BLYTH TOWN COUNCIL

Governance Committee
10 July 2025

Report

Financial Software Update

Recommendation

The Committee to note the progress on the implementation of a new accounting package by Council Officers, as well as an interim report from the Council's independent Internal Auditor.

Ward

All

Risk Management

To ensure that the accounting package for the Council's accounts provides the required information and assurances in accordance with governance arrangements.

Objective

To ultimately increase the efficiency of managing the council accounts with an easy to use robust, fit for purpose accounting software package.

Report

The Council currently operates its financial accounts on a complex excel database of spreadsheets with vast amounts of formula and functions holding it together to operate efficiently. This also had a degree of duplication as far as Vat input was concerned when we had to use a 3rd party system for the reclaims that were made.

In January 2025, it was agreed that the Council would purchase sector specific financial accounting software and that the Town Clerk was delegated to determine which software was the most appropriate.

After consideration it was decided to further look at a package called Xero and to do this on a trial basis. Although not sector specific it had many advantages and was used by a large neighbouring Council.

Very quickly within this trial it was agreed that we should further look to implement so that both the current and proposed systems could be run together from the 1 April.

The implementation commenced in March and by the end of May, Officers felt that it would be beneficial to obtain an independent view from the Council's Internal Auditor, at this stage of the implementation. Officers highlighted at this stage that there were still some processes that would need verification against the Excel package, e.g. Vat claim and Year end procedures. The interim report from the Internal Auditor is attached at Appendix 1 and is very favourable.

Officers feel that should the outstanding processes compare exactly to the Excel figures that a full implementation date can be given and that the use of Excel, for the main element of the accounts, is discontinued. The use of Excel will still be used as supporting modules to the Xero package. After this the full benefit of the new system will be demonstrated.

Malcolm Wilkinson
Town Clerk

30 June 2025
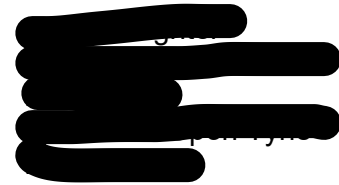
30 June 2025

Mr Malcolm Wilkinson
Town Clerk & Responsible Financial Officer
Blyth Town Council
Town Hall
Arms Evertyne House
Blyth
Northumberland
NE24 2AS

Dear Malcolm,

Internal Audit Report to the members of Blyth Town Council.
A review of the Implementation of the new Accounting Package & Financial Management System – Xero Accounting Software.

Further to my recent visit regarding the above matter, I have attached for your attention my review and assessment of the system implementation work to date.

For completeness and for the benefit of the new Council, I have made full reference to the background leading to the decision to implement a new financial package and examined the key drivers required in seeing improvement.

Since coming into being in 2009, the Town Council has used the spreadsheet editor "Excel", developed by Microsoft for Windows, for its day-to-day financial management and reporting. The application is a commonly used spreadsheet program which is used to save and analyse numerical data. Although the application has served the Council well, particularly in early years, with the service growth and development in recent years it was clearly apparent that there was a need to examine and look at the implementation and key benefits of a new cloud-based system.

In my audit work and former role as a Clerk and Responsible Financial Officer, I have frequently encountered various challenges associated with the use of spreadsheets for financial management in the local council sector, particularly in larger Town Council's. These challenges not only impact the efficiency of financial processes but can also raise concerns about data accuracy, security, and compliance.

In recent audit visits, for both interim and year-end work, I had raised and discussed with you and Elaine the need to consider a new financial package. It was evident that the Excel system was now becoming labour intensive and cumbersome and was not intuitively user-friendly to new staff members.

Transitioning from spreadsheets to bespoke software represents a step forward in modernising Local Councils' approach to financial management. It is not just about securing data; it's about optimizing efficiency and accuracy. As such I welcomed the news that the Town Council, further to a product review exercise, had taken the decision to implement a new financial management system, "Xero Accounting Software."

For the purposes of my review work on the implementation to date, it was important to assess the progress against the key improvements and benefits you would expect to achieve and see in a new accounting software system. I have set out below the headline measurement criteria:

- **Minimised Human Error**: Automated data processes in software should significantly reduce the likelihood of the errors prevalent in manual spreadsheet handling.

- **Efficient Reporting and Bank Reconciliation**: Custom software can automate and streamline report generation, VAT claims, year-end processes, and especially bank reconciliation, saving considerable time and enhancing accuracy.

- **Enhanced Data Handling**: Software solutions offer superior capabilities for managing large amounts of data, ensuring clarity and ease of access.

- **Improved Version Control**: With cloud-based systems, the latest data version is always at hand, eliminating inconsistencies.

- **Stronger Data Security**: Advanced security features and backup systems protect against data breaches and loss.

- **Robust Compliance with Data Protection Laws**: Custom software can be designed to comply with GDPR and other data protection regulations, efficiently handling data requests and ensuring privacy.

From my examinations of the system and full discussions with the staff charged with the implementation work, it was clear that significant progress had been made to date. A detailed chart of accounts underpinning the system had been developed and Income and Expenditure reports for budget monitoring had been produced and used for council reporting.

As evidenced, the Xero system was being fully and successfully used for processing and payment of invoices and there was full integration with banking for the reconciliation work. There was clearly a feeling of staff confidence in the system and a familiarity with the system and its functionality. Although the system is not specifically built for local councils, as a bespoke system it appeared both easily adapted and adaptable to the production of required reports e.g. the production of payment listings over £250.

As expected, at this time it was noted that the implementation work was being undertaken against the necessary continued use of the current Excel system. Whilst creating much duplication of, and additional work for the staff, this work is nevertheless important for both the full assessment of accuracy and confidence in the making the timely wholesale move to the new system.

Moving forward I would make the following observations and recommendations to you for the successful move and implementation of the Xero system:

- Aim for a specific "go-live" date and move to full use of the Xero system,

- Prior to go-live, run a full "mock year-end" exercise, to include the production of all reports required for completion of the Annual Governance & Accountability Return (AGAR) – to include bank reconciliation, accruals and prepayments, VAT return, cash to reserves reconciliations and supportive budget reports,

- Consider how other supplementary records will be managed and reported alongside Xero, including allotment records and the asset register; Excel will still have a valuable role to play!

- Assess and establish the system access and restrictions for all users and enable full separation of duties for all key tasks,

- Ensure training on system for all staff users, appropriate to their level of required and granted access. All management staff should be able to independently produce bespoke reports,

- Establish a key nominated management point of contact for system responsibility, maintenance, user support and future development; and

- Where required, reflect changes and responsibilities in the Job Descriptions.

In summary the system implementation and trialling work of Xero to date appears to have gone well and smoothly. I am of the view that further to go-live and fully embracing this change, the Town Council will significantly enhance their effectiveness and reap the benefits of a more secure, efficient, and reliable financial management system.

If there are any matters you wish to discuss or clarify, please do not hesitate to contact me.

Kind regards,

Mike Slaughter
Internal Auditor