

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
AUDIT AND TRANSPARENCY COMMITTEE MEETING**

8 MARCH 2021

**REPORT BY THE DIRECTOR FOR HR AND OD AND DIRECTOR OF FINANCIAL
MANAGEMENT**

UPDATE REPORT ON THE INTEGRATED BUSINESS CENTRE (IBC)

<p>The purpose of this report is to provide the Audit and Transparency Committee with an update on the IBC since the last report in July 2020.</p>
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1. EXECUTIVE SUMMARY

- 1.1 On 1 December 2018 Kensington and Chelsea launched the IBC Solution, becoming a partner in Hampshire County Council's (HCC) public sector shared services operation for Finance and HR. This saw the Council adopting the services and underlying processes provided by the HCC Integrated Business Centre (IBC) and included the replacement of Agresso with SAP.
- 1.2 The core finance services to be delivered through the IBC and SAP included financial management, budgeting, purchasing, and for HR, personnel transactions around staff records, leave, expenses, recruitment, payroll and workforce data.
- 1.3 Audit and Transparency Committee received an update on progress with the implementation in July 2020 from both an HR and finance perspective. There has been progress against all areas since this date and this report provides the update.

2. RECOMMENDATION

- 2.1 That the Committee consider and comment on the update of the IBC since the last report in July 2020.

3. BACKGROUND

- 3.1 This report provides an update to Audit and Transparency Committee on progress with implementing the new IBC operating model following the launch of the new system and partnership arrangements on 1 December 2018 and the last update in July 2020.
- 3.2 Operational Performance Group Meetings, which are joint Council meetings with Hampshire Council senior officer are held quarterly. At these meetings, performance is reviewed to ensure compliance with partnership targets.

4. HUMAN RESOURCES ORGANISATIONAL DEVELOPMENT AND PAYROLL

- 4.1 The majority of processes within the Human Resources elements of the solution have been fully embedded and in operation over the last 12 months. This area was improved by the internal HR programme to support staff and managers in their understanding and use of IBC. The 'Best use of IBC Project' also includes a New starter e-mail for all staff which explains what the IBC system is, contains useful links and points of contact. Rollout of this latest initiative commenced in November 2020 and feedback received from staff and managers is very positive and supportive.
- 4.2 This year HR and Payroll have continued to meet and exceed expected targets, including the key indicator of greater than 90% of HR and Payroll transactions via IBC self- service system.
- 4.3 As identified in the last update report, recruitment was and has remained an on-going challenge. An agreed action plan between HCC and the Council was put in place and some progress was made but performance standards are still not being achieved.
- 4.4 In order to stabilise and improve the performance, a further corrective plan was put in place which transfers the responsibility and control of recruitment back to the council for the next year. The new inhouse resourcing team is addressing some of the key issues, including
- providing an enhanced service delivery to our hiring managers which will free up their time to complete their normal work duties;
 - remove the need for hiring managers to complete complex self-service administrative tasks within IBC and which will minimise the amount of recruitment errors;
 - transfer the liaison with IBC on behalf of hiring managers to increase capacity within IBC and therefore reducing calls to IBC service

During the year it is anticipated that the team will also upskill managers, improve processes and develop further integration with the agency interface.

- 4.5 Reporting has proved to be an area also requiring improvement but HR will soon be launching new HR dashboard reports, including sickness and staff turnover using the Council's own Business Intelligence tools. Once these are fully established, they will be expanded to include elements of the Learning Management System (LMS).
- 4.6 LMS (known as success factors which is part of the IBC suite of systems provided by HCC) has experienced some issues. Some staff are experiencing connection issues in completing courses and also updating employee records. This is under on-going investigation led by IT\Retained HR staff. There has been a global fault with the success factor system identified and work continues to make adjustments to IT settings in order to resolve these issues.

