

AUDIT AND GOVERNANCE COMMITTEE

3 DECEMBER 2021

FINANCE IMPROVEMENT PROGRAMME

Recommendation

1. **The Chief Finance Officer recommends that the report be noted and further updates be brought to the Committee during 2022/23.**

Background

2. The Finance Team undertook an improvement programme following the learning around the introduction of the new general ledger and purchasing system (E5) in 2018/19. As a result of that programme a number of improvements were made to the way the accounts were produced, the use of collaborative planning as a front end-user tool for budget monitoring, the way we processed files between Liberata and the Council, as well as performance and standardised reporting.

3. During 2021 the responsibility for accounts receivable, accounts payable and schools finance have transferred back in-house from Liberata. The E5 owners (Advanced) have also informed us they will no longer support the current version of our general ledger and as such we need to upgrade to the latest version. The Team is also continuing to seek ways to generate efficiencies to meet budget targets (both in Finance and across the Council) as well as ensuring we can develop our workforce. Finally, we are aware that Build Back Better will impact on the way we work but we do not yet know the scale of that and await the White Paper but we are planning now for ways to review the way we work with adult care clients. As such we have set about a second Finance Improvement Programme.

4. This report sets out that programme and key milestones and success factors. The changes will focus on improving the governance and financial sustainability of the organisation, whilst also ensuring stronger financial reporting. As such the Audit and Governance Committee will want to monitor progress.

Detail

5. The programme will include six projects aimed at releasing efficiencies in both Finance and other service areas, and facilitating 'self-serve' and 'automation':

- I. **Accounts Payable** – *ensure more efficient and automated way to buy with fewer people, but higher skilled staff. This will start with re-engineering process for payments that follow the automated route and then pick up feeder system payments*
- II. **Income & Accounts Receivable** – *move more income collection to receipt of income at point before service and via a Centralised team improved income raising and more targeted debt recovery.*

- III. **E5 and collaborative Planning** – *upgrade and more user-friendly front end, with removal of recharges unless essential to improve data and budget monitoring.*
- IV. **Financial Regulations** – *ensure that rules governing meet business need and drive strong financial management, for example cannot buy without budget.*
- V. **Revenue Budget Monitoring** – *move to risk assessed self-service by budget holders and more check and challenge from Finance linked to performance / activity data.*
- VI. **People** – *workforce planning for staff to help manage succession and reductions.*

6. In addition, there is a seventh project that is part of a wider resources programme to review and improve the Council's Intranet as a single point of access and learning tool for users and managers. Within that therefore we will have **My Finance** project that will create a user (*Finance staff and clients*) friendly tool around to training, document deposits, self-service and more.

7. The aims of the Programme are to:

- add value and save money;
- plan and grow our workforce for the future need and changes, that extends to influencing our service users workforce planning also;
- be a service that is fit for the future and meets the business needs through working smarter, including digital solutions for efficiency and where/how people work to deliver the work life balances and savings. This includes a move to more self-service by users and managers; and
- be recognised as one of the best Finance Teams to work for so we can retain and attract staff.

8. The programme thus addresses a series of connected projects that drive change across all aspects of how we work and across functions:



9. We have set out a number of success factors for each project within the Programme, these include:

- **E5 (&CP)** – The Systems Team Lead will be a super user who directs development and use of system. The Accounts Tree has been reviewed and issue of nominal reporting resolved. Standard reports meet the need of users and query reporting grows to meet all of the needs of the business and Finance. E5 & CP are seen as an effective tool by all Users.
- **AP** – Smarter processes developed giving reduced processing costs; agreed policies and process for payments; Intelligent call management; greater transparency of processing costs; and limited ways to make payment. There will also be standard reports from E5 to assist all parts of Finance for monitoring and audit purposes, e.g. duplicate addresses.
- **AR** – Debt greater than 180 days are down by 50% by the end of 2022; we will centralise large parts of income management with move to more self-service and payment up front for our income streams. There will also be standard reports from E5 to assist all parts of Finance for monitoring and audit purposes, e.g. write offs. We will also only credit cash when income is received in E5/CP.
- **MyFinance** – Our intranet page will facilitate more self-service and be our interface with our internal clients (including schools). The site will enable training, reporting and logging questions, depository for information, completing tasks for self-service.
- **Budget Monitoring** – We will have a clear programme of work on a monthly cycle based on a risk assessed support programme that enables budget holder self-service, whereby green budget holders (assessed on type / volume of transactions, e.g. pay / routine; skill of budget holder; % change, feed to E5, etc...) monitor and update forecasts monthly themselves. Finance will only check 'green' areas for sense twice a year unless other intelligence

(e.g. Standard Reports such as vacancies, agency, debt, etc...) suggests otherwise. This frees resource for more work with 'Red' areas to move to amber with focus on feeder system and performance / unit data. There is a closedown timetable for each months' reports that clearly sets out responsibilities and deadlines. The accounts tree is cleansed post E5 upgrade to resolve nominals, base budget errors / gaps to make the reporting more user friendly. Payroll reconciliation is completed centrally, and service finance discussion informed of issues to check. New controls will be in place to maintain greater balance between payroll, establishment and E5.

