Finance Modernisation Programme

Audit Committee, 24th July 2025

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Executive summary

- From September 2024 Hillingdon Council have been working on an Oracle Improvement Plan with the support of Grant Thornton

- In February 2025 Cabinet approved the request from the Corporate Director of Finance to bring in capacity and capability to create and deliver a Financial Improvement Plan with CIPFA.

- The Finance Modernisation Programme combined these and was launched in April 2025, and its initial focus has been:

  - To support understanding of the financial outturn for 2024/25, reviewing areas of risk and subjective accounting on behalf of the Council's Finance team.

  - To improve budget monitoring and forecasting processes for the new financial year 2025/26.

  - Address issues with the use of the Council's finance system, Oracle.

- Further work, has been put in place on the structure and processes of a modern finance function, embedding good practice processes and controls into the Council's finance system.

Executive summary

Key Observations

- **Accounting and Control**

  - The review of accounting, supporting the 2024/25 outturn, has identified a number of adjustments to the Council's financial position which have been reviewed and agreed with the Finance team.

  - Work is ongoing but to date these adjustments have an adverse impact on the 2024/25 financial position, including a movement of £14.1m due to writing out a negative reserve, updates to the Council's Treasury and Minimum Revenue Provision calculations and changes to the Council's Bad Debt Provision policy.

  - The review has identified issues in accounting treatment, data and assumptions used and supporting processes and procedures. These include both long standing matters and issues in the understanding of the new finance system.

Executive summary

Key Observations

- **Finance System**

  - The Council's finance system went live in April 2024, upgrading to the latest cloud-based version of Oracle.

  - Inadequate training and knowledge transfer has led to poor understanding of changes to business processes and the routine maintenance requirements of the system.

  - The solution designed and implemented is overly complex, having been adapted to meet existing Council processes and data structures.

  - Documentation of the system is incomplete and not always up to date, making routine maintenance and fixing issues more complex.

  - The Council does not have the in-house capacity or capability to effectively support and maintain the solution.

Executive summary

Key Observations

- **Budget Monitoring**
  - The planning and budgeting functionality, in Oracle, has been a significant weakness leading to off system processes being implemented.
  - Documented processes and procedures, for Budget Monitoring, lack detail and do not provide the level of regular guidance and communication required.
  - Budget Holders do not have confidence in their budgets or adequate access to information e.g. actual costs.

Executive summary

Key Observations

- **Finance Structure**

  - The Council's Finance team is a large and high-cost function for an organisation of its size.

  - Efficiency benefits from the new finance system have not been realised and the Council has a high level of manual intervention in basic finance processes (e.g. Forecasting, Reporting, Bank Reconciliations).

