

Manchester City Council Report for Resolution

Report to: Finance & General Purposes Overview and Scrutiny Committee

Report of: City Treasurer

Date: 8 March 2007

Subject: Implementation of the SAP Back Office System

Purpose of Report

- To provide information on the approach to and the outcomes from the implementation of the SAP Back Office system. A separate report will cover the CRM implementation.
- To assess the success of the implementation and issues still to be addressed.
- To provide Scrutiny Committee Members with the opportunity to comment and make recommendations on the outcome of the implementation and any actions they now consider appropriate.

Recommendation

The Committee is asked to note the report and indicate any follow up action it considers appropriate.

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Background

1. The SAP Back Office system was implemented on 3 April 2006, following the best part of two years' preparatory work. Following initial specification of the Council's requirement, the procurement process resulted in a decision to acquire SAP software and to appoint Axon as partner to guide the implementation and provide skills transfer to enable Council staff to operate the system successfully and extract the maximum benefits from it post go live.
2. The implementation process took about 15 months. Following project definition work, the system common design was developed and agreed. This was then realised and tested before final preparations for go live were undertaken from late January 2006. These preparations included a massive training programme, the scale of which actually necessitated its continuation beyond the go live date. During the realisation and final preparation stages, a separate strand of work was undertaken to prepare departments for managing the change the new system would bring. A Change Management Team within the project worked with departments, through departmental "Change Champions".
3. The system implementation was overseen by a Project Board, chaired by the City Treasurer. Key design decisions were made by a cross-departmental group of practitioners, chaired by the Head of Financial Management. The guiding principles of the design, as agreed by the Manchester Improvement Programme, were to:
 - Simplify operational practices.
 - Standardise processes, policies, procedures, operating principles and systems.
 - Consolidate transactional and operational processes.
 - Optimise the benefits and leverage economies of scale.

Integral to this approach was the decision to use the functionality offered by SAP and not generally to customise it to meet perceived "special" City Council needs, thereby avoiding the high maintenance costs that were a feature of many of the existing, largely in-house developed, Council computer systems. The SAP system itself provides for a range of different user specified configurations.

4. The SAP Back Office System is an integrated system which has replaced a whole range of existing financial and non-financial systems. As implemented, it comprises four integrated workstreams, the component modules of which are summarised below:
 - "Hire to Retire" workstream: e-recruitment, organisational management, personnel administration, payroll, training and events, occupational health and health and safety.

- “Procure to Pay” workstream: procurement, payment of accounts, invoice scanning and purchase card payment analysis and recording.
- “Service to Cash” workstream: income and cash management, bank reconciliation, accounts receivable and treasury management.
- “Record to Report” workstream: general ledger, asset accounting, capital and revenue budgeting and project accounting.

Full details of these modules and the interfaces between SAP and other feeder systems are provided at Appendix One.

5. The decision to implement in full from 3 April 2006 was based on the advantages to be derived from having a single system in operation for the whole of the 2006/07 financial year. A delayed or phased implementation would have significantly complicated the administration of the Council’s finances for 2006/07. (By the same token, the former systems were run in parallel to close the accounts of the 2005/06 financial year.) This decision was confirmed, even though all the originally planned functionality and many of the planned interfaces with other systems were not in place by 3 April. This was on the basis that the key functions of payment of suppliers and of staff were available and, for the missing functionality and interfaces, an acceptable “work around” was in place. Thus the benefits of go live on 3 April significantly outweighed the disadvantages. Some of this functionality is still to be delivered and Appendix One also provides details of future developments either in progress or planned.

Post Implementation Approach

6. In the immediate post implementation phase the existing City Council/Axon project implementation team was largely retained intact, albeit that the focus of work had shifted from implementation to stabilisation. This comprised stabilisation from the technology and the business use perspectives. The process was again overseen by a Board chaired by the City Treasurer. The objective was to ensure that the functionality as delivered worked properly and to respond to users’ queries and problems, to try and ensure that they were able to use the system effectively and properly. A moratorium was placed on making changes to the system, except where these were necessary to enable the system to function effectively.
7. There were no catastrophes over this period and the business stabilisation arrangements evolved into “business as usual” support arrangements over the period from roughly three to six months after implementation. Over this period a clear division was made between the application (ie: technology) support provided by the Corporate Technology Unit (CTU) and the Business Support provided through the Financial Management Division of Corporate Services (but across the whole range of Back Office functionality). CTU developed an agreement with Axon regarding support arrangements, based on growing the in-house skills, to provide low and

medium level support, but relying on external provision for the more complex support needs.