- **People** – each function will have a Workforce Plan for all staff linked to development plans for work allocation, skills opportunities and business as usual KPIs. We will start to move to fewer job descriptions and clear progressive competencies across whole Finance Team.
- **Finance Regulations** – There will be redrafted user friendly Financial Regulations with a refresh of all policies and Schemes of Delegation to enable the business to operate in the new ways of working, e.g. debt write off.

10. We have also set out what success looks like for users of Finance, that includes:

- **Buyers** – We will look to ensure there are fewer requisitioners and buyers, and that they sit in the right place of the organisation. They will be trained and know how to process payments in the right way. This could mean less complex and support resources could be procured within a generic central team. For other teams we will work with them to standardise and automate requisition to payment process to remove inefficiencies and ensure budget reporting is right first time to reduce the number of delays and virements. E5 and Financial Regulations will not enable staff to buy where no budget exists or has been fully utilised.
- **Budget Holders** - We will be directing and moving to more self-service in most areas. We will risk rate budgets to direct the resource attributed to monitoring and support. For many (green risk) Budget Holders they will be able to understand and trust their budget data and accurately forecast their outturn without any monthly Finance support. Finance staff will use standard reports, such as vacancy rates or income targets, to assess if there is any need to check and challenge these budget holders more frequently. For other Budget Holders (Red & Amber) the focus will be to move to a situation whereby the feeder systems / performance data enables good forecasts, and Finance staff will carry out analytical checks to support conclusions and work with you on plans to recover overspend forecasts or business change. This will be facilitated by excellent training and on-going support using MyFinance. The Ledger will also be designed to ensure it is understandable and able to sit with other service data to undertake forecasting. Recharges will be reduced to a minimum to aid this understanding. Work on Accounts Payable (AP) / Income & Accounts Receivable (AR) will also improve the trust in data. Financial Regulations work will ensure everyone knows what they are responsible for. Finance leaders will meet regularly with DLTs to ensure the progress is embedding and be agile to continual learn from this.
- **Cash, cheques & card payments** - We will be significantly reducing cash impressed accounts and stopping all cheque payments by 1 April 2021. We will

work with services and Procurement to manage the use of cards to ensure ledger reporting is simpler to aid good budget monitoring. This will ensure we can look at the right number and right types of card for the business to aid efficient running of services. This could mean more or less cards but you will be engaged and understand the decisions.

- **Income and debt** – For those responsible for raising income we will be looking at:
 - a. more web booking and payment at that point to reduce debt; or
 - b. standardising the process to ensure that income is raised correctly and collected promptly through a central team.

Income will not be recognised in budgets until it is receipted in order that budget monitoring more accurately reflects this. Financial regulations will be updated to reflect this and make it clearer who can and when can debt be written off.

- **Technical and specialist areas** – given the nature of the Council services we will still have several buying / payment and income areas that involve complex regulations / transactions; are less routine and require more face to face with clients due to the type of service. It may also be that the feeder system at this stage does not support efficiencies being looked at within this programme. As such these services will remain unchanged. We will be working with services to identify these and how these could fall in later stages of the Improvement Programme.

11. We will have set out a Project Initiation Document (PID) that has identified resources, roles and responsibilities and timeframes; and we will be running the Programme using programme management tools and techniques.

12. The Project Leads are:

- **AP/AR & Income:** Head of Financial Operational Services
- **Financial Regulations:** Chief Internal Auditor
- **Budget Monitoring:** Deputy CFO
- **E5:** Chief Accountant
- **People:** Head of Financial Operational Services, and
- **MyFinance** – CFO

13. In addition, there are Strategic and Operational Boards. Assistant Director representatives from Services sit on the Strategic Board and overtime senior users will also be co-opted onto the Operational Board to ensure we have user engagement and input in the project.

14. The key dates include:

- **E5** – upgrade fully operational mid to late Feb 2022
- **People** – ongoing but pilot principles in Pension and FOS December 2021 - Feb 2022

- **Revenue Budget Monitoring** – new processes in place October 2022, Capital will follow including review of E5 new functionality
- **AR & Income** – Debt greater than 180 days down by 50% by 31 December 2022;
- **Finance Regulations** – First redraft May 2022
- **MyFinance** – TBC (a schedule is being drawn up across HR, IT, Finance and Legal)

Next steps

15. The Strategic Board is meeting every six weeks to review progress and it is proposed to bring an update and next steps report back to Committee in March with a focus on progress related to E5 and Financial Regulations with further reports brought during 2022/23 on other areas.

Legal, Financial and HR Implications

16. There will be a cost of resourcing this Programme, including MyFinance. At this stage a Business Case is awaiting presentation to the Strategic Leadership Team (SLT) for sign off for £0.3 million which is forecast to be repaid within 18 months. That would be funded from the Transformation Reserve.

Contact Points

Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.