worcestershire
county council

AUDIT AND GOVERNANCE COMMITTEE
30 NOVEMBER 2022

FINANCE IMPROVEMENT PROGRAMME

Recommendation

1. **The Chief Finance Officer recommends that the report be noted and that further updates are brought to the Committee in July 2023.**

Background

2.   An introduction to the planned Finance Improvement Programme was presented to the last Audit and Governance Committee in December 2021, with an update then taken to the March 2022 Committee. This report provides an update on that programme and next steps.

Detail

3.   The programme includes 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*

4.   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 **MyFinance** project that will create

a user (Finance staff and clients) friendly tool around to training, document deposits, self-service and more.

5.   The key actions expected in the last two quarters since we last reported to this Committee were:

- E5 Upgrade;

- Draft Financial Regulations

- Continued improvement in Budget Monitoring

- Accounts Payable developments in Supplier management Open banking

- Workforce planning

The following paragraphs provide members with an update, including these areas.

- E5 and collaborative Planning

6.   The upgrade of the general ledger was due to Go Live late February 2022. However, three critical risks identified in January 2022, meant this was rescheduled to June 2022.

7.   It is pleasing to report that the E5 Upgrade, as well as upgrades to the Social Care financial modules (Controcc) were successfully completed in June 2022. There were no problems reported or experienced at the time or since in either the Council or our school clients.

8.   The Finance Leadership Team has also reviewed the structure of its Systems support to ensure it is fit for purpose going forward. This identified a need to address both a risk of single person reliance, as well as skills in PowerBi. As such a restructure is just finalising that addressed both these risks.

9.   The team are now working on a front end PowerBi solution to supplement Collaborative Planning to enable a more user friendly and usable finance dashboard that will sit alongside an activity and output performance dashboard also being delivered on the same platform. This is now expected to be rolled out mid to late 2023. We have also implemented a training programme for staff within the systems team as well as within the corporate and service finance teams.

- Financial Regulations

10. This work is linked to the Annual Governance Statement review, which identified a need to review the whole Council's constitution. As members will recall this has stalled due to the departure of the former Monitoring Officer, however as noted elsewhere on the same agenda this is now progressing and it is still felt that changes to the Financial Regulations will go to May / June Council 2023.

- Budget Monitoring

11.   Finance have developed and delivered a three module Financial Awareness training programme to budget managers and officers across the Council, with in excess of 300 delegates attending in year. This has promoted the importance of reliable budget

monitoring, forecasting and control and raises awareness relating to where the Council gets its money from and where it is spent. Feedback on the course has been hugely positive and has not only improved financial awareness across the Council and WCF, but has raised the profile of the role finance across the organisations.

12.   Monthly budget monitoring continues to be produced for senior management teams within the directorates and to the Chief Officer Group and Strategic Leadership Team. Alongside this, the finance business partners have developed a number of activity-based forecasts within our demand related budgets (predominantly adults and children) so that the reader can see the direct correlation between activity, demand, unit costs and forecast.

13.   The budget setting process continues to be done in conjunction with the budget holders and ensures that they are involved in the development of future budgets at a time when they can influence future decision making.

- **Accounts Payable: Supplier Creation**

14. In May 2022 a data analytics report carried out by Internal Audit showed that the Council had 29,719 open suppliers on E5. When comparing supplier name and bank details, 3,057 duplicate suppliers were identified. Of these 29,719, 11% (3,262) were created in 2021. Of these 3,262, 25% (803) were rejected at Approval stage (mainly due to duplication).

15. Between 1 January 2022 and 30 June 2022, on average 292 new suppliers were created each month for company W1 (W1 includes: WCC, Pensions, WCF and Schools). There are currently 1,475 E5 users able to raise supplier accounts (this includes schools' users).

16. The Data Analytics also found:

Volume (total supplier 29,719)	Issue	Impact
4,669	Suppliers with no email address	Unable to send remittance advices electronically, thus creating a more labour-intensive process. Also limits our ability to contact/verify suppliers, increasing risk of fraud
20	Supplier with no post code	Minimal impact if contact is electronic. However, reduces data quality
218	Suppliers missing bank account and/or sort code. 53 relate to Factoring Companies. 38 relate to Foreign Suppliers	Unable to be paid by BACS, increases the need for cheque payments
11,737	Telephone number issues	Reduces the ability to efficiently identify duplicate suppliers.

