FINANCIAL SYSTEMS DEVELOPMENT PLAN

Joint Committee – May 2016

2015/16 Out-turn Briefing Note

1.0 Introduction and Background

Since in inception of the 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 linked feeder systems. In addition to budget management the FMIS includes the procure to pay process by which our orders and financial commitments are placed and the subsequent invoices paid. The feeder systems include systems such as debtors, creditors, revenue and benefits, cash receipting and payroll. The information generated by these systems being critical in the accurate management of the councils' income and expenditure and budgetary performance. 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 also with regard to how we can improve services provided to residents and Council Tax payers.

In addition to the many opportunities that new technology presents, it also brings with it new threats that need to be addressed, for example computerised fraud. Recent years have seen an increase and tightening of financial services regulations to reduce the risk of fraud that has the potential to have a significant negative financial and reputational impact. This includes the stealing 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 be able to extract the data required in the prescribed formats.

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, overall Red, Amber and Green information provided in the Annual Report including what has been achieved and what this development 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.

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2.0 What has been Achieved to Date

Since the introduction of the Chorley and South Ribble shared FMIS in 2011/12 (where both Councils share and use the same system) new development projects have continued to ensure compliance is maintained at its highest level and opportunities for efficiency gains are maximised.

Compliance

Compliance related projects focus on risk management and thus mitigate against the threat of fraud, misappropriate of funds, financial penalties and fines, reputational damage and overcommitting 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 the systems maintain compliance with external requirements and legislation. A key development in this area was the Civica Financials upgrade to version 16 which provided access to new functionality and eliminated software bugs. This also included further functionality migrating from the network based windows (rich client) to the Financials Web client to enable more users to migrate to the web client. This means that new developments can be rolled out more efficiently as no local installation is required on networks. This both reduces ICT overhead cost and also provides a suitable delivery platform to expand the delivery of FMIS to other organisations.

The implementation of Payment Card Industry Data Security Standard Version 3 (PCI-DSS v3) introduced new banking compliance standards that ensure card payer transactions remain secure. Further training has taken place this year with the staff managing the Chip and Pin transactions, the training focused on how to keep the chip and pin devises secure and safe from fraudulent activity. Failure to achieve the new PCI-DSS V3 could result in financial penalties and also reputational damage should our payments procedures expose our customers to fraud and loss of cash. Also included in this project was a mandatory upgrade of our Income Management system as the new release contains the latest security enhancements to ensure the system meets PCI-DSS v3.

A key on-going task of the Financials Systems Team is to proactively look for vulnerable areas and improve compliance and security. The advantages and disadvantages of switching on the control to prevent Budget Holders approving expenditure that exceeds the budget available is reviewed on a regular basis. During this review in 2015/16 this facility was switched on at SRBC, this control may be rolled out to Chorley Council in the coming year after consultation with new senior managers has taken place.

A further example of pro-active review of compliance involves the early replacement of BACS card readers. BACS files are sent to the bank by using BACS card readers. The systems team have upgraded the readers earlier than most of Barclays customers to ensure the BACS cards remain secure from fraud with the most up to date technology available.

As part of the Chorley Councils' ICT project to migrate all systems and applications to the new Xen desktop, Shared Financial Services worked with the ICT team to test that all financial systems and hardware peripherals (for example, scanners and card readers) worked within this new environment. This was an essential role in the successful migration all finance

network users onto the new desktop environment whilst maintaining continuous service delivery.

A major training programme was delivered in conjunction with a SRBC Core Managers Team project to problem solve compliance issues and thus improve the Procurement to Pay (P2P) process. All staff involved in the P2P process were trained in both the purchasing system and creditors processes. The training re-enforced the standardised Purchase Order and Invoice Processing routines and has been successful in dramatically reducing the number of system helpdesk calls received.

The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities to help deliver infrastructure improvements to support the implications of new development within the borough. During 2015 the government changed the timing on how the Levy is recovered involving a statutory letter notification to the prospective developer/planning applicant. The systems team set up a compliant debt recovery route involving the generation of automated letters working closely with the debtors and planning team at Chorley Council.

Efficiency & Improving Productivity

Shared Financial Services also continues to strive to improve efficiency and productivity by identifying key developments. This seeks to maximise the return on our investment in the system by securing efficiencies, not only within the service itself, but also within the end to end business processes crossing over into user departments.