5. FINANCIAL MANAGEMENT

- 5.1 Embedding all the necessary processes within the finance elements of the solution has been challenging but good progress has been made over the last 9 months since the last update.
- 5.2 There has been a need to change some ways of working and drive through cultural change, particularly in purchasing and budget monitoring. The remainder of this section provides an update on the four key areas of finance.
- 5.3 COVID-19 has resulted in some changes for the finance elements of the system but the impact has been minimal. The audit of the 2019/20 accounts was all completed virtually and the testing required was completed using teams meetings to run live reports. Payment of invoices has remained on 'immediate terms' to ensure no delays in payments during the pandemic and the IBC has supported in the payments of the business grants and which has enabled a high volume of extra payments to be processed. Officers within finance have had direct access to officers within the IBC and therefore any urgent issues that have emerged have been able to be dealt with quickly.

Accounting

- 5.3 The Council and IBC financial accounting teams have a strong collaborative working arrangement which in 2020 enabled the successful closure of accounts, external audit and the publication of final accounts on time.

Budget and Forecasting

- 5.5 As part of the IBC self-service model, budget managers across the organisation are expected to manage their own budget and use the system to determine their end of year forecast.
- 5.6 There is an average of 260 budget managers identified across services and progress with implementation of this new self-serve model has made some progress but there are still some areas where targeted support will continue in 2021.
- 5.7 The self-serve element of the system poses some challenges for bi-borough budget managers but discussions are continuing with the IBC to identify a solution.
- 5.8 It is important to note that budget manager accountability is much greater than simply use of the system so training with budget managers that covers all aspects of financial management responsibilities and the management of budgets is being developed and rolled out.

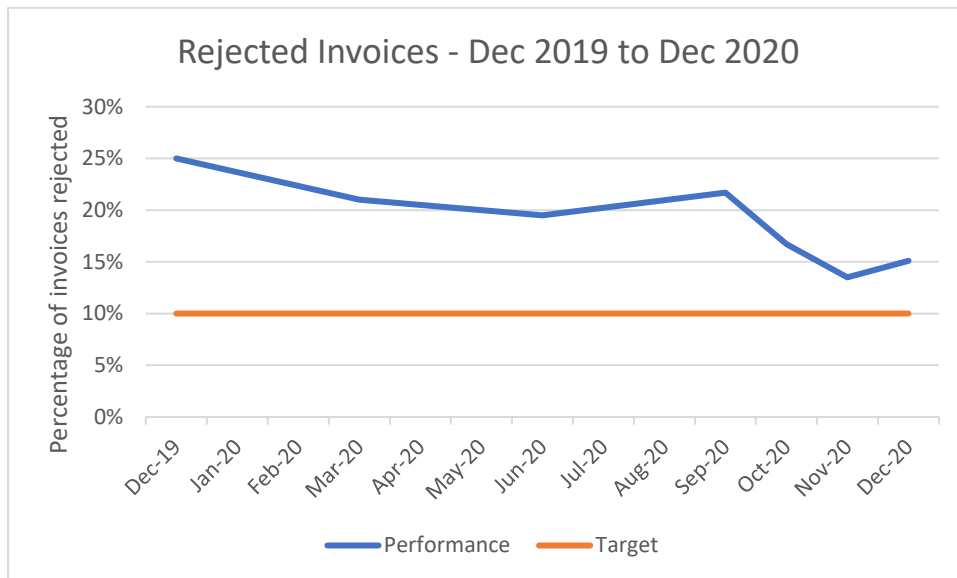
Procurement to Pay

- 5.9 This is the area that has posed the biggest challenge since implementation with the introduction of new self-serve processes and No PO No Pay policies. However, there has been steady and good progress over the last nine months