17.   This whole process has been mapped to identify weaknesses and inefficiencies and Finance are now redesigning a 'To Be' approach that utilises E5 to a fuller potential and capacity using the E5 Process Manager solution.

18.   The implementation of the E5 Process Manager will allow a smart form to be created to route the Supplier Creation process and allow a number of automatic checks to be carried out at point of creation. This will route through automatically to key areas for the business for approval. This will ensure that all details are on E5 from the outset and save duplicating effort and will also ensure that key data is completed at the point of creation. With the implementation of the E5 supplier portal this will allow new suppliers to be created at the same time. This will move suppliers to self-serve of purchase order, payments and progress on queries, reducing the number of queries in to the Council from both internal and external staff. In conjunction with this implementation, we will carry out a comprehensive data cleansing exercise and establish an SLA for all areas of the business to ensure that roles and responsibilities are clearly understood.

19.   We will reduce the number of people able to create suppliers and ensure that training and guidance is updated and maintained. Given the reduced numbers of staff involved with the process we can provide a more comprehensive training and support programme. This will work alongside the preferred option for Purchase Order (PO) creation and will be the same identified Directorate staff.

20.   The Accounts Payable team are now working on this with the Finance System Team to bring in a solution in mid to late 2023.

- **Accounts Payable: Purchase Order (PO) Creation**

21.   Purchase Order creation is currently a devolved process and it has been identified there are a number of issues with the current process including;

- ○ PO's raised inaccurately leading to queries and incorrect payments
- ○ Poor and delayed good receipting leading to delays in payments and increased queries
- ○ PO's being raised after goods and services have been delivered leading to poor budgetary control

22.   This work links very closely with the proposal for reviewing the supplier set-up and a lot of the costs for the implementation of IT changes and additional E5 modules will be to deliver both proposals

23.   The current Purchase Order creation process is:
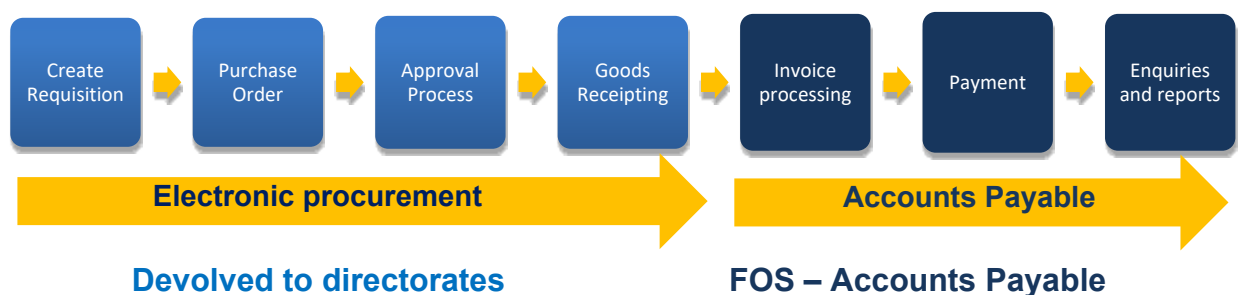
24.   Implementing a revised process will need to ensure it delivers measurable benefits in the following areas in order to reduce queries, improve process, and create efficiencies. This will need to take advantage of improved IT usage to reduce and eliminate manual processes and move to a supplier self-serve model.

- o Reducing the numbers of people able to create PO's but investing more time in the understanding, training and support so that they have confidence in delivering the process, reducing queries and increasing accuracy.

- o Improving management intelligence such as: PO management, budget monitoring data and budget driven restrictions to an automated PO creation process, to improve budgetary and spend control.

- o "No Purchase Order, No Payment" policy enforced reducing the risk of incorrect or late payments, complaints and minimising the risk of fraud via incorrect payments (this will be strongly linked to the Supplier Creation changes).

- o Electronic delivery of PO and subsequent monitoring and queries via a central 'portal' automating the 'sending out' of the PO's to reduce administration time and enable suppliers to self-serve.