  - The current structure sees a great deal of accountability for the delivery of Finance's services rest with a small number of senior officers. This is in part a consequence of how change at senior level has been managed, with responsibility being consolidated to a few individuals.
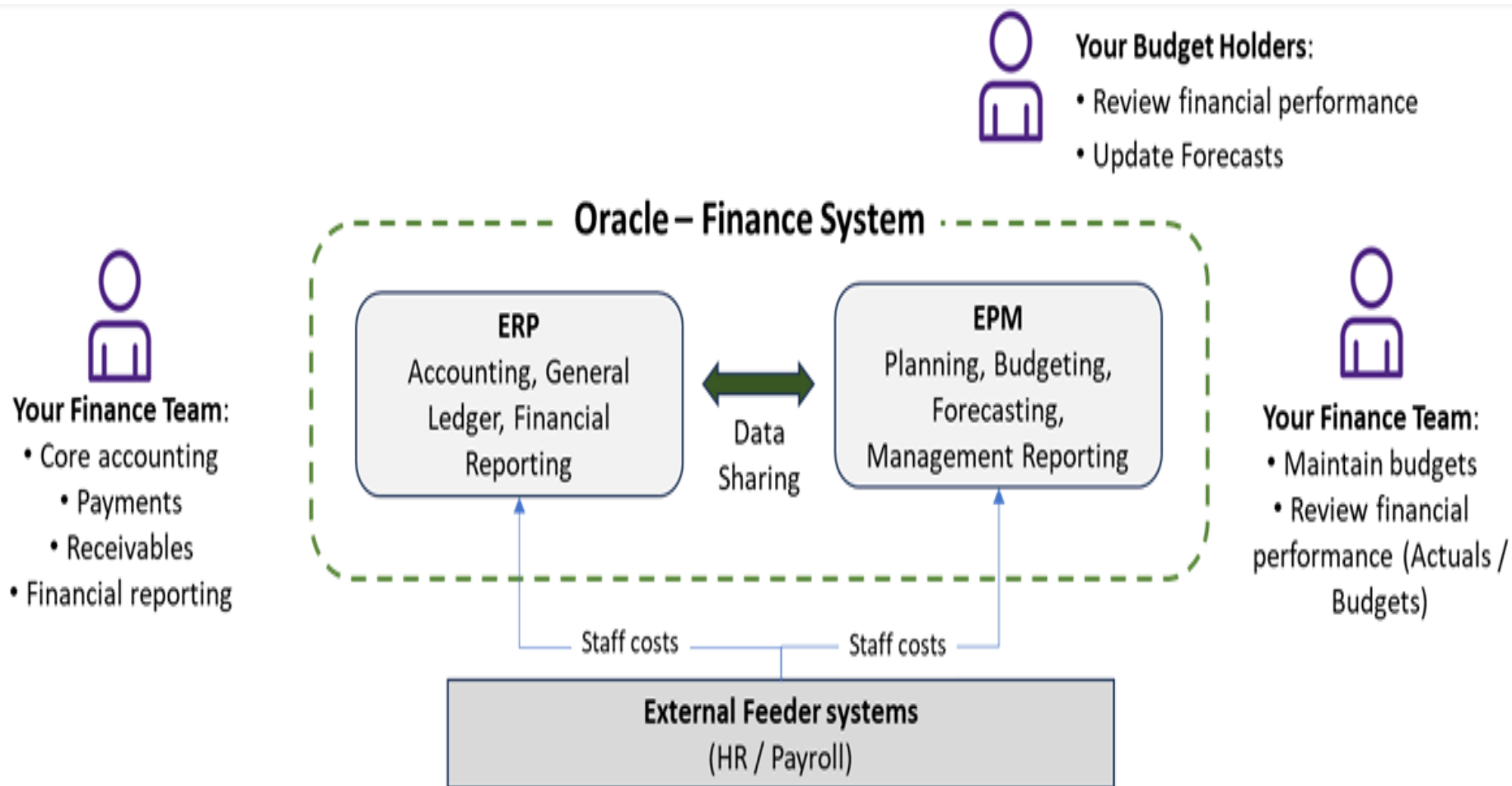
The Council's Finance System

- The Council implemented its current finance system, Oracle Fusion, in April 2024. This version of Oracle is a cloud-based solution, meaning that the software is hosted remotely rather than on the Council's premises.

- This allows the Council to access standard functionality, based upon recognised good practice processes, with regular software updates and enhancements provided automatically.

- As a finance system the Council's product has two main components:

- Enterprise Resource Planning (ERP): This is the core finance system which includes the General Ledger, through which accounting transactions are processed to produce the Council's financial statements, as well as Accounts Payable and Accounts Receivable sub ledgers.

- Enterprise Performance Management (EPM): This is the Planning and Budgeting tool, used by both Finance and Budget Holders to manage and monitor performance against Budgets and to update forecasts.

- EPM supports tailored reporting and analysis, including real time dashboards, and enables users to interrogate transactions to monitor performance in detail.

The Council's Finance System

Your Budget Holders:
- Review financial performance
- Update Forecasts

Oracle – Finance System

ERP
Accounting, General Ledger, Financial Reporting

↔ Data Sharing

EPM
Planning, Budgeting, Forecasting, Management Reporting

Your Finance Team:
- Core accounting
- Payments
- Receivables
- Financial reporting

Your Finance Team:
- Maintain budgets
- Review financial performance (Actuals / Budgets)

Staff costs — Staff costs

External Feeder systems
(HR / Payroll)

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Phase one Deliverables

- The initial stage of the Finance Modernisation Programme is organised into six workstreams to address immediate priorities:

  - Supporting a robust understanding of 24/25 outturn and financial targets for 25/26, and

  - Improving resilience in core finance processes and systems.