8. As planned, and in the light of successful stabilisation and this agreement, the Axon presence in Manchester was progressively reduced from shortly after go live. It would, however, be fair to say that the skills transfer from Axon was less than anticipated and CTU has had to rely on a considerable number of other consultants to fill the gap left by the departure of Axon as it now works to develop its in-house skills to the requisite level.
9. On the business support side, an interim Business Support Team has been created by further secondment of City Council staff initially seconded to the Project Implementation Team. In the light of a clearer understanding now of the role and scale of the task of the team, plans to establish it on a permanent basis are to be implemented shortly. The Business Support Team's role is to provide the lead in securing the benefits to be derived from the SAP implementation. It provides a problem solving service resolving business related system and procedural issues and prioritises system developments which it identifies as needed or which come to it as proposals from a series of Key User Groups, established for the various SAP modules. It identifies and delivers the ongoing training needs of system users and has written and disseminated procedure manuals. It acts as the link between the business and its needs and the CTU Application Support Team, which provides the technology solutions to these needs. The work of the team is overseen by a cross-departmental Business Support Board chaired by the Head of Financial Management.

Implementation Issues

10. Whilst the implementation has undoubtedly been a success and user acceptance and confidence in it are now growing, this is not to say that there have not been problems with the implementation and many of the intended benefits have yet to be delivered.
11. The systems introduced a number of key changes, including:-
 - Automated workflow, most predominantly involving ordering, receipting and paying for goods and services which, if used effectively, improves budgetary control and significantly lowers transaction processing costs.
 - Introduction of commitment accounting and period accounting to improve budgetary control through more up to date and complete information about income and expenditure.
 - A significant increase in new users of the financial system by giving direct responsibility to managers across the Council to authorise transactions and to control their own budgets.

12. In addition to these key fundamental changes, SAP brought a significant increase in functionality compared to the old systems it replaced and enforced significant new ways of working for officers in many parts of the Authority. Also, as already noted, because of the need to achieve the deadline of 3 April, some elements of the system design were not completed as originally intended and short-term solutions were identified to cover the functionality involved.
13. Given the nature of the implementation, it was expected that there would be a significant period of stabilisation required. It was anticipated that the initial stabilisation period would be six months, the so called “six months of pain”, after which efforts could be concentrated on delivering the elements not completed at “go live”. In practice, at the end of six months after go live, many users could not yet see light at the end of the tunnel and were becoming frustrated with SAP. One particular problem area was the reliability of the data in the system, itself a by-product of mistakes made by users unfamiliar with its processes.
14. Meetings were held to clarify the concerns. These identified frequent misconceptions and a sense of isolation amongst some users who were experiencing difficulty in using the system and, as a result, spending more time on simple processes than they perceived reasonable. In terms of the finance work streams, problem areas focussed on procurement and budget monitoring/reporting. In terms of human resources the recruitment system was seen as problematic. As well as the delivery of various system fixes and changes to improve the system’s usability, which were already logged and being worked on by CTU with Axon/SAP support as necessary, there was a clear need for improved communication and different sorts of training and knowledge sharing to get over the difficulties identified.
15. It also became apparent that “six months of pain” was an underestimate. External consultants who had been working with us saw the City Council as well progressed and successful with its implementation, bearing in mind its wide scope and the time elapsed since implementation. Taking stock with a range of other SAP users, both public and private sector, identified that many had taken up to three years to fully adjust to and achieve the long-term benefits of SAP. In part, these derive from its ordered, structured, integrated approach and the in-built access controls, but this is one of the features many users find difficult.
16. A range of actions were taken to rectify the situation including strengthening the Governance arrangements and moving forward specific problem areas. The Business Support Board was strengthened by the addition of service department representatives from the Chief Executive’s Department and Adults’ Services. The agenda was revamped to monitor and review progress routinely across the whole range of identified problems and assign priorities to action, with accountable officers reporting in person as appropriate. Meetings have been held with CTU’s

Application Support Team to review and improve Business Support/CTU support/Helpdesk co-ordination and work prioritisation. Key User Groups and an overarching Key Business Representatives Group were established and are operating for most areas of activity. They provide a forum for users to bring problems and issues to the centre for consideration and resolution, and issues are forwarded to the Business Support Board for prioritisation and actioning by the Business and Application Support Teams. They provide a way for individual front line users to bring issues to the centre's attention.