A key area this year was introducing new improvements to debtor's system processes. The way in which we communicate with our varied debtor customers has now been standardised by aligning and simplifying recovery routes making the process of recovering debt easier to manage within debtor's teams. Debtor letters have been automated and are now sent out electronically when the customer requires a prompt to make payment, this has reduced the amount of staff time managing the process. Debtor management reports have been further improved to give debtor teams up to date information during the recovery process.

Further developments have been made to improve the councils' invoice scanning software. Correct purchase order numbers can now be written on the invoice using software if the purchase order number is not clearly stated or written on the email rather than the actual invoice. This effectively saves staff time by not having to return invoices to suppliers for correction before payment. Also the scanned invoice processing screen has also been further improved to populate purchase order fields relating to the invoice when processed. More improvement developments are scheduled next year to increase the efficiency around invoice processing.

The financial systems performance is continually under review as the councils database size increases each year, to accommodate this growth the finance SQL server environment has been increased. The client servers that access the databases have been upgraded with memory and file space and are running efficiently without any performance issues.

3.0 Financial Systems Development Plan 2016/17

The 2016/17 work plan contains a number of significant projects in respect of implementing the new enhancements within the latest version of FMIS. The transition to version 17 contains step change with regard to the enhancement of some if its key modules. The Principal Systems and Financial Accountant 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 not been fit for purpose.

The following projects are within the 2016/17 work plan:-

Civica Financials Upgrade to version 17 - Civica Financials upgrade to version 17, ensuring the financial system is up to date with statutory legislation and both councils are taking full advantage of new technological enhancements available in the new releases such as refined asset management and budget preparation modules.

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 our existing payroll services contracts 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.

Payroll file integration for South Ribble Council - South Ribble Councils' payroll file cannot be automatically imported into the ledger without having to reconfigure the file, this is not a desirable practise. The payroll provider is required to provide a file that can be imported automatically which meets audit standards.

Payment Card Industry – Data Security Standard (PCI-DSS) V3.1 and 3.2 Compliance Continuation – To maintain PCI-DSS both manual staff processes and system compliance is essential. Working with an independent affiliated PCI-DSS consultant we will be looking at the entire scope of PCI-DSS to ascertain the risks and vulnerabilities in the front line service of taking card payments. Acting on that information we will be prepared for the ever increasing levels of security the PCI Security Standards Council introduce with every new PCI-DSS release as well as being satisfied that card payment standards are being complied consistently.

A business case is currently being written to highlight the need for a long term solution in taking customer none-present card transactions whilst keep within the standard of PCI-DSS. Awareness training for staff involved in taking card payments will be rolled out this year. We will also plan to introduce new Chip and Pin devices to some council run events and back office areas where required.

Migration from CIVICA Creditors to Academy Creditors at SRBC and removal of cheque payments for SRBC – South Ribble Council have purchased a new creditor module for the Council Tax, NNDR and Housing Benefits Academy system. The new module processes payments directly from Academy by exporting the BACS files directly, removing the need for running the payments through Civica Financials Creditor system. The financial system team will assist in this project by testing the new BACS files along with handing over of any payment processes done within the exchequer team to the Council Tax, NNDR and Housing Benefits team. Also linked to this project is the complete removal of payments by cheque and the designing of processes to facilitate and support this.

Core Systems and Processes Disaster Recovery – Projects delivered by other departments (for example the ICT Citrix Desktop upgrades and the changes to how South Ribble submit the Bacs files for Housing Benefits, Council Tax and NNDR) has prompted a full review of how financial systems and business critical processes continue to be valid and effective in the event of full or partial network failure. Disaster recovery processes will be updated to adapt to changes made to peripheral systems ensuring critical payments can still be made to our customers such as Housing Benefit payments. Key components of the Disaster Recover review will include the following:-

- Documentation of disaster recovery procedures.
- Service Level Agreement with ICT to have core financial systems prioritised in the event of a disaster recovery situation.
- Software accessibility and business continuity during a network failure scenario.
- Testing of Disaster Recovery processes including re-instatement of records.