- Work in this phase has also validated critical areas of improvement to strengthen the Council's financial management capability.

Phase one Deliverables

Prioritised Deliverables

Workstream	Description
Accounting & Control	Identification and assessment of areas of risk in the Council's Accounting processes and Controls and 24/25 Year End preparations.
Budget Monitoring	Implementation of good practice Budget Management and Capital Monitoring processes and supporting tools (excluding Oracle)
Oracle EPM (Planning System)	Implementation of key functionality to support Budget Management and Capital Monitoring through Oracle Fusion.
Finance Systems Support (ERP)	Support to develop the capacity and capability of the Council's Finance Systems team, to deliver improvement in the basic operation of Oracle, reduce manual intervention and risks related to access control and routine updates.
Finance Operating Model	Establish a new delivery model for a modern finance service to the Council.
Supplier Contract Review	Expert review of the current managed service and supplier performance and options / recommendations to continue, exit or migrate to a model that better supports the Council's needs and drives innovation.

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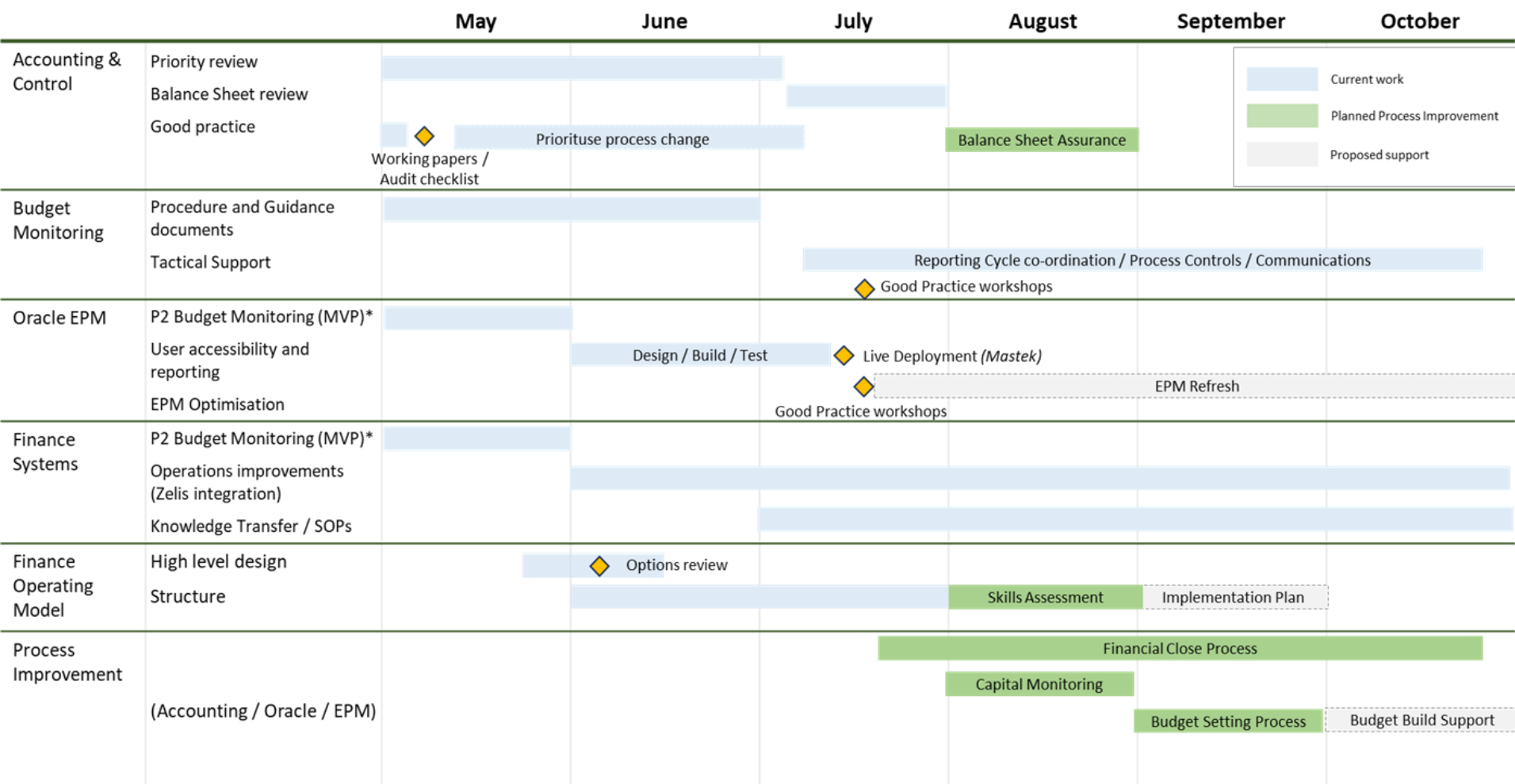LONDON