17. In terms of system/process improvements and developments, the focus has been on adding the planned functionality which was not available at 'go live' and changes to make the system easier to use – details which either were simply not thought about at the design stage or have not operated as expected or where, in a few cases and with the benefit of hindsight, the original design was flawed. Successes include improvements to the front end of the e-recruitment module to make it more user friendly (recognising that further improvement is still necessary); a complete rethink of the approach to the process for internal trading better reflecting the needs of both internal suppliers and customers; and the unblocking of the processing of transactions from the City Works DLO system. Other areas have proved more problematic and progress in identifying the causes of problems and the technical solutions has been slow. The two most significant examples, and in both cases resolution is now very close, are first the automated SAP Dunning (debt recovery) process where a technical solution has now been found and the outstanding issue is data cleansing in relation to debts migrated from the pre-SAP system and, secondly, Personnel Cost Planning. This system draws on data from the organisational management module to provide information about staff costs at cost centre level to assist in both budget preparation and monitoring processes. Although a SAP standard module, a series of technical hitches have delayed implementation, but SAP consultant's advice has now clarified the way forward and implementation is imminent. Because organisational management is pivotal to the SAP structure, success here too is dependent on cleansing existing data and maintaining for the future details of all changes to organisational structures and arrangements have now been made to centralise and strengthen the team that will maintain these structures.

18. The outcomes from these governance changes, considerable effort devoted to cleansing data, the completion of a number of system changes and improvements to the system and the growing familiarity of users with it (aided by a series of workshops and "drop in" events and the issue of updated and more detailed procedural guidance) have, since the turn of the year, started to increase confidence in the system. However, there is still a way to go yet as recent Internal Audit activity, which had been commissioned to validate the integrity of the system and its use, has demonstrated.

19. A series of audits were undertaken prior to Christmas, details of the coverage of which are attached at Appendix Two, and the reports have been considered by management and action plans finalised in mid-February. A draft overview report has also been produced, literally as this Committee Report was being drafted. It has still to be considered by management but it provides a useful checklist for future management action. It confirms a number of the issues identified above which are now being worked through and brought to resolution. Two other general themes in the conclusions need flagging.
20. First there is a need to ensure that the work of the Business Support and Application Support teams is both prioritised and resourced appropriately to ensure the system operates cost effectively in delivering the Council's needs and that the benefits envisaged from the SAP implementation are driven out. As part of reviewing and ensuring the effective operation of the SAP system, the Manchester Improvement Programme Board has also commissioned its own review of SAP in its wider context. This will include reviewing the relationship between CRM and Back Office links, with a view to informing future development plans for both CRM and also Back Office. Secondly, and related to the first objective, processes need to be reviewed to ensure that they are appropriate and cost effective and that staff are properly trained and cultural change is delivered to achieve this.
21. In considering the way in which SAP is operated in practice and to best effect, after accounts closedown and when all the urgent change requests have been delivered, the Council will have over 12 months of data available as to system use and will have significantly more experience in operating SAP. It is proposed this information be used in reviewing processes which were designed based on estimated transaction levels and based on the advice of the delivery partner about how best to utilise SAP. It may be appropriate to redesign some processes in the light of experience but this should be based on an objective assessment of the difficulties processes may be causing weighed against the underlying control or management information issues which these processes sought to provide.

Relationship to Manchester Improvement Programme

22. There was a view that, to secure the benefits of introducing SAP, its design and implementation should have taken place in conjunction with the implementation of the Back Office Service Improvement Projects (SIPs). It was, however, concluded that scale of change meant that such a strategy was too risky in terms of continuity of service delivery. A number of aspects of the system design did reflect the expected outcomes of these SIPS, based on the content of the project mandates – for example, the configuration of the Procure To Pay workstream, with the creation of the buyer role separate from the requisitioner, anticipated the direction of the Corporate Procurement SIP. The changes built into SAP

in relation to the management of the procurement function are already reaping benefits in terms of the delivery of significant MIP savings.

