

READING BOROUGH COUNCIL

REPORT BY DEPUTY CHIEF EXECUTIVE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	12TH APRIL 2022		
TITLE:	IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE		
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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 January 2022.

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 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 financial management delivery, 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 January the Accounts Payable workstream is essentially concluded, with ongoing performance monitoring included as part of the monthly Transformation Board updates. Work on Accounts Receivable actions continue to develop, particularly around debt management and reporting, chart of accounts activity has been incorporated into the new finance system workstream as previously reported, and is almost complete. The Board will continue to review the monitoring and compliance process to ensure the improvements introduced become embedded.

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

Implementation of the new finance system is now in the build phase following completion of the design phase in March 2022. The test phase will commence in June 2022. The target go-live date is October 2022. A detailed review of the project timeline is being carried out this month to reflect resource availability and overall progress. Project governance arrangements are in place and the Finance System Project Board, chaired by the Director of Finance, is responsible for managing 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 As previously reported Phase II of the transformation programme (developing corporate financial management, its governance, delivery and the overarching financial management environment) is being aligned to the implementation of the new finance system.

The Board and Director of Finance are in the process of developing a detailed delivery plan for Phase II which will have milestones aligned to the implementation and go-live of the replacement finance system, a key feature of which is the introduction of elements of self service for Budget holders. The Plan, approach and an update on delivery will be reported to the next and subsequent Audit and Governance Committees.

Broadly Phase II will comprise three headline stages;

- a. Engaging with the Finance Team

This stage, through training and development, will build the skills necessary to deliver a true finance partnering team that provides strategic advice and support to the organisation. Development will ensure a consistent partnering approach with appropriate skills to support business needs.

- b. Engaging with Budget holders and procurers etc across the Council

This stage is about developing an awareness within the broader Council, its budget holders and those with responsibility and accountability for resources. Workshops and development sessions will introduce delivery of a self service approach for budget holders along with an understanding of how this will work in practice, underpinned by the finance partnering approach. The sessions will highlight the future operating arrangements including the approach, engagement and delivery of finance in technical, information and advice terms to services.

- c. Training on the new system, its application and functionality

The third element will be delivery of training on the new finance system. This will provide staff and teams with the knowledge and skills necessary to use and

maximise benefit of the new system within the new and revised financial management environment, essentially providing the tools to deliver expectations and requirements from the sessions outlined in b, above.

In summary, the first two stages (a and b) will concentrate on initially developing the skills and capability required by individuals and teams and secondly implementing a common understanding and application of how financial management will be delivered to meet best practice and the vision for the organisation. The key outcome from these stages is to move to an environment and culture where ownership, activity and accountability for financial management is with budget holders supported by a business partnering approach from finance.

The third element (c) is aligned to training on and implementation of the new finance system which will provide the tools and process improvements that will enable both Finance and Council teams to operate in the new environment.

As indicated above the detailed plan is still to be signed off by the Transformation Board. However, an indicative timeline for Phase II, is as below:

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|--|-----------------------|
| • Board Agreement and sign off of plan and timetable | April |
| • Communication of plan, and timetable | May |
| • Engaging with Finance Team | June / July |
| • Engaging with Council Teams | August / Sept |
| • Finance system training | Sept / October |
| • Finance system Go Live | October 2022 |

Following the Go Live in October ongoing support and training will be available through the development of user guides, video learning and drop-in sessions for staff.

4.3 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.

4.4 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 9 (previously 10) recommendations within the tracker covered by the Finance Improvement Programme. These are rated as; Red 2 (2), Amber 3 (6), and Green 4 (2).

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 is ongoing.

- The Audit Recommendations Tracker has 3 (17) recommendations relating to Accounts Payable.
- Of the 3 recommendations included in the tracker ratings are: **2(1) Green, 1 (2) Amber and 0(0) Red.**
- The amber recommendation relates to the supplier set up process and a need to review and understand the volume requirements for certain types of suppliers and how effective control over verification can be established. In response monitoring as part of the supplier set-up process and data capture is being undertaken to understand the base data before proposed solutions are determined.

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		
In progress deliverables are: 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.

The Chart of accounts workstream had 13 specific deliverables which are all completed, further development is now an element of the implementation and delivery of the new finance system.

- The Audit Recommendations Tracker has 0 (0) 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 6(7) recommendations relating to reconciliations and final accounts.
- Of the 6 recommendations included in the tracker ratings are: **Green 2(1), Amber 2(4), and 2(2) Red.**
- The amber recommendations relate to bank reconciliations and the need to ensure these are monitored on a regular basis and procedure notes are in place. In response the new Chief Accountant is drafting both a control checklist of reconciliations to support ownership and monitoring and secondly concluding preparation of the outstanding procedure notes for feeder systems.
- The red recommendations relate to an agreement/understanding between the Council and Brighter Futures for Children, ensuring a common understanding on where supporting documentation relating to Brighter Futures journals is held, including right(s) of access for relevant RBC staff (if held by Brighter Futures). In response, a review group has been set up to address this and any system related actions.

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 1st 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.

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 design phase completed in March 2022, one month later than planned and this was primarily due to limited availability of finance resources. The build phase is underway and will complete in May 2022 and the test phase will start in June 2022. A detailed review of the project timeline is being carried out this month to reflect resource availability and overall progress to determine required actions to support an October 2022 go live. Finance resource availability continues to be a challenge although recently eased following the recruitment of Mark Sanders, Chief Accountant, who also has extensive experience of working with the Advanced finance system.

As the target go live is midway through the financial year, a critical project activity will be the successful and timely migration of all financial data for the first half of the

financial year. The extract of financial data from Oracle and loading into the Advanced financial system including finance code conversion will be subject to rigorous testing from June 2022 onwards including two full data migration test cycles.

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 build phase commenced in March 2022 and will complete in May 2022 • System testing by the project team will be performed in 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.