Further Planned Deliverables

A range of further improvement actions to deliver sustainable change, embedding efficient and effective processes and controls have been identified and are currently being planned.

Planned Improvements

Workstream	Description
Balance Sheet Assurance Process	Documentation of best practice process, procedures and reporting to ensure the ongoing integrity of the Council's Balance Sheet.
Financial Close Process	Documentation of good practice processes and procedures to enable the Council to close its ledgers and report on its financial position (Monthly/ Quarterly/ Annually). Support for planning and implementation of revised processes and procedures.
Budget Setting Process	Documentation of processes and procedures for Budget Setting based upon recognised good practice.
Capital Governance	Documentation of processes and procedures for Capital monitoring and Governance based upon recognised good practice.
Oracle EPM Refresh	Simplification of EPM structures and reporting: • Use of core functionality, removing duplication and complex configuration • Update of existing reports
Oracle ERP Enhancement	A range of improvements to functionality and operational efficiency, including: • Improved integration with feeder systems • Implementation of Risk Management Module

Plan On a Page

A Gantt-chart style project plan covering May through October.

Legend:
- Current work (light blue)
- Planned Process Improvement (green)
- Proposed support (grey)

Category	Task	May	June	July	August	September	October
Accounting & Control	Priority review	████████████					
	Balance Sheet review			██████			
	Good practice	◆ Working papers / Audit checklist	Prioritise process change		Balance Sheet Assurance		
Budget Monitoring	Procedure and Guidance documents	████████████					
	Tactical Support			Reporting Cycle co-ordination / Process Controls / Communications			
				◆ Good Practice workshops			
Oracle EPM	P2 Budget Monitoring (MVP)*	████					
	User accessibility and reporting		Design / Build / Test	◆ Live Deployment (Mastek)			
	EPM Optimisation			◆ Good Practice workshops	EPM Refresh		
Finance Systems	P2 Budget Monitoring (MVP)*	████					
	Operations improvements (Zelis integration)		████████████████████████				
	Knowledge Transfer / SOPs			████████████████			
Finance Operating Model	High level design		◆ Options review				
	Structure				Skills Assessment	Implementation Plan	
Process Improvement	(Accounting / Oracle / EPM)				Financial Close Process		
					Capital Monitoring		
						Budget Setting Process	Budget Build Support

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Appendix One: Workstream Status Report

Workstream: Accounting and Control

Purpose of the workstream

This workstream aims to carry out procedures related to the Council's financial reporting, including a review of current approaches and treatments. The objective is to assess whether these align with the principles set out in The Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, issued by CIPFA.