23. In terms of the Human Resources SIP, SAP will provide the basis for a centralised personnel and payroll administration service, not only using economies of scale to reduce costs, but also to review 'transactional' processes and make them standardised and streamlined to eliminate any duplication that exists in current arrangements particularly between departments and the centre, but also in terms of how future workflows are designed, such as cutting layers in decision trees. The new SAP technology and models of service delivery from the Human Resources SIP will provide momentum for new approaches to recruitment and retention of workforce with core skills, attitudes and behaviours, as well as creating opportunities for a more representative workforce. Whilst there have been some technical difficulties with e-recruitment and issues with the cultural change, the recruitment process can be managed online through SAP. Job openings are advertised on the intranet/internet and the system can inform interested or qualified people about possibilities. Applications can be made using an online form, the individual's training and development records are accessible and parts of the sifting and shortlisting process can be automated. Timescales for the recruitment process can be cut considerably. Systems can link in with training databases to show what training is available to support particular positions.

24. For the Financial Management SIP, SAP is expected to provide a basis for centralising transactional processing such as accounts payments and receivables. The enhanced data management and reporting facilities will eliminate the need for processing data, for example in relation to preparing budget monitoring reports and enable work to refocus on high level advice and support based on information interpretation.

Conclusion

25. The CTU and Procurement SIPs are already well progressed and both the Human Resources and Financial Management SIPs have recently been initiated. With the SAP system now implemented and essentially stable, the integrated suite of modules, automated workflow, in-built access controls and general best practice model that the system provides does supply an appropriate framework against which the Back Office SIPs can be delivered to create high quality, cost effective services, achieving the benefits intended from the SAP implementation and freeing up resource for direct service delivery.

Appendix 1

Scope of Back Office Implementation

Area	Module	Description
Human Resources (Hire to Retire)		
	E- Recruitment	Internet based on-line recruitment solution and handling/ recording of recruitment process
	Personnel Administration	Day to day administration of personnel information relating to employees
	Payroll	Payroll processing for Manchester City Council, Schools and approx 20 non Manchester organisations
	Training and Events	Recording and booking of training courses for City Council employees
	Occupational Health and Safety	Recording information relating to attendance at Occupational Health and also Health and Safety
	Organisational Management	Creation and maintenance of the organisational structure of the Council
Procurement and Payables (Procure to Pay)		
	Procurement	Procurement of goods and services from internal and external suppliers including vendor management and a workflow approval process
	Accounts Payables	Payment of supplier invoices and other payments
	Scanning (IXOS)	Scanning of supplier invoices linked to SAP record
	Smartlink (Purchase Card)	Recording and analysis of transactions relating to Purchase card and linking to General Ledger
Finance (Record to Report)		
	General Ledger	Recording, either in summary or detail, of all financial transactions of City Council enabling production of Statutory accounts
	Asset Accounting	Accounting for the Capital assets of the Council
	Capital Budgeting	Preparation and monitoring of Capital budget and related spend
	Revenue Budgeting	Preparation and monitoring of Revenue Budgets and related spend
	Project Accounting	Accounting for and reporting on spend on both revenue and capital projects
Income (Service to Cash)		

Appendix 1

	Treasury Management (part)	Recording of the financial transactions relating to the management of the Council's investments and loans
	Income & Cash Management	Allocation and recording of Council's income and cash in correct system
	Bank Reconciliation	Recording of all transactions involving bank to enable automated reconciliation
	Accounts Receivable	Recording of sundry debt against customers and associated debt recovery
Reporting		
	Business Warehouse	Reporting tool enabling manipulation of information to produce management reports
User Interface		
	Portal	Log-on screen to enable one single point of entry to different SAP areas
Interfaces to SAP		
	DLO system	City Works charging system
	PARIS	Cash receipting and income management system
	SMARTLINK	Purchase card administration system
	IXOS	Scanning system
	Abacus	Payments and Charging for residential/day care/ home care for Adult Services
	Carers Payments	Payment system to Foster carers
	NSC	Rent billing system
	E-Cam	Education awards payment system
	Energy Management	Energy suppliers payments system

Appendix 1

Future Developments (in progress or planned)

