

REPORT TO	DATE OF MEETING
Shared Services Joint Committee	6 th October 2014



SUBJECT	PORTFOLIO	AUTHOR	ITEM
Financial Systems Development Plan Update	N/A	Richard Birchall Susan Guinness	

SUMMARY AND LINK TO CORPORATE PRIORITIES

This report provides an update for members on the Financial Systems Development Plan and the working undertaken by the Team.

The Shared Services Partnership is a high corporate priority for both Councils.

RECOMMENDATIONS

That members note the report's content and comment as appropriate.

DETAILS AND REASONING

The Joint Committee has received more detailed updates periodically with specific regard to the programme of work involving the development of our financial information systems to supplement the information provided in the service's Performance and Annual Reports.

The information provided below seeks to build on the information provided to date and brief members on what is being achieved and the current work plan of the Systems Development and Creditors Team.

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FINANCIAL SYSTEMS DEVELOPEMNT PLAN

Joint Committee Update

October 2014



1.0 Introduction and Background

Since the inception of Finance and Assurance Shared Services Arrangements (FASSA) the service's Business Improvement Plan (BIP) has contained the FINANCIAL SYSTEMS DEVELOPMENT PLAN. This plan focusses on making the best use of new technology by developing the Councils' Financial Management Information System (FMIS), which is the key system used to manage the Councils' budget, and its related and/or linked feeder systems. In addition to budget management FMIS includes the procure to pay process by which our orders and financial commitments are placed and subsequent invoices paid. The feeder systems include debtors, creditors, revenues and benefits, cash receipting and payroll, with information generated by these systems being critical in the accurate management of the councils' actual income and expenditure and also performance against budgets. FMIS also contains various modules such as the General Ledger, Bank Reconciliation, Budget Preparation and Asset Management.

It seems obvious to state that the integrity of all these interlinked systems is paramount but the plan does not stop at ensuring that the overall electronic process remains secure. ICT is a field that is constantly developing with regard to new functionality and dynamic capability. These changes impact across the board; internally with new technological advancements that change our business processes, and externally in respect of how we can improve services provided to residents and Council Tax payers.

In addition to the many opportunities that new technology presents it also, unfortunately, brings with it new threats that need to be addressed, for example computerised fraud. Recent years have seen a tightening of financial services regulations to reduce the risk of fraud that potentially can have a catastrophic impact. This includes the misappropriation of cash and confidential data and also the corruption of critical data. National issues within the public sector have also had an affected on the electronic world as it is used as a vehicle to deliver mandatory requirements, for instance the expanding transparency agenda and Freedom of Information Act. This requires our systems to be modified to enable the appropriate data extraction in the prescribed formats for publication.

The Shared Financial Services Business Improvement Plan (BIP) identifies "successful implementation of the Financial Systems development plan" as a key project for completion. This programme of development is carried out in addition to the day to day system maintenance and support provided to our many customers as users across both Councils. As the Financial Systems Development Plan contains significant projects that collate into the BIP, this briefing note seeks to expand on the high level Red, Amber and Green information provided in the Performance Report. Set out below is a summary of what has been achieved since the introduction of the joint FMIS arrangements and what this means in terms of process change, enhancing customer satisfaction and also improving efficiency and increasing productivity.

The overarching objectives of the plan are to (1) ensure statutory **compliance** and meeting regulatory requirements, and (2) improve **efficiency** and increase productivity. Both of these objectives should also continually seek to also enhance customer service be that externally or internally ranging from day to day users to key stakeholders.

2.0 What has been Achieved to Date

Since the introduction in 2011/12 of the ground breaking shared FMIS arrangements, where both Councils jointly use the same system, new development projects have continued to ensure compliance is maintained at its highest level and opportunities for efficiencies gains are maximised.

Compliance

Compliance related projects focus on risk management and therefore seek to mitigate against the threat of the following:-

- fraud,
- misappropriate of funds,
- financial penalties and fines,
- reputational damage, and
- over committing against budgets.

All projects were project managed and completed by the Shared Financial Services Systems Development Team working collaboratively with other departments wherever necessary.