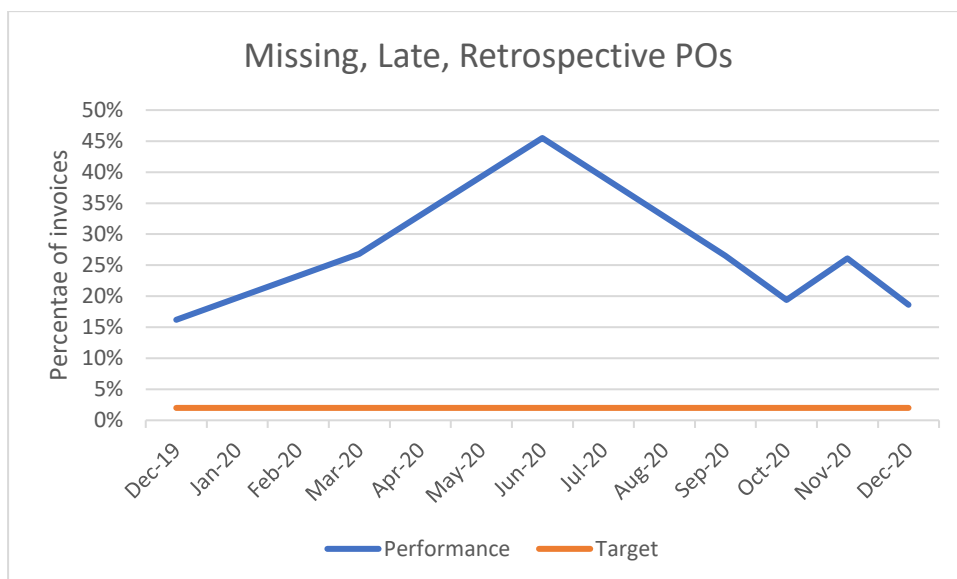
and although performance is not yet in line with the target, the trend is in the right direction.

5.10 A finance Task and Finish Group is in place who are working with individual services through budget management support to ensure the new processes are known and implemented. This work is supplemented with detailed data sets provided by the IBC each month which allows the Task and Finish Group to work with individual services, officers and suppliers. The work of the group will continue until the following performance target has been achieved in all areas:

- Rejected Invoices - to be less than 10%. Current performance is 15.1%



- Missing Late or Retrospective Purchase Orders – to be less than 2%. Current performance is 18.6%.



5.11 The main reasons for invoices being rejected are because of missing information or no / invalid purchase order number. The No PO No Pay policy was previously in existence within the council but not mandated. By following a

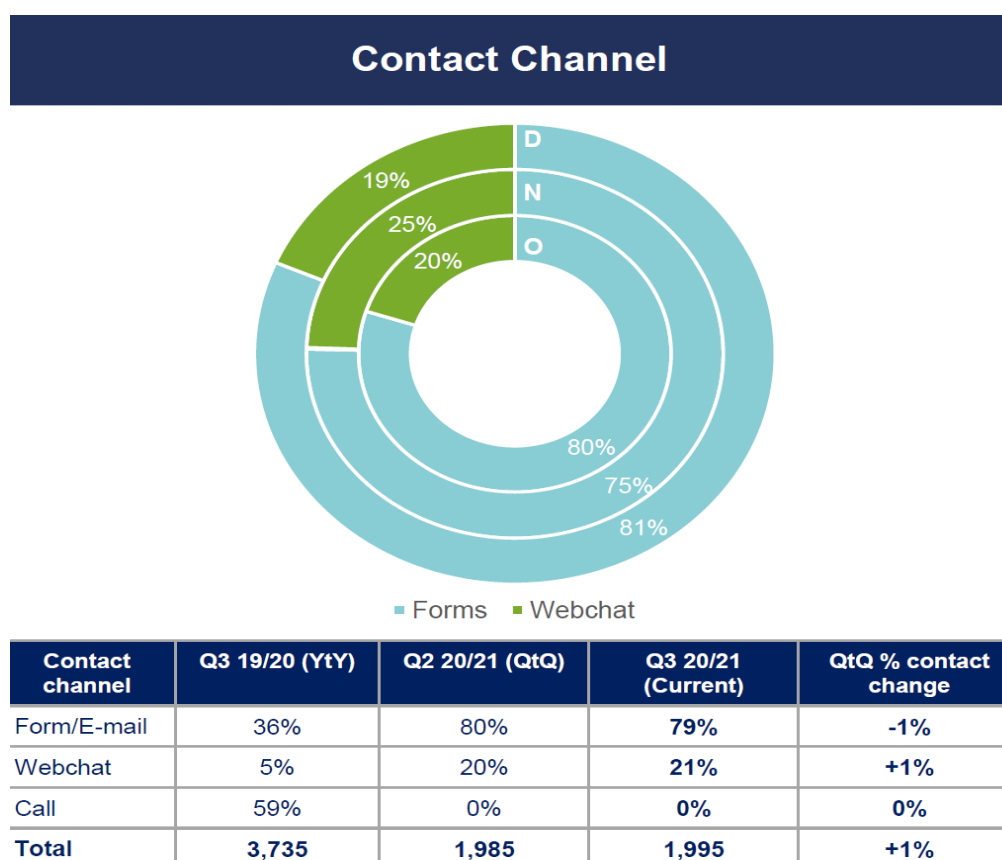
proper process where purchase orders are raised prior to the submission of an invoice for payment, this ensures that committed spend can be more accurately accounted for and appropriately approved and monitored by budget holders. Some exceptions to this principle will always exist whereby payments need to be made on a more urgent basis.