Area	Module	Description
Human Resources (Hire to Retire)		
	Learning and development	Management of staff development and appraisals
Procurement		
	E- Auctions	Electronic Auctions
	E- Tenders	Electronic Tendering
	Workflow Monitoring	Automatic monitoring process for approvals and other processes via e-mail
	E- Billing	External interface to suppliers to enable them to submit invoices electronically
Finance		
	Personnel Cost Planning	Tool to enable production of 3 year employee budgets, year end projections utilising both payroll and structural information. Also modelling of restructures.
Interfaces		
	Academy	Benefits and Council Tax system
	PM Website	Project Management software
	LACMAS	HATS School Meal billing system
	LogoTech	Loan Management software
	FMS6	Schools financial systems
	Flare	Private Sector Housing Licensing system
	Acolaid	Building Control billing system
User Interface		
	Portal Messaging	Welcome page after user log-in enabling messages and targeted information to SAP users
	ESS/MSS (Employer Self Service/Manager Self Serve)	Direct execution of personnel processes by employees and managers; access to ad hoc query/reporting facilities.

Appendix 2

Internal Audit Review of SAP Back Office System

1. Implementation of the SAP Back Office System represented a significant risk to the successful delivery of financial transactions and the production of financial information. Internal Audit was heavily involved in helping to configure the system prior to implementation but it was recognised that following “go-live” work would be required to validate that the system was working as intended. The following audit reviews have now been undertaken, based on an audit risk assessment of those area most critical or vulnerable.

- **Access controls.** This review considered how key functions are separated or access to key transactions in SAP is restricted, to provide effective internal control.
- **Interfaces.** This review considered how accurately financial transactions from other business systems are electronically fed into SAP General Ledger from where the accounts of the Authority are prepared.
- **Approvals by Cost Centre Managers.** This review considered an area which represents a significant change in how transactions are processed placing responsibility for sanctioning spending in the hands of many more employees.
- **Unsupported Invoices.** This review considered a way of processing invoices received without prior approval of a requisition, which is necessary but can be used as a way of overriding the normal way in which invoices are processed thereby weakening control.
- **Purchase Cards** Purchase cards have been known to be prone to misuse. SAP introduced new methodologies for their control which needed to be reviewed.
- **Manual Uplift.** This review considered how bulk payments, processed outside of SAP and not loaded through an interface are loaded and subsequently processed within SAP.
- **Vendor Creation.** This review concerned the effective administration of people, businesses and organisations paid by the Council. It is important for management information to avoid duplication of vendor information and, for control purposes, to guard against the creation of bogus vendors.

Appendix 2

- **SAP Back Office Support** . This review, undertaken on our behalf by our computer audit specialist, Salford Computer Audit Services, examined the arrangements within Corporate Technology to support the effective operation of SAP.
2. Note that although a significant amount of salary and wages payments are made through the payroll system, this area has not yet been reviewed as Internal Audit considered the accuracy of these payments as part of parallel run testing immediately prior to go live.

MANCHESTER CITY COUNCIL
REPORT FOR INFORMATION

COMMITTEE: Finance and General Purposes Overview and Scrutiny Committee
DATE: 8th March 2007
SUBJECT: SAP Customer Relationship Management System [CRM]
REPORT OF: Manchester Improvement Programme Director

PURPOSE OF REPORT

To report on the SAP CRM system implementation.

RECOMMENDATIONS

The report is noted.

FINANCIAL CONSEQUENCES FOR THE REVENUE AND CAPITAL BUDGET

None arising from the report.

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BACKGROUND DOCUMENTS

None

WARDS AFFECTED

All

IMPLICATIONS FOR

<u>Environment</u>	<u>Employment</u>	<u>Anti-Poverty</u>	<u>Equal Opportunities</u>	<u>Human Rights</u>
No	Yes	No	No	No