We continue to ensure that systems maintain compliance with external requirements and legislation. A key development in this area was the Civica Financials upgrade to version 14 and 14.5 which provided access to new functionality and eliminated software bugs. This also contributed toward producing our accounts in accordance with the Service Reporting Code of Practice for Local Authorities (SeRCOP) which aids the successful external audit and approval of our year end statutory Statement of accounts. The implementation of Payment Card Industry Data Security Standard (PCI-DSS) brought compliance with the strict banking standards that ensures card payer data is secure. This included increasing controls around cardholder data to reduce credit card fraud. Failure to achieve PCI-DSS can result in financial penalties and certain reputational damage should our payments procedures expose customers to fraud and loss of cash.

A key on-going task of the Financials Systems Team is to proactively look for vulnerable areas and improve compliance and security. The BACS process was one of those areas due to the change in PC's to a Xen desktop. BACS files are sent externally to our bank, without encryption these files they can be tampered with and cash diverted from their intended destination. The potential of fraudulent misappropriation of actual cash made this piece of work a priority project. The solution was the implementation of Datasafe BACS encryption software to encrypt BACS files immediately on production. In addition, also moving the BACS submission software to a more secure cloud solution future proofed the BACS system for many years to come and created a full disaster recovery plan in the event of website failure.

New compliance developments around banking have also been completed, introducing chip and pin to improve the customer experience when making a card payment. It also allowed us to take advantage of cheaper transaction costs.

General levels of compliance by internal users are also monitored and improved where necessary on an ad-hoc basis. This is achieved via group training sessions and also one to one training. The help desk facility is also available on a full time basis and easy look up user guides have also been developed by the Team as aide memoires for users across both Councils.

Improving Efficiency & Productivity

Shared Financial Services also continually strives to achieve improved efficiency and productivity by proactively identifying system developments. This approach maximises the return on investment in respect of the system and secures efficiencies. This occurs not only within the service itself, but also within end to end business processes which also includes user departments.

A key project delivered during 2013/14 was the integration of the financial systems with the new Customer Relationship Management (CRM) system to allow customer facing staff to make payments from within the CRM system. Another large scale project around efficiency and cost saving was the replacement of cheques as a payment method. This project made savings on the cost of cheque software and cheques and improved efficiencies within the payment process.

Migration of all the financial systems to ICT's new servers and to the Xen desktop environment was an essential project that needed to be done to keep in line with corporate ICT upgrades. Another area proactively identified by the systems team was the maximisation of the number of debtor Invoices sent electronically. This project also improved customers' communication links with us.

Housekeeping type projects, such as categorising suppliers to allow the procurement team to analyse spending information, has given the procurement team a greater insight into the local business environment and a greater knowledge with whom the councils do business with.

Other key areas of development are around integrating and improving payment methods as below:-

- The financial system cash receipting database has been integrated with the new planning portal to allow online planning applicants to make payments.
- Automation of council employees' council tax payment salary deductions.
- Elimination, wherever possible, of manual financial processes.

The improved efficiency of the Systems Development and Creditors Team, since the shared service partnership started in 2009, can be measured by comparing the budgeted establishment then and now. Originally the team consisted of 12.9 FTEs, currently 6.0 FTEs are in post equating to a total cost reduction of £167,000 (41% budgetary efficiency gain).

Enhancing Customer Satisfaction and Collaborative Working

Given the scale and frequency of projects, successful management of change is a key task and skill for the Team to achieve in order to maintain effective relationships with external and internal customers and partners. The emphasis on customer care has been strengthened by the team developing their own, unique Customer Care Charter. Poor external customer relations have the potential to damage the Councils' reputation and a deterioration in service internally can be very disruptive to day to day business across the board.

The Team also need to adopt a flexible approach to take into account the differences between the two Councils with regard to organisational structure, communication routes, corporate strategies, priorities and policies. One size does not always fit all and a flexible approach must be adopted to deliver a valued service across all the various sites. Shared services working involves bringing departments together to work collaboratively and effectively together. For example both Chorley and South Ribble ICT departments are brought together to find joint solutions.

