

READING BOROUGH COUNCIL

REPORT BY DEPUTY CHIEF EXECUTIVE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	19TH July 2022		
TITLE:	IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE		
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SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
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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 April 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 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 April Phase I works are essentially concluded, with ongoing performance monitoring included as part of the monthly Transformation Board updates. 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 which is now expected to complete in August 2022. The build phase has slipped due to the continued limited availability of finance resources to progress critical tasks including finalising a new chart of accounts, reviewing interfaces and mapping current financial codes to the new codes to enable complete and accurate data migration. A data migration plan is currently under review alongside other finance work priorities including final account audits, to determine an achievable go-live date for the new finance system. 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 Finance Transformation Board has signed off the high-level 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.

Phase II will comprise three stages;

- a. Engaging with the Finance Team
- b. Engaging with Budget holders and procurers etc across the Council
- c. Training on the new system, its application and functionality

Phase II has commenced with a session with the Finance Team setting the vision at a staff away day on the 7th of July.

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.

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.

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.

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 17 (previously 9) recommendations within the tracker covered by the Finance Improvement Programme. These are rated as; Red 8 (2), Amber 4 (3), and Green 5 (4). The increase in recommendations and the number of red relates to recent audits on Reconciliations and Accounts Receivable which have been completed since the last Committee.

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 are completed, monitoring is ongoing.

- The Audit Recommendations Tracker has 2 (3) recommendations relating to Accounts Payable.
- Of the 2 recommendations included in the tracker ratings are: 1(2) Green, 1 (1) 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		
<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 4 (0) recommendations relating to Accounts Receivable. Of the 4 recommendations included in the tracker, ratings are: 0(0) Green, 0(0) Amber and 4(0) Red.
- The 4 recommendations are following a recent audit which was concluded in May 2022. The recommendations all centre around the Council's Debt Management Strategy along with associated process and procedures.

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.

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

- The Audit Recommendations Tracker now has 11(6) recommendations relating to reconciliations and final accounts.
- Of the 11 recommendations included in the tracker ratings are: Green 4(2), Amber 3(2), and 4(2) Red.
- The number of recommendations has increased since the last Committee as a consequence of recent audits in March and May this year.

- The amber recommendations relate to reconciliations and feeder systems. This is to ensure processes are in place, regularly reviewed, adopted and managed by a responsible officer.
- The red recommendations relate firstly 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. Secondly around the development of a guidance note, ensuring staff and resource resilience and developing the processes in place for reconciliations.

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.

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 finance system 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 now complete in August 2022. In June 2022 technical work was completed to upgrade the finance system to the latest version and to allow secure user access via the internet. A detailed review of the project timeline is currently underway and will take into account on-going finance resource challenges, the timing of final account audits, finance calendar workload commitments and a comprehensive review of project risks and data migration proposals.

The detailed review of the project plan and recommendations will be reported to the Finance System Board and Finance Transformation Board in July 2022.

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		

The completed deliverables relate the procurement sign off and the procurement of the new system

The in-progress deliverable relates to the implementation project for the new finance system:

- The design phase completed in March 2022
- The build phase will be completed in August 2022
- The project plan will be updated in July 2022 to reflect the outcome of a review of finance resource availability, consideration of other work priorities and review of data migration proposals
- System testing by the project team will be performed in August and September 2022 and will be followed by system testing by users across all Directorates and BfC
- The timing of training for all service users and final preparations for go-live will be confirmed in July 2022.

The deliverable not started relates to the 'go live' date which is subject to review.

- 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.