1. INTRODUCTION & CONTEXT.

- 1.1. The Council's strong determination to transform the way the council delivers customer services is supported by its decision to implement SAP Customer Relationship Management [CRM] across the organisation. A consistent CRM system and improved business processes are being implemented to provide customers with responsive, high-quality service through whichever channel they choose to communicate with the council. The customer is progressively being provided with a consistently high level of service across each of the Council's service areas, and multiple services are being fronted through a single point of contact.
- 1.2. The implementation of the system has been a key element of the Council's vision of 'putting the customer at heart of everything we do'. Based on SAP technology, the new SAP CRM system provides a single view of the 'customer', i.e. citizens, businesses or tourists thus enabling the organisation to target an improved and more efficient level customer service.
- 1.3. SAP CRM system provides the key enabler to making organisational changes that will deliver a step-change in efficiency, either through the reduction in cost or the improvement of customer service.
- 1.4. Many local authorities, as well as other public and private sector companies, have implemented integrated systems such as CRM and have achieved incremental 'system-driven' benefit. Where the Council differs from many other Local Authorities is in its clarity of its strategic vision coupled with an unrelenting determination to succeed in achieving it.
- 1.5. The CRM Project started in February 2005 under the governance of the Council's Pathfinder Programme within the Manchester Improvement Programme. In partnership with Axon, a SAP technology implementer, the implementation of the SAP technology was coupled with transformational change of business processes and, where necessary, changes to staffing structures. The methods adopted to manage the business change process were common to other projects being delivered through the Pathfinder Programme, i.e. Back Office Project [HR, Payroll, Procurement, and Financial Management].
- 1.6. The first task of the CRM Project was to complete a Common Design. This was a very high level exercise that looked at common ways in which customers may interact with the Council no matter which service was involved. The common design exercise established that interactions with the organisation were based on customer having a simple enquiry [capable of being handled by the Contact Centre], a complex enquiry [requiring handling by a specialist in a service area], a request for a service [or an appointment], to make a payment or to make a complaint. Once it was established that all services in the Council had customers that interacted with these in one or more of these 5 ways, then common process were developed within the SAP CRM technology.
- 1.7. Strategically, the SAP CRM system is to be implemented across the Council, however the first implementation was to be in the then newly established Environment On Call [EOC] Contact Centre, based at Pink Bank Lane, Belle Vue. This first implementation, known as Phase 1, was to introduce the new system into a set of service areas with the Environment & Operations Directorate. These service areas were Waste & Recycling, Street Management & Parking, Grounds Management & Green Space, Highways, Campaigns. It should be noted that the EOC system SAP CRM replaced was an old legacy system which had been upgraded to reflect the EOC operation but was in need

of replacement. The CRM investment was therefore very timely for EOC. Having already established high level common design principles, the CRM Project developed detailed designs for these targeted services that were to form part of Phase 1.

- 1.8. Phase 1 of the CRM Project was successfully implemented in November 2005 and was followed by a period of 12 weeks during which the new system was stabilised or 'bedded in' and all technical issues were rectified. In parallel to this bedding in stage, plans were being made for Phase 2 of the CRM Project.
- 1.9. Phase 2 of the CRM Project has implemented the system in the remaining services within the Environment & Operations Directorate, namely Environmental Health, Licensing, Pest Control, Community Transport and Trading Standards.
- 1.10. It was recognised that during Phase 1 of the CRM Project, the Council had acquired *some* of the skills needed to implement the SAP technology. It was therefore possible to structure the project with less reliance upon Axon resource which was on average 4.5 times more expensive than permanent Council resource. Commercially, the partnership arrangement for Phase 2 was on a time and materials basis and required only very specialist technical skills from Axon that Council staff had not yet acquired. This shifted the ratio of Council–Axon staff from 50:50 in Phase 1 to 80:20 for Phase 2.
- 1.11. Building on the work done during the Common Design exercise and the system implemented in Phase 1, the CRM Project had an initial 'go-live' date of October 2006. However, in August and September of 2006 the severe technical difficulties were encountered, in particular with a complex technical interface and some specialist development with the Pest Control service.
- 1.12. This delayed the 'go-live' to January and February of 2007 and at the time of writing these implementations are in the stabilisation phase.

