

Financial System Update

The new financial system for Surrey County Council was implemented in early June 2023. There has been significant disruption to the Surrey Pension Fund within our Accounts, Employer and Service Delivery teams since implementation.

Officers from the Surrey Pension Team (SPT) have been involved since the launch of the new system to ensure the system meets the need of the Fund however, the level of involvement significantly increased from March 2024 when the issues began to have a growing impact on key works.

From July 2024 a MySurrey Stabilisation Program was formed to understand where the Unit 4 system was having large scale impact on operational areas of Surrey County Council and related services, such as pensions.

From September 2024 this program was formally created with the introduction of an Executive Governance Board, Operational Program Board and sub working groups focussing on the day-to-day development, of which SPT is represented on both the operational and sub-working groups.

The program has set out to bring the MySurrey system up to a viable product level, allowing it to function as expected and meet service requirements. In order to address the issues 3 key work streams were identified:

- Workstream 1 – Pensions Project
- Workstream 2 – Forms Project
- Workstream 3 – Statutory Reports Project

SPT's involvement will predominantly fall within workstream 1, with some cross over into work stream 3, and the program has been fully resourced by SCC to undertake this work, with a view to delivering agreed priority areas by 31 March 2025.

Recent developments within the program have seen varying levels of improvements, although many risks highlighted in the risk register remain and are being monitored. Below is a summary of the key works and their progress.

1	Delayed processing remains a risk	<p>There continue to be delayed processing risks across all areas of Pension Finance; Accounts Payable, Accounts Receivable, Banking & Income and General Ledger Reporting where there remain inefficiencies in the processes and system design by DB&I for Pensions.</p> <p>As part of the Stabilisation Programme, Pensions Finance met with MySurrey Business Analysts and Senior Programme Managers and where issues to BAU activities have been identified separate Working Groups have been established.</p> <p>The focus is on process improvements and system changes to key BAU activities for Pension Finance. Inefficiencies include System Access not applied correctly, inability to run key reports, SCC policies, of which SPF are exempt, being applied to Accounts Payable and Receivable in error. The deadline for process improvement is 31 March 2025.</p>
2	Risk register impact risk score remains unchanged	<p>A risk noted in the risk register is that implementation of the new financial system leads to delayed processing, data integrity issues or financial loss.</p> <p>While there is still some work to do on several configuration elements and reporting, the risk score has remained unchanged.</p>
3	Several configuration and data population issues	<p>Several data population and access availability issues followed the initial go live date and process backlogs built up as initial issues were addressed, and the team became familiar with the new system.</p>
4	Many elements have been addressed...	<p>The initial focus was on ensuring HR and payroll related elements were functional. This included e.g. transfer of leave balances and salary payments to staff.</p>

5 ...but issues remain

The new Chart of Accounts for SPF requires amendments to prevent the need for manual manipulation of data to complete Management and Statutory Reporting. A Working Group has been established with SCC Corporate Finance to address these issues and create new rules and codes to the General Ledger for SPF, deadline for completion has been amended to 31 March 2025 to allow for input from the Unit 4 Architect.

The Unit 4 system allows Intercompany transactions on the General Ledger between SCC and SPF. IT&D, Stabilisation Programme Manager and Accounting & Governance to explore permanent solution options and Working Group to explore and implement mitigating measures to prevent Intercompany transactions. This is a significant risk area.

Workshops have been undertaken in December and January and continuing into February to explore workarounds with the Unit 4 Architect. There is no system solution available that would eliminate this risk in its entirety. A mitigating solution of User Security access is being explored, and results and recommendations will be presented to the Stabilisation Board in March 25. However, it is worth noting, to remove access security from SCC personnel who provide shared services to SPF Finance such as Accounts Receivable, this function and other finance tasks will have to be transferred to SPF Finance which will require additional resource.

System and user access remains an issue, including inability to run and view certain reports and enquiries. SPF do not own their data, but SCC, leading to multiple Data Security and Governance issues.

Payroll related pension issues have been ongoing for some time.

The Working Group has been successful in gaining adequate reporting from SCC Payroll to allow the Contribution Income for 2023/24 to be posted correctly to the Ledger in MySurrey. And in turn, allowed for successful Cashflow and Actuarial Reporting for 2023/24. However, production of this report/contribution form is outstanding for 2024/25. The Working Group will continue to support SCC Payroll to ensure this becomes part of their monthly processes.

6 We have some ongoing financial issues

Banking system interface that was undertaken by SCC Banking Team has transitioned to SPF Finance Team from 1 November 2024. SPF Finance Team now have full security access and are successfully undertaking this daily task without issue achieving a key milestone in the Banking Controls Project.

However, work remains on producing daily Bank Reconciliations for the Fund to reconcile the Ledger. This is a similar issue for SCC as reconciliation reporting continues to be developed, tested and rolled out into live environment.

7 Service Delivery operational issues have reduced however, contribution reconciliation work still some way off being complete

Monthly Returns via iConnect:

After a significant amount of work from the Pensioner Payroll, Systems and Data Quality Teams within Service delivery, the monthly return submissions are now up to date.

All retrospective submissions dating back to April 2024 have been successfully updated in Altair, having carried out extensive validation work to ensure the data was fit for purpose.

The result of this work now means all new joiners to the scheme have been issued their LGPS welcome pack, any changes to personal detail changes to existing members have been updated and, SPF have now received notifications for any members who have left the scheme.

Leaver Notifications:

Progress in receiving the final pay information for leavers of the scheme mirrors that of the monthly returns, with all retrospective reports having been run by the Pensioner Payroll Team.

The combination of having both the monthly returns and final pay information, positions the teams within service delivery to carry out the necessary case work over the coming months.

The total number of backlog cases created as a result of this delayed data is circa 2100. Approximately 300 of these cases have been processed and more detailed progress reports will be provided in future board updates.

Configuration & Data Cleansing:

Configuration of the MySurrey payroll system continues as part of the stabilisation program, with LGPS improvements taking highest priority due to its scale.

Unfortunately, there have been difficulties in developing a full solution that will resolve a significant number of contribution issues, for both employee and employer contributions within the LGPS, leading to delays in their deployment. Iterative changes to the system have been made to reduce the ongoing discrepancies, with further updates expected in both February and March.

It's recognised the need for these configuration changes to be in place before the end of the financial

year, as this will increase the accuracy of employee data issued to the HMRC. It will also support key works to be carried out by SPF, including the reconciliation of contributions and the financial accounts.

Data rectification is still required on a large proportion of members to ensure correct contributions have been deducted and paid. There are known issues where employees of SCC were unknowingly taken out of the scheme and made no contributions during this period when they should have, although have not yet had their records corrected. This applies to AVC deductions as well.

SCC has now been able to identify the affected employees / members, providing insight into the amount of employee and employer contributions that have been under paid to SPF. A more detailed review of this data is currently underway, which is expected to provide indicative figures in due course.

Whilst remedial action is required and SCC are keen to undertake this work, it is unclear when this will be fully completed. SCC are aware that rectifying this prior to the 31 March 2025 would be beneficial however, it's unlikely this will be possible given the rectification covers both the 2023/24 and 2024/25 financial years.
