements, the current financial system reporting weaknesses will be addressed as part of the implementation programme 2) developing an SLA 3) delivery of user guides and training 4) commencing since the last Committee is the development of a new team structure 		

- The Audit Recommendations Tracker has 0 recommendations relating to Accounts Receivable.

5.3 Chart of Accounts

Terms of reference

To review and rationalise the Chart of Accounts in line with best practice to aid financial information reporting for all users and to develop a governance process to manage amendments moving forwards, with the involvement of all key stakeholders.

Deliverables completed

The Chart of accounts workstream had 13 specific deliverables.

Completed	In progress	Not Started
13(13)	0(0)	0 (0)
Commentary		
<ul style="list-style-type: none"> All deliverables have been completed. 		

- The Audit Recommendations Tracker has 0 (2) recommendations relating to the Chart of Accounts.

5.4 Reconciliations and final accounts

As previously reported to the Committee a revised approach was developed to bring together the reconciliation and final accounts workstreams.

The plan covered the closedown of 2018/19, 2019/20 and 2020/21 and as a consequence all reconciliation processes and issues will be addressed simultaneously.

An update on the closure of accounts is the subject of a separate paper to this Committee.

- The Audit Recommendations Tracker now has 7(4) recommendations relating to reconciliations and final accounts. The change in tracker recommendations follows 3 additions since the last Committee relating to bank and cash reconciliations. As a consequence, increased scrutiny will be put on reconciliations at the next Board meeting to ensure issues are being actively addressed.
- Of the 7 recommendations included in the tracker ratings are: **Amber 4(4), Green 1(0) and 2(0) Red.**

5.5. New Finance System

Terms of reference

To determine the required finance system outcomes from stakeholders and produce an options-based business case. To lead the re-procurement of the finance system and subsequent implementation within the required governance framework.

The new financial system will support the Council's vision for financial management and governance, enabling the adoption of best practice and realisation of opportunities of product and technology innovation as they develop to optimize performance and outcomes.

The Council's current financial system is provided by Oracle Fusion under a contract that expires on 2nd of December 2022. The contract for the Council's new financial system has been awarded to Advanced Business Solutions under an initial 4-year contract that will provide overall service design, integration, implementation, licences, and hosting.

The system implementation commenced in September 2021 and the design phase is due to complete in early February 2022. Below is a summary of key finance system design requirements approved by the Finance Transformation Board.

Finance Area	Recommendation
Budget Monitoring and Reporting	<p>The new system will enable Budget Managers to self-service through the provision of easy to access comprehensive budget monitoring reports, which will include the ability to drilldown to source documents (invoices, purchase orders etc.).</p> <p>Budget Managers will have a dashboard of real-time information on financial performance including purchasing, debt management and approval requests. This will allow budget managers to quickly assess financial performance and take timely business decisions to optimise financial performance.</p> <p>Within certain parameters Budget Managers will also be able to undertake journals for transactions within their own areas.</p>
General Ledger	<p>The new finance system will facilitate quicker, smoother closedown of accounts through the adoption of a simplified chart of accounts and standardised, accessible reporting functionality . This will in turn accelerate and simplify the audit of accounts.</p>
Forecasting and Budget Virements	<p>Budget Managers will have the ability to review and update forecasts which will provide greater visibility and ownership of financial performance. The Corporate Finance Team will retain responsibility for processing budget virements.</p>
Procure to Pay	<p>The new system will provide a simplified and standardised process for the raising of purchase orders, goods and service receipting and invoice payment including improved reporting on spend analysis and key performance indicators.</p> <p>Purchase Orders to be approved online by cost centre owner</p> <p>3-way matching of order, goods receipt and invoice</p> <p>New Supplier set ups will require online approval by Procurement. The system will also allow improved spend analysis from a procurement perspective.</p>
Income to Cash	<p>The new system will provide a simplified and standardised process for raising customer invoices and collecting cash with improved reporting on key performance indicators.</p> <p>New Customers require online approval by Finance</p> <p>Dunning processes will be controlled by Finance</p>

The Finance System Board comprising stakeholders from each Directorate (DEGNS, DACHS, Resources) and BFfC, meets on a fortnightly basis and are responsible for delivering the effective implementation of the new system. Highlight reports setting out progress, issues and next steps are reported into the Finance Transformation Programme.

The project is currently in the design phase and reporting behind plan. The Transformation Board have asked the project team to review the timeline to understand what activity can be undertaken concurrently in order to pull the timeline back to facilitate go live on the 1st October 2022. It has further requested that managers ensure key staff identified for specific tasks are appropriately focused.

Following completion of the design stage system configuration and interface building will commence, before comprehensive system testing and user training. A more detailed update on the format and focus of the training programme will be brought to the next meeting.

The finance system workstream has 4 specific deliverables. These deliverables are key milestones in the system re-procurement.

Completed	In Progress	Not Started
2(2)	1(1)	1(1)
Commentary		
<p>The completed deliverables relate the procurement sign off and the procurement of the new system</p> <p>The in progress deliverable relates to implementation with a more detailed update below:</p> <ul style="list-style-type: none"> • The implementation is at the Design phase which will complete in February 2022 • The build phase will commence in February 2022 and complete in May 2022 • System testing by the project team will be performed in May and June 2022 • System testing by users across all Directorates and BFfC will be performed in July and August 2022 • Training for all service users of the new finance system will be delivered through September and into October 2022 • Final preparations for go-live including business readiness assessments and data migration will be completed in September 2022 <p>The deliverable not started relates to the 'go live' which is scheduled for 1st October 2022.</p>		

- There are no recommendations in the Audit Tracker.

6. CONTRIBUTION TO STRATEGIC AIMS

- 6.1 The Finance Improvement Programme has been designed and developed to build a strong financial management and governance foundation, with the aspiring direction of a fit for the future, exemplar financial management and governance environment in Reading.

7. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 7.1 None arising from this report.

8. COMMUNITY ENGAGEMENT AND INFORMATION

- 8.1 Not applicable to this report.

9. EQUALITY IMPACT ASSESSMENT

- 9.1 Not applicable to this report.

10. LEGAL IMPLICATIONS

10.1 Not applicable to this report

11. FINANCIAL IMPLICATIONS

11.1 There are no direct financial implications arising from this report. However, the implementation of the Finance Improvement Programme will streamline processes, reduce closure of accounts timelines and costs, and increase the capacity and value added by the Finance Team. In line with the approved business case for replacing the finance system, provision for funding has been made within the Capital Programme.

12. BACKGROUND PAPERS

12.1 Not applicable to this report.