- o Ability for suppliers to check on current PO status and progress to payment on the portal reducing progress chasing calls and targeting queries.

- o Improving authorisation process to ensure timely authorisation, goods receipting and payment, therefore improving time to pay suppliers which supports meeting for the needs of local businesses

25.   As such Finance are now developing a 'To Be' Model that will allow a standardised but devolved directorate service with digital enhancements to the process that will run alongside the introduction of a supplier portal and improved central report and monitoring function. This option would include improved training for key directorate staff, clear SLA, and process maps. These key staff members would sit in the Directorates but reduced from the c1700 to c50. This would in effect centralise this within the Directorates rather than devolved much wider as is currently the case.

26.   It would fully utilise digital alternatives and technology with an automated workflow process from pre-populated form creation in E5 Business Process Manager, ensuring data is on the Finance system at the outset. This would also allow for check and balances to be carried out at point of creation, ensuring accuracy of purchasing, correct coding and budgetary commitments. The introduction of the Supplier Portal would mean that PO's and all subsequent payment activity would be available on a self-serve basis for all suppliers, significantly reducing the need for central intervention and ensuring that queries are reduced. This has already been achieved in Adult Social Care where all non-residential providers interact with a portal and there is 100% compliance in terms of provision of purchase orders.

27.   By introducing better workflow management it would ensure consistency of form completion, improving the user experience and saving time for the Purchase Order raiser, and reducing queries. Automation and self-service would be employed. The Central team would report and monitor exceptions. Digital and automated solutions would give the potential to replace off system processes with e-forms and workflow. Improvement of time, cost and quality in the process would enabling more robust management.

28.   The Accounts Payable team are now working on this with the Finance System Team to bring in a solution in mid to late 2023.

- Accounts Payable: Open Banking

29.   Open banking is the new term that refers to the changing process of banks and other financial institutions opening up data for regulated providers to access, use and share information. This has enabled greater use of applications (apps) to enable easier payment and income collection with lower fees and less transactional processes.

30.   The Council's Finance Team are presently exploring the potential to use this to collect income more efficiently as well as making payments. Initial discussions with providers suggest that as much as £150,000 could be saved in banking fees per annum.

31.   It is hoped that a contract can be signed before 1 April 2023 with the use of this provision to collect income being rolled out in late 2023.

- People / Workforce Development

32.   The Financial Operational Services (FOS) have developed a pilot succession and workforce development plan that is about to be rolled out across all of Finance.

33.   The Workforce Plan will be applicable for all staff and links to job description and person specifications to assess:

- o   Professional competence

- o   Behavioural competence

- o   Technical competencies

- o   Well-being

- o   Own aspiration and personal and professional development needs

- o   Planned / known changes in structure and workforce

34.   From this work there is the ability to assess the training needs analysis for the whole service and for individuals. This also enables us to work with the team to enable them to undertake work that will benefit the business and their own development and career opportunities. As well as enabling those that wish to leave the organisation to do so in a managed fashion, and managers to plan to avoid retention or skills gap risks.

35.   There will always be changes to staffing retention we cannot and will not control, however we hope this approach will increase our opportunity to attract the right talent going forward.

36.   As a result of this, all staff will have a workforce plan for the coming years by April 2023, as well as an individualised training and development plan to support individual and collective workforce planning

37.   The Workforce Strategy also includes the development of a standard induction plan for new staff, a standard template for objective setting and proves for regular monthly 121 conversations for staff with their line manager. This links into the mid-year and year-end corporate review process.

- MyFinance

38.   The Council procured a partner to redesign the Internet Webpages, that has led to slippage in this programme. However, Finance and IT recently met to look at the prioritisation of this for 2023 and further progress is expected during 2023.

Next steps

39.   The Strategic Board is meeting every six weeks to review progress, risks and resources. An update is suggested for the July 2023 Committee.

Legal, Financial and HR Implications

40.   The cost of resourcing this Programme, including MyFinance, of £0.3 million was approved by SLT and is funded from the Transformation Reserve. This programme is currently thus funded and due to pay back within 18 months.

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.