3.0 Business Continuity and Disaster Recovery

As above, the integrity and security of the Councils' financial data is paramount. Moving the BACS submission system to a cloud environment has significantly improved the payment process in the event of an unforeseen network issue. Historically BACS submissions relied upon the Councils' internet access to be fully working, but with the Cloud system the Bank can receive our transactions from any PC that has access to the internet regardless of whether the PC is within the Councils' domain.

Multiple emergency payments can also be accommodated. Barclays bank faster payments system allows payments to be made the same day to the bank if an emergency situation arises.

Shared Financial Services PC's have been phased out and almost all financial Systems are now run using the corporate client Xen desktop which ensures the service is fully supported by a corporate disaster recovery and business continuity solution.

4.0 Financial Systems Development Plan 2014/15

The 2014/15 work plan contains a number of significant projects to implement the new enhancements within the latest version of FMIS. The transition to version 15 contains step change to benefit from the enhancements of some of its key modules. The Principal Systems and Financial Account is the Chairperson of the CIVICA user group and has worked closely with CIVICA as an advisor to develop the Budget Preparation module which has been up until now not fit for purpose.

The following projects are within the 2014/15 work plan:-

Civica Financials Upgrade to version 15 - Civica Financials upgrade to version 15, ensuring the financial system is up to date with statutory legislation and both councils are taking full advantage of new enhancements available in the new releases such as asset management and budget preparation module.

Budget Preparation Module - The Budget Preparation module is an integrated budget setting and budget monitoring system which will allow all budget information to be available online via the core financial system throughout the budget setting process. The module allows modelling of both payroll and non-payroll budgets and will eliminate the need for individual Excel spreadsheets.

Asset Management Module - Currently the asset register and all the asset accounting working papers are maintained on Excel spreadsheets. Spreadsheets are not integrated with the financial system and manual journals are entered into the ledger to post asset related transactions such as depreciation. The asset management module is fully integrated with the general ledger and can automatically update the status of any asset within general ledger.

Payroll - An in depth review of the existing payroll service contracts is currently underway to ascertain the extent to which efficiencies, particular technological and financial, could be achieved through alternative delivery models or alternative service providers. Once this analysis has been undertaken a business case will be developed with the aim of realising the benefits identified. The target 'live' date is estimated to be April 2016. Some examples of the benefits we would hope to achieve include the following:-

- substantially improved quality of service provision,
- significant improvement and strengthening of key audit and process controls,
- consolidation of multiple system to one enterprise resource system, for example flexi time system,
- closer integration with financial systems for budgeting and establishment management,
- automation of processes such as recruitment, health & safety, training & development,
- gain full control of the system and therefore related business processes to enable us to take advantage of new technology and drive future development and process improvement.
- an opportunity for income generation.

5.0 Team Performance

The Team have a number of Key Performance Indicators (KPIs) within the Shared Financial Services BIP that are measured on a monthly basis. These challenging targets are set to achieve a very high level of performance and the team has an excellent track record in achieving results. The KPIs for August 2014 are below:-

KPI	Actual 2013/14	Target 2014/15	Actual 2014/15 (April to August)	Performance Status	Notes
Supplier Payment within 30 days (local indicator) (linked to AVFM Secondary 10)	99.21%	99%	98.34%	AMBER	Slightly under target but achieved 100% in August
Supplier Payment within 10 days (local indicator)	80.23%	80%	80.56%	GREEN	Target exceeded
% of supplier payments by electronic means (VFM Secondary 7)	98.10%	95%	99.03%	GREEN	Target exceeded
% of remittances to suppliers by electronic means	100%	100%	100%	GREEN	Target exceeded
% of Financial Systems availability	99.93%	99.5%	99.98%	GREEN	Target exceeded

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

FINANCIAL	There are no financial implications with regard to the content of this report.		
LEGAL	All relevant legislation is adhered to.		
RISK	The full risk assessment forms part of the background papers to this report. The main points for consideration are summarised here:- The Shared Financial Services BIP contains the Risk Register		
OTHER (see below)			
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

BACKGROUND DOCUMENTS

Shared Financial and Assurance Services Business Improvement Plan 2014/15.