Purchasing System Developments – The purchasing system could be integrated with the property services Technology Forge system allowing the Property Services Team to use Technology Forge to raise Purchase Orders. This allows a direct interface into Civica Financials in order to use the normal authorisation procedures and to create a commitment to be recorded against the relevant budgets. Currently the Property Services Team has to duplicate work and raise orders in both Technology Forge and Civica Purchasing. Other Purchasing Enhancements are shown below:

- Control to prevent purchasing authorisers from authorising spend above the budget limit
- Review of the Purchase Card module (linked to South Ribble Core Managers Project)
- Review of Contract Monitoring module
- Review of Payment Request functionality to replace Manual Payment Vouchers to allow payments to be made in the absence of an invoice.

Debtors System developments – New enhancements have already been delivered within the debtors' processes during 2015/16. The project will continue in the following year for both Councils. The migration to a new digital payments channel will commence this year for Chorley, this method of payment will help remove staff taking card payments from the scope of PCI-DSS. South Ribble Borough Council Revenues Team are also looking to implement many of the efficiency developments for the Debtors module. Initial meetings to specify the improvement project are underway.

Creditor System developments – Although significant improvements have already been made to speed up the invoice processing by using scanning recognition software (Kofax), Kofax has further potential to reduce the time spent on processing invoices by engineering the software to look for duplicate invoices and auto populate more fields that the operator within accounts payable currently does. Examples include, supplier address checking and updates, bank account checking and VAT number checking as the invoices are scanned.

Civica Financials user access review at South Ribble Council – The financial system users at South Ribble Council currently require a password into Chorley Councils' domain to access South Ribble's financial systems. This has the potential to be onerous for the user and ICT at Chorley Council may need to get involved to allow system users to gain access if passwords have been forgotten, for example. Chorley ICT also have to set up, maintain and decommission all South Ribble users on the Chorley domain. There is an alternative solution under review known as Active Directory Federation Services (ADFS). ADFS allows both Councils' to share resources such as databases and web clients within the same domain without sharing the two councils' network domain. This could potentially improve the customer experience at South Ribble Council and remove a support overhead for the ICT and financial system team. ADFS will be reviewed and if possible taken forward in the coming year.

Chart of Accounts update for statutory returns – Both Council's must produce numerous reports and returns to external Government bodies, such as Revenue Outturn and Revenue Estimate returns to DCLG and the Whole of Government Accounts return to the Treasury. Furthermore, the CIPFA Code of Practice on Accounting for Local Government includes a significant change to the format of the Comprehensive Income and Expenditure for 2016/17 as the Statement of Accounts cost of service will be reported on internal management accounting basis instead of the traditional Service Reporting Code of Practice (SeRCoP) basis. Significant amendments will be required to the financial system to accommodate the continued automation of these returns and new statutory reporting requirements.

CPID Code Update – Counter Party Identification (CPID) codes are unique codes identifying all public sector bodies issued by the Her Majesty's (HM) Treasury that allow public bodies to report and confirm transactions and balances between each other and to the Treasury. These transactions and balances can then be eliminated when preparing Whole of Government Accounts. The financial system allows the attachment of these CIPD codes to Creditor and Debtor accounts so that all transactions with these bodies can be 'tagged' with the CIPD code. Reports can then be run to allow reconciliation with counter parties and assist in Whole of Government Accounts reporting. A major update to CIPD codes is required as a result in a change to the coding structure by HM Treasury.

4.0 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.

KPI	Actual 2014/15	Target 2015/16	Actual 2015/16	Performance Status	Notes	Target 2016/17
Supplier Payment within 30 days (local indicator) (linked to AVFM Secondary 10)	99%	99%	99.43%	GREEN	Target exceeded	99%
Supplier Payment within 10 days (local indicator)	81%	80%	86.59%	GREEN	Target exceeded	Revised to: 83%
% of supplier payments by electronic means (VFM Secondary 7)	99%	95%	99.37%	GREEN	Target exceeded	Revised to: 95%
% of remittances to suppliers by electronic means	98%	100%	95.32%	AMBER	Changes to remittance output	Revised to: 95%
% of Financial Systems availability	100%	99.5%	99.96%	GREEN	Target exceeded	99.5%

The KPI '% of remittances to suppliers by electronic means' is off target due to a change in the process for producing remittance advice. Previously, if organisations did not provide an email address for remittance advice to be sent to we would not produce one. This presented a small control risk as the remittance advice advised suppliers that we had raised a payment and to which bank account it would be paid. This afforded them the opportunity to ensure they received the payment and that we held the correct banking information for the supplier. Therefore, to strengthen this control, if organisations do not provide an email address for remittance advice then we print and send this to them by post.