

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 is 31 December 2024.

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.

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. However, the correct system access is still required to enable Officers to complete Bank Reconciliations.

7 Service Delivery feeling the impact but remains committed to finding a resolution to mitigate issues

Monthly Returns via iConnect:

The March 2024 iConnect file was submitted on the 5 June, providing the necessary member data between June 2023 and March 2024.

After receiving this data SPT carried out a number of quality assurance checks to support the associated work at year end. This allowed for the production of 85% of the annual benefit statements for members employed with SCC, leaving approximately 1500 members without a statement.

Whilst work continues to support the corrections required for these records, the focus turned to ensuring the requirements of the monthly report accurately reflected member data. It was recognised there were still anomalies with the data in various areas, which would impact the provision of the monthly file moving forward.

There has been much work carried out to develop this however, it has faced many delays, with no monthly file submitted since March 2024. This has put SPT in a similar position to last year in that we have not received information for any starters to the scheme since April and, there will be other areas impacted such as the processing of refunds, deferred and transfers.

The development of the iConnect extract has now been signed off and moved into the live environment, with work underway within SD to retrospectively run these reports and carry out quality assurance checks. This will allow SPT to understand the true number of cases that will have formed a backlog for members employed by SCC.

It's expected the true nature of this will be fully understood by the end of the year and resources will be put in place to carry out the case work, with a view to having this complete by 31 March 2025.

Leaver Notifications:

Work has continued in a similar time frame to the iConnect work for the development of the leaver extract. This report is vital to providing final pay information to process member benefits and has also faced a number of delays in being ready for use.

Whilst this report has been provided each month (albeit not always on time) it has been impacted by various configuration issues within Unit 4 that has prevented

key information such as pay, reason for leaving and the date of leaving be supplied. In order to focus on key cases such as retirements and deaths, manual work has been required by Officers within SCC to obtain this data, causing additional work for SPT and slowing down the processing of member benefits.

The leaver extract has now been signed off for use in live and will form part of the work to understand the backlog of SCC cases. This report will be run retrospectively in conjunction with the iConnect report, and both these files along with reports from Altair will help determine a plan to process the necessary cases.

It is worth recognising that there are still some areas of the configuration that impact the data populated in this extract, as it does for the iConnect report, but the number of affected cases has significantly reduced and should not deter from being used at this stage.

Configuration & Data Cleansing:

MySurrey payroll system has been undergoing a number of re-configurations, developments and testing over the last 6 months.

After several delays, the configuration to calculate employee contributions accurately has been successfully moved into the live environment, eliminating one of the key issues surrounding employee job changes that are a continuation of their employment, not a new role.

The significance of this change is that it will not only ensure member contribution deductions are correct, but it will also support the accuracy of data supplied for both the iConnect and leaver extracts.

There is still further development required to ensure the employer contributions are accurately deducted and reflected in the reports, which is expected to be ready in the live system by December 2024 payroll.

Data rectification is still required on certain 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 have begun to review this and seek to understand how these records can be identified, before remedial action is taken. At present it is not clear when this work

will be fully completed, although SCC are aware that rectifying this prior to the 31 March 2024 would place them in the best position for the valuation.

To support members who are due their benefits, the process is still in place whereby Service Delivery will calculate the pension using the latest data we hold where possible, with a view to recalculating once the revised data is received.
