

## **AUDIT AND GOVERNANCE COMMITTEE**

### **20 SEPTEMBER 2019**

## **FOURTH UPDATE ON FINANCE IMPROVEMENT PROGRAMME (FIP)**

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### **Recommendations**

- 1. The Chief Finance Officer recommends that the report be noted and a further update be brought to the March Committee meeting.**

### **Background**

2. The Committee discussed the external audit (Grant Thornton) Annual Reports and improvements being made in Finance at its meetings in September and December 2018; and March 2019. Appendix 1 is a reminder of the Programme.
3. This report updates the Committee on progress on this improvement programme.

### **Management action to date**

4. To ensure that the Council has a fit for purpose finance function to support the organisation in the coming years an Improvement Programme is in place with six individual projects and two cross cutting projects. Progress on each area since the last Audit and Governance Committee is set out below:

- i. **Control environment –**

- The 2018/19 Statement of Accounts were signed off unqualified and on time. In doing so Grant Thornton, our external auditors recognised significant improvement in our control environment.
- Further process and governance improvements will be rolled out during the next two quarters, including:
  - Financial Regulations signed off by SLT – November 2019
  - Core Financial Competencies signed off by SLT – November 2019
  - Further Collaborative Planning and budget Training – Quarters 3 and 4
  - Use of Collaborative Planning by all budget holders –by start of quarter 1 2020

- ii. **Budget Structures and roles and responsibilities:**

- The cost centre *hierarchy review project* was completed and uploaded for the start of 2019/20. This resulted in a 39% reduction in cost centres (service budget). Further work has been ongoing to carry out a similar exercise to reduce the number of sub-nominals or subjective codes that record the types of spend, for example pay, non-pay and income. There were over 1,000 different codes and this also gave rise to incorrect postings. This work is due to complete at the end of September and the expected outcome is that approximately 30% of codes will be scheduled for deletion. This should result in less failure demand driven work such as journals and virements and should result in quicker and more trusted budget reporting.
- Work is ongoing alongside the Council's overall redesign work to assign budget responsibilities to managers with a view to further reducing the number of budget holders. Going forward this part of the programme will link to other aspects of redesign:
  - Reduce budget holders / simplify budget allocations' – January 2020 to feed into 2020/21 budget setting
  - Centralise budgets, such as property, stationery and training – commencing in November 2019 to be fully implemented for the 2020/21 budget
  - SRDs include Financial Accountability, Responsibility tasks & competence – March 2020.

### iii. **Financial Transactions:**

- The Appointees and Deputies team safeguard vulnerable adults who are receiving a service from the Council and who are assessed at being at risk of financial abuse, or who suffer from a mental impairment and are unable to manage their finances. The Team have been accredited by the Office of Public Guardian and as a result are now the Provider of Choice to act as an Appointee or Deputy for the financial affairs of clients who lack capacity to manage their own finances.
- A review of bad debt recovered nearly £4m from a four week chase of debt. The level of debt is now reported monthly to SLT and is included in the Cabinet report. A centralised income and debt management team is being set up as part of the redesign work.
- Also going forward as part of the redesign the processes and controls over procure to pay are being centralised. The Council will work with Liberata to identify changes required in processes to secure further efficiencies. This will be an 18 to 24 month programme and will touch all areas of the Council.

### iv. **Staffing structures:**

- The Chief Internal Audit post was recruited to internally, and Jenni Morris started the role formally at the start of August. Jenni is currently working on a new structure and recruitment process.

- The Senior Finance Management Structure was completed and graded in May 2019 and interviews held in July and August 2019 following advert. All seven posts have been filled, one internally, two who had been working with us on a temporary basis and four from external candidates.
- All vacant posts have now been deleted and all of the proposed savings for 2019/20 are on track to be delivered.

v. **Systems:**

- We have recruited to a Financial Systems and Control Manager post and are currently completing recruitment to a new team that will lead the development and management of E5 (the Council's General Ledger) going forward.
- Work is ongoing to integrate the new social care system (LiquidLogic), including the billing and payments module (Controcc). This is due for implementation in late October / November 2019.
- We have set up a new ledger for Worcestershire Children's First (WCF) with our partners, Liberata and Advanced. The system is due to go live on 1<sup>st</sup> October. Parallel testing has been ongoing successfully and there are no anticipated issues to report.
- A review of ownership of E5 licences and contract with the system owners (Advanced) is being undertaken to consider early transfer back to the Council from Liberata. This will allow greater opportunity for the Council to drive changes and improve reporting.

vi. **Partners and customers:**

- We are in discussion with Liberata regarding the current contract and key performance measures. We are undertaking joint systems thinking reviews of processes to identify further efficiencies and where processes need strengthening.

5. Underpinning these are two cross cutting projects

i. **Communications:**

- We have continued to work with services regarding user feedback and to keep budget holders informed of changes.
- Regular FIP Newsletters have been provided to services and finance staff, as well as an improved finance internal web presence

ii. **Training:**

- We completed training workshops on how to use the Council's budget monitoring tool 'collaborative planning, involving over 110 budget and spend managers.

- Nine lunch and learn sessions have been held already this financial year for the Finance team, looking at a wide range of issues from using pivot tables to expected behaviours.
  - Finance awareness training has been set up for all budget managers across the council, which started during Quarter 2 with Adults and Public Health. Dates are scheduled during the remainder of Quarter 3 for E&I and COACH.
6. The Programme is being monitored by a Strategic and Operational Programme Board in accordance with the Council's Project Management processes. The latest highlight report notes no red issues.

## **Legal, Financial and HR Implications**

7. There will be a cost associated with resourcing the Programme. At present this is being managed within the existing Finance service budget by reallocating and realigning individuals within the current team. In 2019 that is likely to be supplemented by specific resources for specific tasks, for example the use of Advanced (owners of E5) for system enhancements and training. This should be offset by recurring savings generated from efficiencies arising from the Programme, and as such the Programme is seen as an efficiency programme.

8. In addition, it is envisaged that the Financial and Procurement Regulations will need updating. This will be undertaken in accordance with the Council's constitutional provisions for updates that include and requires councillors' input.

## **Contact Points**

### County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

### Specific Contact Points for this report

Michael Hudson, Chief Financial Officer

Tel: Ext 6268

Email: [mhudson@worcestershire.gov.uk](mailto:mhudson@worcestershire.gov.uk)

## **Supporting Information**

- Appendix 1 – Finance Improvement Programme Overview diagram.

## **Background Papers**

In the opinion of the proper officer (in this case the Director of Commercial and Change) the following are the background papers relating to the subject matter of this report:

External and Internal Audit Reports presented to the Audit and Governance Committee 26 July 2018.

Audit Committee papers presented on the Programme at the September and December 2018, and March 2019 Audit and Governance Committees.

## Finance Improvement Programme Overview diagram.