Deliverables

Phase one Deliverable	Description	Status
Collection Fund – Usable Reserve Review	Completion of a review into the controls and accounting treatments used to calculate the Council's 2024/25 usable collection fund.	Complete
Collection Fund – Review of provision for bad debt methodology	Completion of a review into the Council's approach to calculating its bad debt provision and subsequent guidance on updating its calculation methodology including provision of an MS Excel template for future calculations.	Complete
Collection Fund – reconciliation of system reports to the ledger and working papers.	A review was carried out to provide assurance that the 2024/25 amounts (£) from the Council Tax and NDR system were being correctly reflected in the Council's financial ledger and supporting working papers.	Complete
Collection fund – Review of NNDR appeals methodology/ approach	Update the success rate percentages (based on past history of success rates) and include forecast for appeals not yet lodged (which were previously excluded from the methodology).	Complete
Collection Fund Account – Estimate the declared surplus/deficit as at 31/03/2026 that impacts on 2026/27	Re calculating this estimate using various sources of information within the Council. Development of a new MS excel template was developed for the council to use going forward.	Complete
Capital Financing Requirements (CFR)	Review of calculation of the CFR and reconciliation Minimum Revenue Provision (MRP).	Complete
HRA Item 8 Debits / Credits	Review of accounting treatment and assumptions against Item 8 Debit and Credit determination requirements.	Complete
Goods Received Note Invoice (GRNI) review	This review is to provide assurance on the balances generated in the financial ledger by the GRNI process are correct in terms of identifying where purchase orders have been goods receipted but there has been no subsequent payment of an invoice.	Complete

Workstream: Accounting and Control

Deliverables

Phase one Deliverable	Description	Status
Additional Work Completed		
Balance Sheet Review	Review of other Balance Sheet items – Other Debtors and Creditors, Other Provisions, Grants in Advance.	In Progress
Good Practice Guidance	Guidance documents detailing the key elements (format, content, supporting evidence, governance/sign-off etc) of a year end working paper.	Complete
Oracle Fusion opening balances	A reconciliation of Oracle R12 balances (31 March 2024) to opening Oracle Fusion balances (1 April 2024) and reconciliation of closing Oracle R12 balances to 2023/24 SOA to check the correct starting position for 2024/25 in Fusion. Identify/ quantify differences.	Complete

Workstream: Budget Monitoring

Purpose of the workstream

This workstream is focused on preparing updated budget monitoring processes, based upon recognised good practice. As part of this initiative, three key documents have been produced: (guidance documents, forecasting accuracy analysis and a good practice framework).

Deliverables

Phase one Deliverable	Description	Status
Budget and capital monitoring guidance documents	Development of comprehensive budget and capital monitoring guidance documents. Resources have been designed to clarify roles and responsibilities, standardise procedures, strengthen current processes and support decision making at the Council.	Complete
Budget and capital monitoring procedure manual	Development of a manual that provides a clear and structured framework to ensure consistency, transparency, and accountability across service lines.	Complete
Forecasting accuracy analysis (Historic data) to improve forecasting quality	Undertaking of forecast accuracy analysis using historic budget and outturn data to assess past forecast reliability, identify patterns and variances and strengthen future forecasts. Identified areas of improvement from both a subjective and objective perspective.	Complete
Good practice inputs and outputs framework	Development of input and output templates, which follow industry best practice on monitoring and forecasting.	Complete
Training materials and train the trainer sessions	Tailored training content is being designed and delivered to the Council's trainer groups and process leads. The aim is to equip them with the knowledge and tools needed to effectively provide training to budget holders and senior managers. This training will be aligned with the recently developed budget and capital monitoring manuals and guidance documentation.	In Progress
Capital Governance	Development of Governance arrangements and supporting procedures for Capital programme monitoring and reporting	In progress

Workstream: Oracle EPM

Purpose of the workstream

This workstream is focused on the implementation of key Oracle EPM functionality to enhance the Council's approach to budget and capital monitoring.