2. BENEFITS OF THE SAP CRM SYSTEM – IMPLEMENTED TO DATE.

- 2.1. The CRM System has now been implemented in all of the services within the Environment & Operations Directorate and it is estimated that over 50% of the Council's non-housing management customer enquires are now handled through the Contact Centre. In doing so the system has brought new and improved ways of working to the service areas.
- 2.2. The new CRM system has put service information at the finger tips of EoC Contact Centre Agents to allowing customer calls \ emails to be resolved usually at the first point of contact, allowing the service areas to focus more on delivering the service and less on call handing.
- 2.3. Many service areas provide services that require appointments to be booked with either office \ counter staff or field based staff. In most cases these appointments were previously managed via a paper based system and by admin staff or in some cases by specialist service delivery staff. The CRM system has developed an electronic booking system \ electronic diary that allows Contact Centre Agents to make bookings on behalf of customers. In doing so, this has removed the need for paper based systems in service areas causing less distraction for service delivery specialists. The electronic diary also takes into account a service's delivery capacity and only allocates slots against available staff or teams, thus helping managers with service planning and performance.

- 2.4. Customers have traditionally only been able to contact service areas during the times when specific offices were open. In most cases this was for around 7 hours per day. By channelling access to services through the EoC Contact Centre, supported by the CRM technology and business processes, customers now have access 12 hours per day Monday to Friday [8am to 8pm] and an out of hours service if required. In addition, the shift towards calls being handled via the EoC Contact Centre has in a more consistent high quality experience for the customer and the ability to have calls answered. Previously some service areas did not have the capacity to deal with the call volume and as a result calls would go unanswered was sometimes a cause for complaints. The EoC Contact Centre provides this required call handling capacity.
- 2.5. Through various fact finding \ benchmarking visits throughout 2006 to other Local Authorities it was found that many have either implemented or were in the process of implementing CRM technology, and in some cases SAP CRM technology. The key difference between Manchester City Council and all other Local Authorities was the depth to which the technology was being implemented from the Contact Centre into specific services. In essence, we are integrating the Contact Centre more fully with service delivery.
- 2.6. Most other Local Authorities have implemented CRM technology to support Contact Centre operations, the consequence being that paper based processes remain in place, including the interaction between the service and the contact centre. This has resulted the contact centre agent being able to offer only a limited service to the customer before the need pass the call on to the service area to deal with. The council's approach has been one to linked the CRM system to specialist systems that support service delivery, thereby significantly increasing the speed with which requests for service are passed to staff to deliver. A good example of this is seen in the Environmental Health service that makes extensive use of the 'Flare' computer system.
- 2.7. Phase 2 of the CRM Project developed a technical interface between SAP CRM and the Flare system. Although a complex development, the work done can be re-used to support the development and reduced the costs of other technical interfaces with key council systems such as Capita Academy [Revenues & Benefits], Comino [Housing] and the Library Management System.
- 2.8. The CRM system now offers an 'eligible shopping basket' function whereby customers in the future will be able to select a number of services that they are entitled to, particularly useful when customers are new to the Manchester area and are requesting several services from the Council. The CRM system, in recognising the profile of the customer, allows the contact centre agent to advise the customer of those services to which they are eligible and those to which they are not, or at least must pay for. This has removed a lot of process waste that would have otherwise been handled by the individual service areas.
- 2.9. The CRM system has been developed to replace several 'legacy' systems in Pest Control that were unsuitable to support the service area. These systems were based mainly on MS Excel spreadsheets or MS Access Databases and were not properly supported by IT staff. This service area now uses CRM as its service delivery system as well as its link to the EoC Contact Centre. The CRM system has the capacity to support the Pest Control service much better than the legacy systems and is fully supported through Corporate Technology.
- 2.10. The provision of Management Information [MI] is key in supporting managers to effectively manage the performance of their service. The CRM system has introduced a new reporting system called Business Warehouse [BW]. Once service data has been electronically captured, then trained staff in the service areas can view performance

data form various perspectives, all of which are designed by themselves. This is providing service managers with performance data that they have previously either not had, or have spent lots of effort in gathering.

- 2.11. The reports that are generated through the business warehouse are done automatically and can be done on a scheduled basis, again as managed by trained service area staff as they require it. Service Managers are encouraged to use 'repeat calls' as a key performance indicator because each repeat call means the customer has found it necessary to call more than once about the same matter. A 'manager expectations' document is being produced by the Manchester Improvement Programme which requires managers in future service installations into CRM to focus on minimising these calls and identifying/eliminating their causes.
- 2.12. The running costs of the contact centre are met by a 'charge per call' to the service concerned. This enables the Contact Centre Manager to staff the centre according to predicted demand and encourages the minimisation of customer complaints and repeat calls because each one is a charge on the service.