Accounts Receivable – Income Collection

- 5.12 Good processes are in place and working effectively for the collection of income, including, direct debits, issuing invoices, credit notes (invoice Adjustments) and refunds.
- 5.13 In July 2020, we reported that further work was underway to ensure the Council is using the reporting functionality of the system to greatest effect and more recently there has been a focussed effort on the reporting on the level and age of debt to ensure the Council’s team can complement the work of the IBC to improve debt collection levels.

6. CONTACT AND COMMUNICATIONS

- 6.1 Contact with the IBC is through telephone, ‘my enquiry’ and web chat. However, over the last 12 months during the COVID-19 pandemic, contact via phone has been restricted. The use of web chat has been extensively promoted because of its timely nature for responses and the latest data shows this is being more widely used.



- 6.2 Satisfaction levels are generally good, with an average of 70% of people saying they are highly satisfied and 80% saying satisfied¹.
- 6.3 The Council has strong links with the IBC Comms Team and the two teams work together on regular updates as required. Internally the Council has good communication channels, including:
- The recently launched HR and finance hubs which are used extensively by finance and HR to distribute key messages, updates and information for the organisation;
 - Finance and HR working groups covering a range of different issues but also to ensure feedback from the rest of the organisation can be collated and feed into discussions with IBC and shape future system developments;
 - All staff updates through KC briefly;
 - Targeted communications to managers, budget managers, shoppers.
 - All new staff will now receive an introduction email which includes full detail of the IBC and their roles and responsibilities.
- 6.4 In terms of external communications, this is mainly focussed around the Council's suppliers who themselves have had to adopt a new self service process. The more recent targeted communications with suppliers finding the new process difficult is now starting to have a positive impact.

7. FUTURE DEVELOPMENTS

- 7.1 When the Council on-boarded with IBC on 1st December 2018, intense implementation arrangements were in place between the Council and IBC. These were to ensure that the move to Business as Usual was at a time when both the Council and the IBC were confident that the new operating model was embedded sufficiently. In March 2020, the Council moved out of this 'stabilisation' period and became part of the partnership governance arrangements. These have now been in place for 12 months and are working well.
- 7.2 Being part of this governance process means the Council now has the opportunity to shape future system developments and those for 2021 have just been agreed by the IBC Shared Services Board. The Council can also discuss system developments in year if a need arises.
- 7.3 The finance developments to the IBC system underway or scheduled for the next year includes:
- Improvements to remittances;
 - Supplier self-serve improvements; and
 - Process for creating new suppliers.
- 7.4 The HR improvements to the IBC system underway or scheduled for the next year are aimed at improving functionality and assisting managers in their day to day operational roles. These include:

¹ From a survey of 150 people

- Manager ability to enter/amend sickness absence on behalf of staff;
- Leaver process – to automatically trigger exit interview process notifications;
- Enhancements to the time recording and approval process for items such as overtime, additional hours;
- Improvements in the family leave process; and
- Amendments to the recruitment application forms and diversity drop down menus.

7.5 Currently the Council are reviewing and agreeing across the partnership specifications of these developments.

8 NEXT UPDATE

8.1 The next update will be presented to Audit and Transparency Committee in Spring 2022 or as required.

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