Deliverables

Phase one Deliverable	Description	Status
Amend Planning Forms to improve Usability	Amendments to forms to improve useability for budget holders: bring Cost Centre into the rows rather than Page to allow multiple cost Centres to be planned simultaneously.	Complete
Amend Planning Reports and allow drill down within EPM to lower levels	Amend existing reports to include additional content and improves flexibility of use	In Progress
Drill down from EPM to a custom OTBI Report to be sent to Budget Holders	Creation of the link between EPM and the Oracle Transactional Business Intelligence (OTBI) report to allow users to drill drown to the transaction level in the General and Chart of Accounts.	Complete
Amend Employee Planning to be based upon Employee Budgeted figures or an annualised one rather than Actual	Moving of the existing logic to not utilise the current month actuals for forecasting but the budgeted or annualised view (currently it is using the left-hand column but should use the right-hand column – names to be confirmed).	On Hold
Drill down from EPM to Oracle GL	Enable the drill down between EPM and ERP through the data exchange integration	On Hold
Update the use of Tasks and Workflow to Task Manager	Creation of Task Manager and relevant reporting supporting both the monitoring of the process and the managing of the process	On Hold

Workstream: Oracle EPM

Deliverables

Phase one Deliverable	Description	Status
Report of Access to EPM by Budget Holders	• EPM Audit: switching on of relevant audit functionality of EPM to monitor access and changes (Not Workflow) • EPM User Access: a report can be generated from the security layer or by Oracle to allow monitoring of access.	In Progress
Alignment of ERP and EPM hierarchies	Integration of Primary Metadata between ERP & EPM created (Database tables, Objects, Views) to improves interaction between ERP and EPM. Integration of alternate hierarchies between ERP and EPM to ensure consistency of data flows. Integration setup to run each night (time to be determined) to maintain commonality on relevant Segments.	On Hold
Update of Cross Validation rules to reflect New ERP Hierarchies	Validation rules in EPM are set up ensure data entry at appropriate combinations is set up and in alignment with ERP.	On Hold

Workstream: Finance systems - ERP

Purpose of the workstream

Support to build capacity and capability in your inhouse team and deliver improvement in the basic operation of Oracle ERP.

Deliverables

Phase one Deliverable	Description	Status
GL Encumbrance Accounting Carry Forward Rules to be configured	Encumbrance Carry forward process configured Encumbrance balances transferred from prior year to current year Release Note written	Complete
Review & Guidance on budgets write back from EPM to ERP	Review the status of write back process, ensure write back works from EPM to ERP Provide Mechanism to view/extract Control Budgets in ERP	Complete
Update Custom Report for ERP Budget Monitoring	Columns on the report to be reduced to only include relevant columns Report to display output on UI instead of an Excel download Some parameters are defaulted and need no user input	In Progress
Extract Payroll from Oracle ERP GL (and remove Payroll/EPM integration)	Creation of the integration through data exchange to include Employee level information into the employee planning Validate FTE or headcount information to be pulled into Planning also and if not ensure that the input of this and calculations remain	Complete
CIS / VAT Accounting	Update of General Ledger posting rules to post CIS transactions to correct account.	Awaiting Deployment
Update Custom Report for ERP Budget Monitoring	Columns on the report to be reduced to only include relevant columns Report to display output on UI instead of an Excel download Some parameters are defaulted and need no user input	Awaiting Deployment
Segmental Security	Develop options to improve data security / visibility in Budge Holder reporting from ERP / EPM	In Progress
Interim Data Validation and Control	The Council processes approximately 100 personnel changes per month, which currently need to be manually updated in Oracle. Poor quality input data takes 1 to 2 days per month to cleanse and delays monthly Budget Monitoring. As an interim solution, while automation is prepared, we are: • Adding data validation and controls to the input files to reduce errors • Providing resource to review errors, addressing the with originators and documenting future improvement actions and user guidance.	In Progress

Workstream: Finance structure

Purpose of the workstream

Establish a new delivery model for a modern finance service to the Council.

Deliverables

Phase one Deliverable	Description	Status
High level structure	Develop a high-level target structure for the future finance organisation, to be agreed with programme leadership.	Complete
Benchmarking	Benchmarking comparison to support sizing of the future finance organisation.	Complete
Detailed organisational structure	Develop a detailed organisational structure (all roles) for the future finance organisation	Complete
Transition plan	Develop a high-level transition plan aligned to change levers / enablers	In Progress