3. MONITORING AND FEEDBACK

- 3.1. For the last 2½ years the Physical Environment Overview and Scrutiny Committee [PEOSC] has monitored the progress of the Environment On Call [EoC] Contact Centre and the SAP CRM Project. The PEOSC group have also visited the EoC facility at Pink Bank Lane, Belle Vue. This committee have noted the service improvements that have been made through the implementations of SAP CRM in EoC through 2005 and 2006.
- 3.2. The SAP CRM has assisted the contact centre to reduce caller waiting times by 32% from 2005 to 2006. Improvements have also been noted within service areas, examples include:
 - Streetscene experienced a reduction in failed jobs (i.e. jobs not completed within agreed service levels) from 5.8% to 3.9% and continues to improve,
 - Refuse\ Recycling Collection experienced a reduction in failed jobs from 7.7% to 4.9% and continues to improve,
 - Grounds maintenance reduced the average number of days to complete a job from 10 days to 2 days in just 6 months,
 - Permits (skips on the highway, dropped kerbs, banner etc.) were taking a maximum of 64 days to complete a job, this has reduced to 9 days in just 6 months.
- 3.3. The results of a customer satisfaction survey were discussed at the meeting of the PEOSC on 12th December 2006. In summary, the survey consisted of randomly selected requests for service where the customer was called back and asked to complete a satisfaction questionnaire. Customers were asked to rate the overall service they received when calling EoC by selecting a score from 1 – 3, 1 being low and 3 being high.
- 3.4. In addition to the customer service questions, each customer was canvassed for their preferred method of communication on job progress with EoC, i.e. telephone, e-mail, fax, text message [SMS], web-form [internet] or letter. The results of this survey show an average score of 2.89 out of 3, with 90 of the respondents provided a score of 3. The survey also concluded that the telephone was the preferred method of communication by customers.

- 3.5. The customer satisfaction surveys are ongoing within EoC, with 100 customers being called back each month and various elements of the service are tested on a rotational basis.
- 3.6. Overall the feedback suggests that customer expectations are being met to a high standard when contacting EoC. This ranges from answering the call promptly to the query being concluded to their satisfaction, both of which are assisted by the SAP CRM system.
- 3.7. The PEOSC, in the minutes from its December 12 2006 meeting, expressed its satisfaction with the level of progress being made with EoC and the new SAP CRM system.
- 3.8. There have been several visits by other Local Authorities [LAs] to the EoC facility to see the environment and watch a demonstration of the SAP CRM system, including Coventry, Northampton and Tameside. International visits have included a contingent from South Africa and visits have been made by Greater Manchester Police. All visitors have been impressed with the set-up of the contact centre, the functions available from the SAP CRM system and in particular the depth to which the system is integrated into the various service areas.
- 3.9. The Council is now being used a reference site for SAP CRM implementations being considered by other Local Authorities, e.g. Birmingham City Council and by other public-private partnerships, e.g. Transport For London.

4. Phase 3 and Beyond.

- 4.1. Phase 3 of CRM implementation is due to take in the services within the remit of the Deputy Chief Executive (Regeneration). However, in the light of implementation experience to date, the move to Phase 3 has been held pending an overall SAP implementation review led by the Head of Delivery in the Manchester Improvement Programme. The primary reasons for this review are:-

- (i) The Council now has much greater understanding of the SAP system and in the light of this officers wish to confirm whether continuation of the current implementation strategy offers the optimum value for money approach going forward.
- (ii) The 2nd phase implementation was late and management wishes to ensure that doesn't happen with future phases
- (iii) There is a continuing need for reliance, albeit on a lesser scale, on Axon consultancy support which was not anticipated at the outset.

- 4.2. For Members information, the SAP implementation review scope has been defined to cover:-

- An assessment of implementations so far
- Areas requiring further development
- The most effective methods are securing the further developments

Included within these headings will be:-

- Lessons learned to date

- Roles, skills required and their availability
- Extent of reliance on 3rd parties
- Value obtainable from council wide implementation of further SAP modules
- Review of business change
- Financial implications
- Implementation models
- Benchmarking with other Councils

4.3. Once completed, further implementation should be optimised to give the speediest and best value outcomes for customers. In the meantime, the CRM experience will be enhanced by the introduction of the new Website and remote working into Regulatory and Enforcement Services.